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HM Treasury Consultation: Reform and Delivery of the Help to Save scheme

About the Building Societies Association

The Building Societies Association (BSA) represents all 42 UK building societies, as well as 7 of the largest credit unions. Building societies have total assets of almost £525 billion and, together with their subsidiaries, hold residential mortgages of over £395 billion, 24% of the total outstanding in the UK. They also hold £399 billion retail deposits, accounting for 19% of all such deposits in the UK. Building societies account for 40% of all cash ISA balances. With all their headquarters outside London, building societies employ around 52,300 full and part-time staff. In addition to digital services, they operate through approximately 1,300 branches, holding a 30% share of branches across the UK.

Executive summary

The BSA welcomes the government's ambitions to deliver an enhanced Help to Save scheme ('HtS' or 'the scheme'), as announced at Autumn Budget 2024. We are wholly supportive of its purpose: to help individuals develop a long-term savings habit and boost the UK's financial resilience. As well as aligning with the wider financial inclusion agenda, these are two key objectives of the BSA's UK Savings Week campaign.

We support extending the scheme's eligibility criteria as we agree this will positively benefit more low-income households. While we support the intent behind the measures outlined in the government's response[1] to its 2023 consultation to include all Universal Credit claimants earning £1 or more, it is our view that the government should go further – extending the criteria to include other benefit recipients as well as individuals who do not qualify for benefits but who are on low or no income would have a greater societal impact.

We believe the mechanics of the Help to Save scheme could operate more efficiently and be more effective as a result, so we welcome the opportunity to respond to this consultation on how the enhanced scheme is delivered from 2027 onwards. As NS&I is the current sole provider of the scheme, building societies and credit unions do not currently offer Help to Save accounts. Several of our building society and credit union members are keen to deliver the scheme, which would also assist the government in fulfilling its pledge to double the size of the co-operative and mutual sector[2]. However, the government has expressed a preference for a multi-provider model and highlighted the importance of providers offering national geographical coverage. While we agree that a multi-provider model would enable more people to benefit from the scheme, the emphasis on national coverage could exclude several building societies and credit unions from participating – some of which were established to serve their local communities and would not be able to satisfy this requirement. If the

[1] https://assets.publishing.service.gov.uk/media/67213a1d4da1c0d41942a8c3/Help_to_Save_Consultation_Response_and_Delivery_Consultation.pdf

[2] https://labour.org.uk/change/kickstart-economic-growth/#boosting-investment

government remains committed to unlocking the full potential of the mutual sector[3], it will need to be flexible in its approach to allow these organisations to participate.

Consultation Responses

Our answers to the below questions incorporate BSA members' individual views and reflect feedback received from the wider sector we represent.

Q1. Do you agree that the scheme design framework is a commercially viable product? If not, why not?

Some of our members agree that the societal benefits of enabling financially excluded individuals to develop a long-term savings habit outweigh its commercial viability, while others expressed the view that a key part of the scheme's commercial viability is ensuring savers understand the bonus criteria, which they see as a differentiator between HtS and other 'regular saver' products. They believe the proposed reform to the bonus scheme will make this simpler and more attractive to potential users.

Many BSA members believe the proposed scheme design framework is an improvement over the existing one but have raised concerns over costly operational changes required to support it, such as system development. To justify this investment, they have requested that the scheme's availability be guaranteed over a long period. The cost of administering the scheme compared to a traditional savings account has also raised concerns given that the £50 monthly deposit restriction is unlikely to generate high balances.

Q2. When the original scheme launched in 2018, it was guaranteed for 5 years. Do you believe that a minimum guaranteed scheme length is required to provide enough certainty to consider the scheme as a viable product? What are your reasons?

The consensus among BSA members is that a guaranteed scheme length would be required. Reasons include:

- The resources required to implement and operate the scheme are substantial. An understanding of the scheme length from the outset would help businesses conduct a cost-benefit analysis to determine commercial viability.
- Gathering adequate data about any product or service takes time. A minimum scheme length would provide valuable insight into its success – or not. Some members also recommended that the scheme be reviewed on an ongoing basis to ensure changes (e.g. to bonus payments, deposit amounts etc.) could be made during the scheme length if required.
- Some members suggested that five years would be suitable, whereas others preferred a guaranteed scheme length of longer than five years due to an already full development roadmap.

Q3. Would this bonus calculation method provide a commercially viable product for you to offer? Please provide details and reasons why.

Some of our members are comfortable with the proposed bonus calculation – their view is that the simplified bonus structure is simpler and more beneficial for savers,

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3 https://assets.publishing.service.gov.uk/media/673482df54652d03d5161032/Call_for_Evidence_2024_-_Common_bond_reform.pdf

which would increase demand for the scheme and result in a higher commercial value of the product.

