Economic Note	**Number: HO EN0011**
Title of regulatory proposal	Change to the specified anti-fraud organisation in respect of immigration restrictions on access to current accounts (s40(4) Immigration Act 2014).
Lead Department/Agency	Home Office
Expected date of implementation	6 April 2022
Origin	Domestic
Date	16 February 2022
Lead Departmental Contact	Parvaiz Asmat: parvaiz.asmat@homeoffice.gov.uk
Departmental Assessment	**GREEN**

Rationale for intervention, objectives and intended effects

The Government will amend secondary legislation to change the specified anti-fraud organisation that shares data on disqualified persons with the financial sector. This will allow the sector to continue checks on disqualified persons, who require immigration leave to enter or remain in the UK.

Policy options (including alternatives to regulation)

Option 1: Do-nothing. There are required changes to current data-sharing processes to ensure compliance with General Data Protection Regulation (GDPR) and prevent the potential access to these data from outside the UK and EU.

Option 2: To appoint Synectics Solutions Ltd as the specified anti-fraud data-sharing interlocutor with the financial sector. There are potential opportunities to make ongoing scheme improvements, to incorporate the immigration restrictions into wider work and the costs to the financial sector in creating systems changes to address the GDPR and potential for offshore access to these data are similar irrespective of the provider.

Costs and benefit summary

The estimated **total cost** is in a range of **£0.9 to £22.7 million (PV),** with a central estimate of **£9.7 million (PV)** over 10 years. The cost to business lies in a range of **£0.6 to £22.4 million (PV),** with a central estimate of **£9.4 million (PV)** over 10 years.

Benefits include the prevention of offshore access to sensitive data and continued checks by financial services. Data breach to organisations has an average cost of £3.2 million. **Four prevented data breaches** over 10 years would meet the breakeven point.

Total Cost £m PV	**Transition Cost £m**	**Cost to Business £m PV**	**Total Benefit £m PV**
9.7	0.7	**9.4**	0.0
NPSV (£m)	**BNPV (£m)**	**EANDCB (£m)**	**BIT Score (£m)**
-9.7	**-9.4**	**-1.1**	N/A
Price Base Year	**PV Base Year**	**Appraisal period**	**Transition period**
2021/22	2021/22	10 years	1 year

Departmental sign-off (*SCS*):	Terri Carpenter	Date: 15/02/2022
Chief Economist sign-off:	Kevin Bridge	Date: 18/02/2022
Better Regulation Unit sign-off:	Emma Kirk	Date: 15/02/2022

Evidence Base

1. Background

The Immigration Act 2014 provides that a person who is a disqualified person must be refused an application to open a current account (s40(1)). Providers of current accounts within the financial sector must check whether a person seeking to open a current account is a disqualified person through a specified anti-fraud organisation or specified data-matching authority (s40(3)). A disqualified person is a person who requires immigration leave to enter or remain but does not have such leave (s40(2)).

Both S45 and Schedule 7 of the Immigration Act 2016 augmented the provisions in the 2014 Act so as to require providers of current accounts to conduct regular periodic checks on existing customers against the list of disqualified persons maintained by a specified anti-fraud body or specified data-matching authority (s40A(1) and (2) of the 2014 Act as amended by the 2016 Act). Where a customer is found to be listed as a disqualified person, the provider of the current account must notify the Home Office (s40B(2)) and the Home Office may instruct the provider that the account is to be closed (s40G(2)) or to be frozen (s40D(7)).

The persons affected by these measures are in the UK without any authority. They are, consequently, required to either regularise their stay or leave the UK. A person without such authority or permission through immigration leave is unable to take employment or claim mainstream benefits in the UK. Access to a current account allows such people to establish and maintain a settled lifestyle in the UK despite their irregular immigration status.

'The Immigration Act 2014 (Specified Anti-fraud Organisation) Order 2014' specified Cifas as the specified anti-fraud organisation that would act as the data-sharing interlocutor with the financial sector for the purpose of these restrictions. The processes used for sharing the list of disqualified persons with the financial sector require significant system changes in order to better ensure compliance with GDPR and prevent the potential for offshore access (from outside the UK and EU) to these data.

