The Money Charity Response – Help to Save Reform (June 2023)

The Money Charity is a Financial Wellbeing charity whose vision is to empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.[1]

We welcome the opportunity to respond to HM Treasury's consultation on the Help to Save Reform.

[1] See box on back page.

Overall Comments

Overall, we are largely in support of the Help to Save scheme and are delighted that it is being extended into 2025. We have a few small suggestions on how the scheme could be more accessible, and more effective in establishing a long-term savings habit, detailed below.

Answers to consultation questions

Question 1: Considering the focus on working people with low incomes, what changes, if any, would you recommend making to the eligibility criteria to reach the target group? How could that be implemented? Please provide details.

We believe that there are groups of working people with low incomes, who would benefit from the scheme, but who are currently not eligible to take part in the scheme as they are not in receipt of Working Tax Credit, Child Tax Credit or Universal Credit. As Universal Credit is a means tested benefit, there is no fixed 'cut-off' for how much an individual can earn before they become ineligible to receive it – so while there are some people who may be allowed to earn higher amounts and still receive Universal Credit due to their personal circumstances, others will no longer be eligible once they are earning a much lower amount. For example, it is estimated that a single person aged over 25, who is eligible to claim £300 in housing costs, would only be able to earn a £12,200 gross annual salary before they are no longer entitled to claim Universal Credit[2]. Anyone with personal circumstances such as these, who is earning even a slightly higher salary than this, will be ineligible to receive Universal Credit – and therefore, also ineligible to take part in the Help to Save scheme. The scope of who is eligible to take part in the Help to Save scheme should be widened to include those who have low incomes but may not be eligible to claim Universal Credit. People with these circumstances are unlikely to be able to save significantly, if at all, and would therefore stand to benefit from the Help to Save Scheme.

Question 2: Do you think savers should be able to open another account after their first Help to Save account matures or is closed? Should there be any restrictions to doing so? What are your reasons?

Ideally, there would be no restrictions on the number of accounts that savers are allowed to open within their lifetime. There is no limit on the number of times throughout life that individuals may find themselves facing difficult financial circumstances, even if they had previously been financially comfortable. However, we understand that lifting this

[2] https://www.housingsystems.co.uk/News/News/id/107

restriction could be expensive for the government and taxpayer. As an alternative to lifting this restriction entirely, we suggest that the Help to save scheme could be modelled after ISAs, of which savers are only able to pay into one of each type per year.

Question 3: To what extent does the limit on monthly savings act as a barrier to maximising the benefits and or objectives of the scheme? Without making the scheme substantially more costly to taxpayers, how could this be overcome? Please provide details.

The £50 limit on monthly savings does act as a barrier to fulfilling the objectives of the scheme. As highlighted in the consultation paper, the financial circumstances of individuals using the scheme can change from month to month – meaning that some months they are unable to save the full £50, or anything at all. If users do not save £50 each month, every month, they will not receive the full bonus, and so are effectively being penalised. Savers with irregular incomes could be accommodated by changing the structure of the bonus so that savers are able to miss a monthly savings payment once per quarter, and be able to make it back up again at some point in the life of the product, for example, without this affecting the bonus paid.

Question 4: To what extent does the restriction on replacing savings that have been withdrawn act as a barrier to maximising the benefits and or objectives of the scheme? How could this be overcome? Please provide details.

Similarly, the restriction on replacing savings that have been withdrawn effectively penalises savers who have needed to access their savings. The whole point of fostering a long-term savings habit is to improve financial resilience, so that individuals are able to cope financially in the event of an sudden unexpected cost, or drop in income. Savers must be able to access their savings without being penalised or discouraged from continuing the savings habit – the bonus structure should be changed so that the final bonus received is not affected by withdrawals made and replaced.

Question 5: Do you think the current limitations on ways to pay money into a Help to Save account presents barriers for savers? If so, how could this be overcome? Please provide details.

The current restriction on users paying into their Help to Save account with cash presents a significant barrier for some savers. Small but significant portions of the UK population remain financially and digitally excluded – meaning that they have limited access to or capacity to use digital and financial tools such as smartphones, the internet and online banking. This can mean using cash exclusively. Often, these groups also have low incomes and so may be eligible for the Help to Save scheme – however they are prevented from participating due to the cash restriction. Savers should have the option to pay into their Help to Save accounts using cash.

Question 6: Do you think running the scheme for 4 years provides the best value for money for the taxpayer?

We support the length of time that the scheme currently runs for and would support any increases to the length of the scheme, as this would go further in encouraging a long-term savings habit.

Question 7: Could incentivising a regular, long-term savings habit be better achieved over a different time period?

The longer the time period the scheme runs over, the more likely it is to successfully foster a long-term savings habit among users, as long as savers are able to access their savings and bonuses on a regular basis without penalty.

Question 8: To what extent does the bonus structure or calculation method for savers act as a barrier to maximising the benefits and or objectives of the scheme? How could this be overcome?

We feel that the length of time that savers must wait in order to receive their bonus could cause some savers to disengage from the scheme. The two-year waiting period before receiving the first and the second bonus is likely to paint the bonus as being distant, intangible and unattainable from the perspective of someone who has likely not felt the benefits of a long-term savings habit before. Smaller but more frequent bonuses would mean that users feel and understand the benefit of participating in the scheme more quickly, and therefore be more likely to continuing participating in the scheme.

Questions 9 & 10: Please see above.

Question 12: Are there alternative options to encourage and make it easy to continue the savings habit?

Once the Help to Save account has matured, savers could have the option (and be strongly encouraged) to ‘upgrade’ their account. This could take the form of a savings account such as an ISA. The savings that the user has accumulated over the period of participating in the Help to Save scheme, including any bonuses paid, could be transferred to this account. Alternatively, the Help to Save account could itself be changed or upgraded in a way so that it begins to bear interest, effectively becoming a savings account.

The Money Charity is the UK's Financial Wellbeing charity providing education, information, advice and guidance to all.

We believe that everyone achieves Financial Wellbeing by managing money well. We empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.

We do this by developing and delivering products and services which provide education, information and advice on money matters for those in the workplace, in our communities and in education, as well as through influencing and supporting others to promote Financial Capability and Financial Wellbeing through consultancy, policy, research and media work.

We have a 'can-do' attitude, finding solutions to meet the needs of our clients, partners, funders and stakeholders.

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