

**EXPLANATORY MEMORANDUM TO THE
FINANCIAL SERVICES AND MARKETS ACT 2000 (STAKEHOLDER PRODUCTS)
(AMENDMENT) REGULATIONS 2005**

No. 594

1. This explanatory memorandum has been prepared by HM Treasury and is laid before Parliament by Command of Her Majesty.

2. **Description**
 - 2.1 The instrument amends the Financial Services and Markets Act 2000 (Stakeholder Products) Regulations 2004 (S.I. 2004/ 2738) (“the principal Regulations”). The principal Regulations give legal form to the recommendations proposed by Ron Sandler (to create a suite of “stakeholder” products) in his Government commissioned review to identify the competitive forces that drive the retail financial industry. This instrument makes amendments to the types of payment method that are required for stakeholder deposit accounts and make a consequential amendment to the requirements for payments methods for certain stakeholder products.

3. **Matters of special interest to the Joint Committee on Statutory Instruments.**
 - 3.1 None

4. **Legislative Background**
 - 4.1 Regulation 4 of the principal Regulations prescribes the types of payment methods that are required in order for a deposit account to fall within the definition of being a stakeholder product. Regulation 2 (2) of this instrument removes from regulation 4 of the principal Regulations the requirement that consumers should have the opportunity to make payments into a deposit account by direct debit, in order for that deposit account to be defined as a stakeholder product. Regulation 2 (3) of this instrument makes a consequential amendments to regulation 7 of the principal Regulations (which prescribes the methods of payment by which consumers have the opportunity to make payments into certain investment products, in order for those investment products to fall within the definition of stakeholder products).

5. **Extent**
 - 5.1 This instrument applies to all of the United Kingdom.

6. **European Convention on Human Rights**

Not Applicable.

7. Policy background

7.1 The policy objective of the principal Regulations is to create a suite of simple, price controlled, and regulated “stakeholder products” that can be sold through a basic sales process, to help drive competition in the industry and improve access to financial services for those on moderate incomes. The policy addresses the problems highlighted in the Sandler review, *Medium and Long-Term Retail Savings in the UK*, of: complexity and opacity, problems of access to those on low to middle incomes, and weak consumers in the financial services industry.

7.2 Following informal consultation with certain sectors of the financial services community and in order to achieve the policy objective outlined in paragraph 7.1, it has become necessary to remove the requirement that the provider must allow the consumer to pay deposits into a deposit account by direct debit in order for that account to fall within the definition of a stakeholder product.

8. Impact

8.1 There is no cost or burden on the consumer or business.

8.2 The impact on the public sector is negligible.

9. Contact

Ted Hart at HM Treasury Tel: 020 7270 5234 or e-mail: ted.hart@hm-treasury.x.gsi.gov.uk who can answer queries regarding the instrument.