Others expressed concern that calculating bonuses more frequently would introduce operational challenges that would need to be addressed during the initial project setup and require further conversations with HMRC to clarify the necessary changes to processes and procedures. Out of those members who raised similar concerns, some explained that they do not have the system capabilities to calculate the bonus in the way it is proposed, i.e. on deposits over a six-month period, so the investment needed would have inherent risks and costs and make the scheme less commercially viable.

Q4. Would you be interested in offering Help to Save accounts to your customers as part of a multi-provider model? What are your reasons?
Our members support the purpose of the HtS scheme as its purpose aligns to their values of helping their own members build financial resilience. Several BSA members would be happy to carry out the work needed to deliver the scheme but would prefer to offer it as the sole provider, having expressed concern that offering the scheme as part of a multi-provider model could dilute or even outweigh the benefit of any investment made.

Q5. The government aims to introduce the enhanced scheme once the existing scheme closes in April 2027. Approximately how long would it take for you to develop systems to offer Help to Save accounts to customers through a multi provider model?
Some of our members who are keen to deliver the scheme estimate that the work required to implement it would take a minimum of six months. For others with no experience of products interfacing with HMRC, this could involve a multi-year project and would likely have a knock-on impact on other mandatory work, potentially resulting in delivery not being possible until after the April 2027 deadline.

Most members would need more detailed information of the initial technical changes to implement the scheme before they can provide an accurate estimate of potential timescales.

Q6. Does your business have the capabilities to connect to an HMRC API to check eligibility on account opening? If not, what alternative method would you propose to confirm eligibility? If the government was to widen the eligibility criteria in support of its broader objectives of tackling financial inclusion and/or reducing and alleviating child poverty, are there any considerations (operational or otherwise) that you would need to take into account?
While most of our members do have API capability and/or existing API functionality to check eligibility criteria, they would need further information about HMRC's API setup and how this would integrate with their systems before answering this question definitively.

Several members without existing functionality have highlighted the costs needed to put in place relevant processes and procedures, as well as either 1) carry out the necessary development work or 2) hire additional resource to implement a manual workaround – both of which would have potentially long-term financial implications.

Q7. Will your business be able to provide national coverage (England, Scotland, Wales, Northern Ireland) for Help to Save? If not, please give details on the geographic coverage you will be able to provide.
The BSA represents the UK's building society sector and seven of the larger credit unions. These organisations are member-owned and often serve a specific community within a certain geographical radius. Although some of our members could provide national coverage – especially if the scheme were offered online – our view is that it is unrealistic to expect this, and it should not be a requirement. Mandating national coverage would prevent many mutuals from participating in the scheme, and the individuals within the communities they serve from benefitting from it, which does not align with the scheme's overall objective to help low-income households and support the financial resilience of those in need – many of whom may not have access to larger institutions with a national presence. To impose such an unnecessary barrier would also be at odds with the government's pledge to double the size of the cooperative and mutual sector.

Q8. Will any other kind of restrictions apply to your ability to provide coverage for Help to Save? Please provide details.
Most of our building society members do not report any immediate issues operating this scheme within the proposed parameters; however, they would need to conduct a detailed review of the regulations and consider any potential changes should the operation model be altered.

Some other members are restricted by common bonds, such as the geographical common bond which currently imposes a three-million-person limit.

Q9. Does your business have the capabilities to provide an automatic transfer of savings from the Help to Save account into another savings product? If yes, what kind of savings product would be suitable for this? Please provide details.
All of our member respondents can facilitate this – some with both online savings accounts and passbook alternatives if needed. While some have mentioned that this would be an instant-access savings product, others have also suggested creating a bespoke regular savings vehicle following maturity of the HtS scheme.

Q10. Would a mandatory requirement for an automatic transfer of funds on maturity to a follow-on savings account present any challenges? If so, please provide details.
None of our members have raised any concerns about this if the post-maturity savings account is held with them. Others have said they would need to update their systems to facilitate an automatic transfer but that they could transfer manually as an interim measure.

Q11. Would you consider providing the scheme if you were able to adapt an existing framework and system to interact with HMRC? 24 Please provide details and any impacts this would have on the scheme design framework.
None of our member respondents has an existing suitable framework that could be leveraged given the proposed bonus structure and how this differs from paying standard interest.

Q12. To what extent would you be interested in being the sole provider of the Help to Save scheme? What would influence your decision?

Our members offered different perspectives on this question, even though all respondents expressed the view that the aims of the HtS scheme align with their values. Some larger providers with the ability to offer national coverage and delivery channels are very keen to be the sole provider: they believe this could be a more commercially viable way to offer the scheme as the potential benefits would likely match the operational outlay.

Some smaller providers have concerns that being the sole provider would either 1) present too much of an operational burden on their business or 2) not be in the best interests of the customer – especially if they cannot provide national reach.

Q13. If interested, approximately how long would it take for you to develop systems if selected as a single provider and after completion of a procurement process?

As mentioned in earlier questions, the members who would like to be sole providers would need additional information to determine accurate timescales. However, as an estimate, suggest a minimum of nine to 12 months.