The Home Office has engaged with another potential data-sharing interlocutor, Synectics Solutions Ltd (SSL), which is already involved in managing data sharing across the public and private sectors to support the National Fraud initiative. Consultation with the sector revealed that the potential costs of adapting to new systems and process introduced by Synectics Solutions Ltd or by Cifas were largely the same. Given the opportunity to align the immigration measures with the National Fraud Initiative, the similar costs involved in setting up new systems across the financial sector and the Cabinet Office's status as a data-matching authority in its own right (allowing for a potential contingency if required), the Home Office decided to commission Synectics Solutions Ltd (a specified anti-fraud organisation) to act as the data-sharing interlocutor for the purposes of these restrictions.

2. The policy issue and rationale for government intervention

The existing processes by which information on disqualified persons was shared with the financial sector required significant changes in order to better ensure compliance with GDPR, and further prevent the potential for offshore access to these data. Consultation with the financial sector showed that the potential costs to the financial sector were largely similar to those likely to be incurred by adopting a new data-sharing interlocutor.

The Home Office has historically played a significant part in the Government's National Fraud Initiative and was aware of the experience and expertise that Synectics Solutions Ltd in managing the data-syndication program of the initiative. Changing from the existing data-sharing interlocutor to Synectics Solutions Ltd would lead to largely similar costs to the financial sector, but would allow for the immigration restrictions to become part of the Initiative and the Cabinet Office, that oversees the Initiative, is also a specified data-matching authority in its own right and so provides for a possible contingency should one be required.

3. Policy objectives and intended effects

The proposals discussed here will lead to a change in the data-sharing interlocutor in the delivery of the immigration restrictions relating to current accounts. These restrictions bar those who are in the UK without authority from opening, or maintaining and operating, a current account with a UK bank. The availability of access to such financial services allow those who are here without authority to establish a settled lifestyle in the UK.

The immigration restrictions discussed here work with other immigration restrictions on access to work, benefits, and other services in discouraging those who may seek to live in the UK without authority and in encouraging those already here to regularise their status or leave the UK.

4. Policy options considered, non-regulatory options, implementation date

There is no alternative to reliance upon statutory instruments. Primary legislation (The Immigration Act 2014) requires that a specified anti-fraud organisation or specified data-matching authority that is involved in data-sharing with the financial sector for the purposes of these restrictions be specified by order.

Do nothing

This is not a viable option as systems changes are required in order to ensure full compliance with the GDPR into the future.

Preferred option

Option 2 is the Government's preferred option. The Home Office will lay secondary legislation in Parliament to change the specified anti-fraud organisation that will act as the data-sharing interlocutor, for the purposes of these restrictions. There are opportunities, with a wholly new system to build in improvements over time and Synectics Solutions Ltd's experience in supporting the Government's National Fraud Initiative may allow for the data to play a part in the wider anti-fraud programme.

Non-regulatory options

The Immigration Act 2014 requires an anti-fraud organisation or data-matching authority to be specified. As a result, there is a reliance on statutory instruments and non-regulatory options are not applicable.

5. Appraisal

General assumptions and data

The data and assumptions used in this appraisal have been sourced from a 2020 online survey sent to financial sector representatives, including financial services providers. However, due a very low response rate (15 of 238, 6.3%) the assumptions derived have been edited and supplemented by Home Office experience. Table 1 presents an outline of the main assumptions in the analysis.

Table 1, Summary of assumptions, 2021.

