EXPLANATORY MEMORANDUM TO

THE NATIONAL SAVINGS BANK (AMENDMENT) REGULATIONS 2013

2013 No. 8

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 S.I. 1972/764 (the "1972 Regulations") and the National Savings Bank (Investment Deposits) (Limits) Order 1977 S.I. 1977/1210 (the "1977 Order"). The primary purpose of these Regulations is to facilitate the closure of the two oldest varieties of individual savings account ("ISA") offered by the National Savings Bank. These closures form part of the modernisation programme currently being undertaken by National Savings and Investments ("NS&I").

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

3.1 None.

4. Legislative Context

4.1 ISAs offered by the National Savings Bank are governed by the National Savings Bank Act 1971 (the "1971 Act"), the 1972 Regulations, the 1977 Order, the Individual Savings Account Regulations 1998 (S.I. 1998/1870) (the "ISA Regulations") and, for newer ISAs, contractual terms and conditions set pursuant to section 9A(1) of the 1971 Act.

4.2 These Regulations amend the 1972 Regulations so as to prevent deposits being made after 24 May 2013 into ISAs at the National Savings Bank for which terms and conditions have not been set under section 9A(1) of the 1971 Act. There are two varieties of ISA offered by the National Savings Bank that fall into this category: the Cash ISA and the T Cash ISA. Provision is also made for any amounts standing to the credit of such accounts to be transferred to an ISA at the National Savings Bank for which terms and conditions have been set pursuant to section 9A(1).

4.3 These Regulations also amend the 1972 Regulations so as to prevent the Director of Savings from giving effect to applications requesting that a withdrawal from an ISA be paid in cash.

4.4 The ISA Regulations are to be amended with effect from 6 April 2013 in order to: (a) remove the requirement that those wishing to invest in an ISA be ordinarily resident in the United Kingdom; and (b) increase the amount which may be subscribed in an ISA each year. These Regulations make corresponding amendments to the 1972 Regulations and the 1977 Order.

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 not subject to affirmative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

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

7.1 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. There are a diminishing number of customers (less than 98,000 in total) who hold NS&I's Cash ISA and T Cash ISA (each referred to in these Regulations as a "relevant ISA"). NS&I is decommissioning its older information technology platform and it would not be cost effective to build functionality for these products on the replacement platform. Therefore, deposits into relevant ISAs will not be accepted after 24 May 2013 and the amount standing to the credit of such ISAs will be transferred to an NS&I Direct ISA (a newer ISA product), in the name of the depositor, on or after 25 May 2013.

7.2 Customers can currently make a withdrawal from their Cash ISA or T Cash ISA and obtain payment in cash from a Post Office branch. Changes to contractual arrangements with the Post Office mean that this facility will no longer be available. These Regulations prevent the Director of Savings from giving effect to an application received after 22 February 2013 requesting that a payment relating to an ISA be made in cash.

7.3 These Regulations amend the 1972 Regulations and the 1977 Order to reflect changes that are to be made to the ISA Regulations with effect from 6 April 2013. The changes will remove the requirement that customers wishing to invest in an ISA be ordinarily resident in the United Kingdom and will increase the amount which may be subscribed to an ISA each year.

- ***Consolidation***

7.4 It is intended that the rules set out in the 1972 Regulations and the 1977 Order, and the enactments that amend each of them, will be consolidated in 2013.

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. However, NS&I will provide information and guidance to customers ahead of the proposed changes. This guidance will be published on NS&I's website (www.nsandi.com), in public notices, and will be communicated personally to customers, where possible, at least 60 days before the closure date. NS&I will also write to customers who have used the cash payment facility in the last five years at least 30 days prior to its cessation.

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 of these amendments is planned, 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

13.1 Jackie Paterson-Borland at NS&I (Tel: 020 7932 6701 or email: jackie.paterson-borland@nsandi.com) can answer any queries regarding the instrument.