

EXPLANATORY MEMORANDUM TO
THE CHILD TRUST FUNDS (AMENDMENT NO. 4) REGULATIONS 2010
2010 No. 2599

1. This explanatory memorandum has been prepared by H.M. Revenue and Customs and is laid before Parliament by Command of Her Majesty.

2. Purpose of the Instrument

2.1 These Regulations amend the Child Trust Funds Regulations 2004 (S.I. 2004/1450). They allow any provider of Child Trust Funds to stop accepting vouchers after a nominated date but to continue to act as a provider for the Child Trust Fund accounts it already holds.

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

3.1 None.

4. Legislative Context

4.1 This instrument is being made in response to representations by the Child Trust Fund industry following the Government's announcement to reduce and then end all government payments into accounts. Allowing providers of accounts to refuse new vouchers but to keep their existing portfolio of Child Trust Funds will allow more providers to continue managing Child Trust Funds and help maintain an orderly market.

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

• *What is being done and why*

7.1 In May 2010 the Government announced it would reduce and then end all government payments to Child Trust Fund accounts. Providers of Child Trust Funds have made representations to the Government suggesting measures that would enable as many of them as possible to continue to offer accounts, even with reduced government contributions, and to continue to manage the accounts that they already hold. These Regulations form part of the Government's response to those suggestions.

- 7.2 Shortly after an award for Child Benefit is made, the parents or legal guardians of eligible children are sent a Child Trust Fund voucher by H.M. Revenue and Customs. Vouchers for children born from 2 August 2010 are valued at £50 (previously £250). The Child Trust Funds (Amendment No. 3) Regulations 2010 (S.I. 2010/1894) provided for this change in voucher value. Parents or legal guardians have a year to present their voucher to any Child Trust Fund provider who in turn must then accept the voucher and open an account for the child.
- 7.3 Under the existing Child Trust Fund Regulations, Child Trust Fund account providers must undertake to accept all vouchers issued by H.M. Revenue and Customs. This is one of the conditions for obtaining and retaining HMRC approval as a Child Trust Fund account provider.
- 7.4 These Regulations relax that rule, so that H.M. Revenue and Customs approval may be retained where an account provider stops accepting vouchers, provided certain conditions are met. The conditions are that the provider has provided written notice of its intention to stop accepting new vouchers to H.M. Revenue and Customs from a specified date. The specified date must be at least 30 days after the date of the written notice. After the specified date, such a provider will not be permitted to accept any new voucher, no matter its value.

- ***Consolidation***

7.5 Not appropriate

8. Consultation Outcome

8.1 Not applicable.

9. Guidance

9.1 The rule changes implemented by this instrument will be incorporated into H.M. Revenue and Customs' Child Trust Fund guidance for providers and local authorities. H.M. Revenue and Customs will also issue guidance to providers as to how these changes will affect them.

10. Impact

10.1 There is a negligible impact on business.

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

10.3 There is no impact on the public sector or any voluntary bodies.

11. Regulating Small Business

11.1 The legislation applies to small business.

11.2 The impact upon small business will be negligible.

12. Monitoring & Review

12.1 The impact of the measures will be monitored under H.M. Revenue and Customs' broader plans for monitoring trends and developments in the savings and investments sector. H.M. Revenue and Customs collects data on Child Trust Fund investments and uses it to publish annual statistics and this policy will be monitored as part of that process.

13. Contact

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Declan.norris@hmrc.gsi.gov.uk can answer any queries regarding the instrument.