EXPLANATORY MEMORANDUM TO

THE NATIONAL SAVINGS BANK (AMENDMENT) REGULATIONS 2006

2006 No. 1066

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

2. Description

2.1 These Regulations amend the National Savings Bank Regulations 1972 to allow the Director of Savings to make changes to the Terms and Conditions of National Savings and Investments (NS&I) Ordinary and Investment Accounts.

2.2 First, the Regulations remove the one month notice period for withdrawals of deposits from Investment Accounts (and accrued interest on those deposits). Secondly, they set an upper limit of £2,000 on cash withdrawals from Ordinary and Investment Accounts at Post Office counters. Thirdly, the Regulations also change the manner in which cash may be withdrawn from those Accounts, by providing for uncrossed warrants to be replaced by cash payment advices.

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

3.1 The National Savings Bank Regulations 1972 (the 1972 Regulations) (which these Regulations amend), provide the principal legislative framework within which the Director of Savings conducts his business activities in relation to ordinary and investment deposits. The 1972 Regulations grant the Director of Savings a measure of discretion in relation to certain aspects of these activities. Such discretionary powers are required if the Director is effectively to perform his function of carrying on the business of the National Savings Bank under section 1(2) of the National Savings Bank Act 1971 (the 1971 Act).

3.2 So far as sub-delegation to the Director of Savings is concerned, these Regulations follow the approach taken in the 1972 Regulations and amend those Regulations so as to confer further limited discretions on the Director. Regulation 2, which inserts new regulation 28A into the 1972 Regulations, re-enacts, with minor modifications, regulation 29(9) and (11) of the 1972 Regulations, and accordingly permits the Director of Savings to approve the forms of notice of withdrawal and notice of transfer from an Investment Account. Regulation 5(1)(d) provides the Director of Savings with a discretion to permit more than £2,000 to be withdrawn in cash on any one day from an Ordinary Account or Investment Account. Regulation 5(5)(a) and 5(8) and the definition of “cash payment advice” in regulation 4(2) rely on the discretion of

the Director of Savings under regulation 53(1) of the 1972 Regulations to require evidence as to, inter alia, the identity of any person.

3.3 We consider that the power for the Treasury to make these Regulations under section 2 of the 1971 Act is neutral on the issue of sub-delegation to the Director of Savings and is correctly interpreted as not precluding the Treasury from granting the Director of Savings such discretionary powers. Also, we note that section 8 of the 1971 Act simply "includes" the purposes for which the Treasury may make regulations under section 2. Accordingly, we do not consider that it exclusively defines the scope of Regulations that may be made under section 2 of the 1971 Act. More generally, we doubt that in enacting the 1971 Act Parliament intended that Regulations under section 2 would exhaustively address all aspects of the business of the National Savings Bank referred to in section 8 (and elsewhere in the 1971 Act).

4. Legislative Background

4.1 Section 2(1) of the 1971 Act gives the Treasury the power to make regulations in respect of the making and withdrawal of investment and ordinary deposits with the National Savings Bank, and all other matters incidental to carrying the 1971 Act into execution.

4.2 The 1972 Regulations were made under the 1971 Act and provide the principal legislative framework within which the Director of Savings carries on the business of the National Savings Bank in relation to ordinary and investment deposits.

4.3 The changes to the Terms and Conditions relating to Ordinary and Investment Accounts proposed now by NS&I require the amendment of the 1972 Regulations.

5. Extent

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 The new payment advice process will help to reduce costs whilst improving security for customers.

7.2 The back office operations of National Savings and Investments were outsourced to Siemens Business Services in April 1999, under a Public Private Partnership (PPP), following a competitive tender exercise. The partnership is

delivering efficient and effective operational infrastructure through modernisation and significant system improvements. Siemens Business Services is responsible for collecting and repaying money invested by customers.

7.3 In 2004, NS&I embarked on a wide-ranging modernisation programme to ensure that it continues to meet changing customer needs. The Investment Account was launched in 1966 but has not kept pace with current developments in financial services and is not meeting the needs of customers today.

7.4 Customers now expect instant access to their savings, which can be seen in the behaviour of our existing customers, 60% of whom now opt for faster repayment, even with a penalty of 30 days loss of interest, rather than give the required one months notice.

7.5 Currently, an Investment Account has no limit on the amount of individual cash withdrawals, and high cash withdrawals are not uncommon. This is out of line with market practice. The majority of financial services providers limit access to large cash sums in favour of negotiable banker's drafts or building society cheques to provide security for customers and staff alike.

8. Impact

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

8.2 The impact on the public sector is insignificant. The changes are designed to update the execution of the Director of Savings' business. Revised Terms and Conditions covering all the changes (including those to come into effect on 1 October) will be issued to customers at the same time as a scheduled annual mailing to reduce mailing costs.

9. Contact

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