Name	Value	Description / Source
Business Population		
Total number of affected firms	117	Home Office currently has 112 data sharing agreements in place. The FCA have identified a further five which require one.
of which are large firms	6	The "Big Five" high street banks (Barclays, HSBC, Lloyds, NatWest, and Santander) plus Nationwide Building Society.
of which are small/medium firms	111	The remaining firms in scope.
Anticipated Costs & Benefits to Businesses		
On-boarding fee	£250 per firm	Every firm will have to pay a one-off £250 on-boarding fee for the SSL portal
Start-up costs (large firms)	£100,000 to £500,000 per firm	Survey responses indicated that few firms may incur start-up costs to cover updating internal procedures and IT, as a result of using a new provider. It is assumed that only larger firms with more rigid systems will incur this cost. Home Office experience indicated that £100,000 is more representative for the Lower and Central scenarios. While in the Upper scenario each large firm incurs a start-up cost of £500,000.
Ongoing cost (all firms in lower scenario)	£0 per firm	Many survey responses indicated that changes would lead to little-to-no impact on operating costs
Ongoing costs (large firms)	£50,000 per firm	The majority of survey responses indicated total ongoing costs would range from £10,000 to £50,000 per year, with larger firms incurring higher costs. Home Office experience believes this to be an over-estimation. In the Upper scenario, these on-going costs have been doubled.
Ongoing costs (small/medium firms)	£10,000 per firm	As above.
Current ongoing cost	£2,000 per firm	Cost of current operations as outlined in original Cifas implementation analysis, inflated to 2022 prices. These costs will continue in the future and are included in the total forecasted per year costs above. The difference has been used to estimate the additional financial burden on firms.
Home Office start-up cost	£35,000	The Home Office will incur a one-off cost of £35,000 switching to SSL. This will cover all transitional costs, including changes to IT, security, and internal procedures.
Home Office ongoing cost	£31,000	The Home Office will incur a per year running cost of £31,000 as part of a move to SSL.
Timescales		
Implementation timescales	1 year	Survey responses indicated that lead in times could be anywhere between 3 months and 2 years. With the majority of responses indicating 1 year will be required
General		
Discount rate	3.5%	Green Book[1]

[1] HM Treasury (2020) The Green Book: Central Government Guidance on Appraisal and Evaluation,

Costs

Set-up costs

The assumptions outlined above in Table 1 indicate that there are three areas of set-up costs all occurring in 2022/23 (1-year post implementation). These are calculated as followed:

Volume x Unit Cost (£) x Discounting Factor (1 / (1 + 0.035) ^{n}))

(where n= the number of years of the appraisal period)

Ongoing costs

The assumptions outlined in Table 1 indicate that on-going costs can be categorised into, large firms, small and medium firms, and the Home Office. All on-going costs commence in 2022/23 (1-year post implementation) and last until the end of the appraisal period in 2030/31. These are calculated as followed:

Volume x Unit Cost (£) x Discounting Factor (1 / (1 + 0.035) ^{n}))

(where n= the number of years of the appraisal period)

The unit cost used is the difference between the future estimated on-going cost minus the existing on-going cost (that is, for medium and small business in the central scenario £10,000 - £2,000)

Total costs

Using the methodology outlined above and Green Book principles (appraisal period of 10 years, 3.5% discount rate etc.), Table 2 presents a discounted cost profile that has been estimated for the central scenario.

Table 2, Discounted cost profile, Low, 2021/22 to 2030/31. £ million (PV).

Cost Type	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	TOTAL
Business Ongoing Costs (L)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Business Ongoing Costs (S/M)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Onboarding to SSL	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.03**
Start Up Costs (L)	0.00	0.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.58**
Start Up Costs (S/M)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Home Office Start-Up Cost	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.03**
Home Office Ongoing Cost	0.00	0.03	0.03	0.03	0.03	0.03	0.03	0.02	0.02	0.02	**0.23**
TOTAL	**0.00**	**0.67**	**0.03**	**0.03**	**0.03**	**0.03**	**0.03**	**0.02**	**0.02**	**0.02**	**0.88**

Table 3, Discounted cost profile, Central, 2021/22 to 2030/31. £ million (PV).

Cost Type	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	TOTAL
Business Ongoing Costs (L)	0.00	0.28	0.27	0.26	0.25	0.24	0.23	0.22	0.22	0.21	**2.18**
Business Ongoing Costs (S/M)	0.00	0.85	0.82	0.79	0.76	0.74	0.71	0.69	0.66	0.64	**6.66**
Onboarding to SSL	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.03**
Start Up Costs (L)	0.00	0.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.58**
Start Up Costs (S/M)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Home Office Start-Up Cost	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.03**
Home Office Ongoing Cost	0.00	0.03	0.03	0.03	0.03	0.03	0.03	0.02	0.02	0.02	**0.23**
TOTAL	**0.00**	**1.80**	**1.12**	**1.08**	**1.04**	**1.00**	**0.97**	**0.93**	**0.90**	**0.87**	**9.71**

Table 4, Discounted cost profile, High, 2021/22 to 2030/31. £ million (PV).

