

EXPLANATORY MEMORANDUM TO
THE NATIONAL SAVINGS BANK (AMENDMENT) (No. 4) REGULATIONS
2008

2008 No. 3098

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

2. Purpose of the instrument

2.1 These Regulations amend the National Savings Bank Regulations 1972 (“the 1972 Regulations”) to allow the Director of Savings to make the following changes to the terms and conditions of the National Savings and Investments (“NS&I”) Individual Savings Accounts (“ISAs”).

2.2 First, the 1972 Regulations are amended to allow customers to make deposits to NS&I ISAs by electronic transfer and to remove the option of making deposits by bank giro credit. Secondly, the amendments will allow payments of up to £2,000 from NS&I ISAs to be made in cash at any Post Office under the same cash payment advice process as used for NS&I Investment Accounts. Thirdly, the Regulations disapply certain deposit and withdrawal provisions of the 1972 Regulations in respect of NS&I ISAs made available after passing of the Finance Act 2003.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None

4. Legislative Context

4.1 The 1972 Regulations provide the principal legislative framework within which the Director of Savings conducts her business activities in relation to NS&I ISAs.

4.2 These Regulations amend the 1972 Regulations in order to allow the Director to make the changes described in paragraph 2.2 above in respect of withdrawal from, and deposits to, NS&I ISAs.

4.3 These Regulations also disapply a number of provisions in the 1972 Regulations so that they no longer apply to NS&I ISA products created after July 2003. In accordance with section 9A(1) of the National Savings Bank Act 1971 (“the 1971 Act”), the Treasury may make provision in relation to NS&I ISAs first made available after 10 July 2003, in the terms and conditions of the ISA product (instead of making provision for those products through the 1972 Regulations). Section 9A(2) provides, however, that the terms and conditions of any such product have effect subject to the 1972 Regulations. In order to ensure that the terms and conditions of any new NS&I ISA product are not inconsistent with the

1972 Regulations in respect of withdrawal from, and deposit to, new Cash ISAs, these Regulations disapply the deposit and withdrawal provisions of the 1972 Regulations in respect of new NS&I ISAs.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

7.1 A key building block of the NS&I 'Adding Value' 5 year strategy is the development of lower cost transaction channels. In support of this aim these changes will enable removal of the bank giro channel for deposits to NS&I ISAs in favour of electronic transfers (which covers standing orders and on-line initiated account to account transfers). The changes also provide for cash payments from NS&I ISAs to be made under the new electronic payment system which is now the single common system for all cash payments from NS&I products. The standard cash payment system also enables ISA customers to receive cash payments of up to £2,000 rather than the previous maximum of £300.

7.2 In addition, and in accordance with section 9A of the 1971 Act, provision is also being made to disapply certain of the Regulations applicable to ISAs issued after 10 July 2003. The NS&I Direct ISA was created after July 2003 and, as such, the 1971 Act allows the Treasury to make provision for this product through its terms and conditions (see paragraph 4.3 above). However, the terms and conditions of new products such as the Direct ISA must not be inconsistent with those provisions of the 1972 Regulations which continue to apply to them.

7.3 Operation under terms and conditions will give NS&I the flexibility to more readily adapt and introduce changes to its Direct ISA, in areas such as transaction channels, minimum deposit levels etc, in line with customer demand and also in line with market trends and offerings from other providers.

8. Consultation outcome

8.1 Section 2 of the 1971 Act gives the Treasury the power to make regulations relating to the management and operation of accounts maintained by the Director of Savings.

8.2 This instrument is made under that enabling power so as to make changes in respect of the way the Director of Savings operates NS&I ISAs. As such, a consultation exercise was not considered appropriate. However, to ensure that

customers are aware of the changes to the product NS&I will be writing personally to all affected ISA account holders to explain the changes.

9. Guidance

9.1 The provisions changing how customers may transact on their Cash ISA will come into effect on 6 April 2009. NS&I will be writing to each of the affected customers in early February 2009 notifying the changes and explaining their options. Such personal notification is in accord with NS&I's obligations under the Banking Code.

10. Impact

10.1 A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies.

10.2 The impact on the public sector is negligible.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 The NS&I "Adding Value" 5 year strategy is aimed at simplifying and standardising NS&I's processes and delivering a lower cost business. The development of lower cost transaction channels is a key element in realising the strategy. The provisions sought are forecast to deliver reduced operating costs to NS&I.

12.2 The Treasury review progress against the Strategy forecast as part of the annual expenditure process.

13. Contact

13.1 Danielle Morley at National Savings and Investments (Tel: 020 7348 9489 or email: Danielle.morley@nsandi.com) can answer any queries regarding the instrument.