EXPLANATORY MEMORANDUM TO

THE PREMIUM SAVINGS BONDS (AMENDMENT ETC) REGULATIONS 2010

2010 No. 2479

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

This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Purpose of the instrument

2.1 These Regulations amend the Premium Savings Bonds Regulations 1972 S.I. 1972/765 (the "1972 Regulations") and repeal parts of Schedule 18 to the Finance Act 1968 (c. 65) ("Schedule 18"). The primary purpose of these Regulations is to give greater flexibility in the way premium savings bonds can be operated in the future.

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

3.1 These Regulations repeal provisions in primary legislation, namely parts of paragraph 7 and paragraph 11 of Schedule 18, using powers given by section 325 of the Finance Act 2004.

4. Legislative Context

4.1 Premium savings bonds are subject to the 1972 Regulations. Their basic terms and conditions were set by section 54 of, and Schedule 18 to, the Finance Act 1968. The Treasury wish to modernise the product, as set out in paragraph 7 below, but to do so need to amend the 1972 Regulations and repeal parts of Schedule 18.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

6.1 The Commercial Secretary to the Treasury has made the following statement regarding Human Rights:

In my view the provisions of the Premium Savings Bonds (Amendment etc) Regulations 2010 are compatible with the Convention rights.

7. Policy background

- ***What is being done and why***

7.1 Premium savings bonds are issued by the Director of Savings, a statutory office-holder, and managed by National Savings & Investments ('NS&I'), an executive agency of the Treasury which is also a separate government department. NS&I is engaged in a programme to modernise its products, as part of its remit to provide the Government with cost-effective retail financing.

7.2 Currently, premium savings bonds are managed by post, due in part to the way in which certain provisions of the 1972 Regulations and Schedule 18 are worded. To lower operating costs, to meet customer demand for easier access and improve security of fund transfer, NS&I wishes to modernise premium savings bonds, for example, by enabling customers to give instructions electronically and receive payments by electronic transfer. This requires amendments to the 1972 Regulations and the repeal of parts of Schedule 18.

7.3 These regulations make four further changes. The first is to alter the occasions on which an application for payment will be treated as conferring on the Director of Savings authority to make payment by warrant. This change is intended to clarify the position of the Director of Savings as respects requests for repayment by cash (that is, uncrossed) warrant.

7.4 The second change is to provide the Treasury and the Director of Savings with protection against certain risks that arise from making payments to customers by electronic transfer.

7.5 The third change is to replace the existing provisions allowing the Director of Savings to forfeit premium savings bonds with provisions allowing the Director of Savings to terminate a customer's investment in premium savings bonds. The right to terminate will be broader than the existing right to forfeit. However, on termination the customer will have a right to repayment of the purchase price, rather than repayment being at the limited discretion of the Director of Savings. This change will bring NS&I's position more in line with that of commercial banks.

7.6 The fourth change is to revoke an obsolete provision relating to the settlement of disputes. The power to appoint an adjudicator under the Friendly Societies Act 1992 was repealed by section 69 of the Finance (No. 2) Act 2005 (c. 22).

- ***Consolidation***

7.7 It is not intended that the regulations concerning premium savings bonds will be consolidated.

8. Consultation outcome

8.1 No consultation was conducted in relation to these Regulations.

9. Guidance

9.1 No guidance has been produced for this legislative change.

10. Impact

10.1 There is no impact on business, charities or voluntary bodies.

10.2 There is no impact on the public sector.

10.3 An Impact Assessment has not been prepared for this instrument.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 While no specific review is planned of these amendments, the Treasury keeps all legislation governing NS&I under review, to ensure that NS&I is able to carry out its functions effectively.

13. Contact

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