Cost Type	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	TOTAL
Business Ongoing Costs (L)	0.00	0.57	0.55	0.53	0.51	0.49	0.47	0.46	0.44	0.43	**4.44**
Business Ongoing Costs (S/M)	0.00	1.92	1.85	1.79	1.73	1.67	1.61	1.55	1.50	1.44	**15.06**
Onboarding to SSL	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.03**
Start Up Costs (L)	0.00	2.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**2.90**
Start Up Costs (S/M)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Home Office Start-Up Cost	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.03**
Home Office Ongoing Cost	0.00	0.03	0.03	0.03	0.03	0.03	0.03	0.02	0.02	0.02	**0.23**
TOTAL	**0.00**	**5.48**	**2.43**	**2.35**	**2.26**	**2.18**	**2.11**	**2.03**	**1.96**	**1.89**	**22.70**

Tables 2 to 4: Source: Home Office, own estimates, 2021.
Notes: L = large, S = small, M = medium, HO = Home Office, SSL = Synectics Solutions Ltd. Numbers may not sum exactly due to rounding.

These costs are likely to be an over-estimate as costs have been attributed to all businesses, despite a low response rate to the survey potentially indicating that many firms are indifferent to the proposed changes or existing members of SSL and therefore will not incur additional costs.

As the proposal only includes a change of Immigration Portal provider with no change to legislation or procedures, there are not expected to be any wider costs to HM Government bodies, such as the Financial Conduct Authority (FCA).

Total 10-year costs (present values) are outlined in Tables 2, 3 and 4 and summarised in Table 5.

Table 5, Appraisal cost summary, £ million (PV) over 10 years.

£ million	Low	Central	High
Transition Cost	0.66	0.66	3.06
Ongoing Cost (PV)	0.23	9.07	19.74
Total Cost (PV)	**0.88**	**9.71**	**22.70**
Cost to Business (PV)	0.61	**9.45**	22.42

Source: Home Office, own estimates, 2021.

Benefits

The primary objective from changing Immigration Portal provider is improved security. A change of provider to SSL will guarantee a secure data sharing agreement going forward. For the purposes of this assessment the analysis has not attempted to monetise the benefits of this added security. The potential benefits of added security and avoidance of a data breaches from this would include a lower probability of irregular migrants entering the UK as a result of being more informed. Improved access to financial services within the UK results in an increased ability to remain in the country. Through preventing such individuals there will be a cost avoided to the public purse and labour market displacement. Monetising these benefits is difficult due to a lack of data and considerable uncertainty, however it is estimated the average total cost of a data breach in the private sector to be £3.21 million (converted from a US $4.24 million converted using an exchange rate of 1:0.76 as of 09/12/2021)[2]. Using this as a proxy would imply that it would only take the **prevention of four** (ranging from one to seven) **data breaches** over the appraisal period for a change of provider to be net positive.

[2] Cost of a Data Breach Report 2021, IBM Security

Value for Money

As most costs have been monetised, while no benefits have been monetised, VfM metrics are not representative of the viability of the proposal. In addition, a cautious approach has been taken to monetised estimates, with costs apportioned to all firms despite a low response rate of 6 per cent.

With these caveats considered, the main economic estimates of this measure are shown in Table 6.

Table 6, Appraisal cost/benefit summary, £ million (PV) over 10 years.

	Low	Central	High
NPSV	**-0.88**	**-9.71**	**-22.70**
BNPV	-0.61	**-9.45**	-22.43
EANDCB	-0.07	**-1.10**	-2.61

Source: Home Office, own estimates, 2021.

While the main economic estimates indicate that the proposed changes will result in a net cost to both government and affected businesses, the lack of monetised benefits, in addition to the low response rate to stakeholder consultation, means this does not accurately represent the true economic value of the changes.

Small and micro-business assessment (SaMBA)

It is assumed that small and micro-business will be largely unaffected by the proposed changes, as they are unlikely to currently be authorised deposit takers. The restrictions only apply in respect of building societies and banks that are authorised deposit takers (Section 42 of the 2014 Immigration Act). It takes around two years for a new body to qualify as a deposit taker with an application fee of £25,000. The body needs to demonstrate that it can abide with all of the sector regulations and have a satisfactory amount of capital and liquidity.

Some survey responses indicated that the potential impact exceeds respondents' current business tolerance. Those that did respond with a reason cited that this year's budget has already been allocated. Providing clear communication of changes going forward into next year could be reasonably expected to mitigate this business impact.

6. Risks and unintended consequences

The main analytical risk in this appraisal is the extrapolation of incomplete data due to limited responses to the industry survey. However, the low response rate has increased the costs assigned to every firm (even those already using SSL) creating a more pessimistic cost estimated than is likely in reality.

A potential unintended consequence, as previously mentioned, is that some firms indicated that additional costs would be outside their current business tolerance as budgets have already been assigned. To mitigate this, the Home Office plans to provide clear communication of changes well in advance, so businesses are fully informed prior to assigning their budgets when changes are to take place.

7. Monitoring and evaluation

In changing the data-sharing interlocutor, the Home Office is also seeking to improve upon its collection of data around these restrictions.

At present there is no legal requirement upon providers of current accounts to report the numbers of applications for such accounts refused for immigration purposes to the Home Office. Reports are only required in respect of the matching of existing current accounts against the list of disqualified persons. The Home Office will work with Synectics Solutions Ltd to establish the total numbers of checks conducted, matches made and in identifying those that lead to the refusal to open a current account.

The Home Office will also continue to engage with sector representative bodies and in monitoring complaints made to the Home Office in seeking to understand the effectiveness of the data-sharing processes and in identifying areas of concern that may require work to bring about improvements.

The data obtained will also be used to test hypotheses, such as the expectation that there will be fewer applications made by persons here without authority or maintaining and operating a current account as migrants in an irregular position come to understand the existence of these restrictions (in capturing any observable changes in the irregular migrant population's behaviours).

Specific Impact Test Checklist

Mandatory specific impact test - Statutory Equalities Duties	Complete

Statutory Equalities Duties

The associated Equality Impact Assessment (EIA) finds that restrictions on unlawful migrants' access to current accounts do not discriminate directly on the grounds of a protected characteristic. However, its findings indicate that men of working age (18-65 years) from the Indian sub-continent and North West Africa are more likely to be affected by the banking measures. Relatedly, the measures may also discriminate indirectly on the Islamic, Hindu and Sikh population, as those are the dominant religions in those geographical areas.

In the absence of data on the population of unlawful migrants, The Home Office considered the composition of records shared with HMRC in November and December 2020. These records related to people known to have entered the UK illegally or been refused an extension of stay, made the subject of a deportation or exclusion order, and exhausted all appeal rights.

Table SED.1, Top nine nationalities with adverse immigration decisions, Nov-Dec 2020.

Nationality	Volume
India	1,199
Pakistan	782
Bangladesh	711
Nigeria	482
China	404
Ghana	327
Albania	211
Iraq	183
Jamaica	121

Source: HMRC, 2021.

Table SED.2, Individuals with adverse immigration decisions by age and by gender, Nov-Dec 2020 (separate data to that given above and reflecting a pause that is applied between an adverse decision and sharing of details).

Age (years)	Volume	Gender	Volume
18-30	1,438	Male (title: Mr / Master)	4,691
31-40	2,606	Female (title: Miss / Mrs / Ms)	1,646
41-50	1,576	No title added (blank)	336
51-60	737	Title: Dr	6
60+	322		

Yes

Section 149(1)(b) of the Equality Act 2010 requires that a public authority must give due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and those who do not. However, in the exercise of immigration and nationality functions, this does not apply to the protected characteristics of age, race (insofar as it relates to nationality or ethnic or national origins), or religion or belief. Immigration restrictions limiting access to current accounts target explicitly those migrants who remain the UK without permission. The policy will likely have an unequal impact because of the patterns of illegal migration. However, any unequal impact will be an incidental result of the legitimate aim of immigration control. **The SRO has agreed these findings from the Equality Impact Assessment.**	

Any test not applied can be deleted except **the Equality Statement**, <u>where the policy lead must provide a paragraph of summary information</u> on this.

The Home Office requires the **Specific Impact Test on the Equality Statement** to have a summary paragraph, stating the main points. **You cannot delete this and it MUST be completed**.