EXPLANATORY MEMORANDUM TO

THE NATIONAL SAVINGS BANK (INVESTMENT DEPOSITS) (LIMITS) (AMENDMENT) ORDER 2014

2014 No. 484

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 (Investment Deposits) (Limits) Order 1977, S.I. 1977/1210, (the "1977 Order") for the purpose of removing provision which limits the annual individual savings account (ISA) subscription.

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

3.1 None.

4. Legislative Context

4.1 ISAs at the National Savings Bank are subject to the Individual Savings Account Regulations 1998 ("the ISA Regulations"), which regulate matters concerning ISAs issued by all banks and other deposit takers. Regulation 4ZA of the ISA Regulations lays down the overall subscription limit for qualifying individuals for any year (i.e. the aggregate subscriptions to all accounts that are not junior ISA accounts in that year).

4.2 In addition, in article 3B of the 1977 Order the Treasury limits the annual amount which may be received into cash ISAs at the National Savings Bank. The 1977 Order was made under section 4 of the National Savings Bank Act 1971.

4.3 The ISA Regulations are to be amended with effect from 6 April 2014 for the purpose of increasing the annual ISA subscription limit.

4.4 The annual subscription limit for National Savings and Investment's ("NS&I") Direct ISA is also specified in investment account terms and conditions set by the Treasury under section 9A of the National Savings Bank Act 1971. Section 4(4) of that Act provides that regulations under section 2 (general power to make regulations about accounts with the National Savings Bank) may include provision that may be made in an order under section 4, which empowers the Treasury to limit the amount of deposits in the Bank. Section 9A(1) provides that any provision about investment account deposits that may be made under section 2 may be included instead in terms and conditions of the accounts.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

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 The amount that may be invested each year in National Savings and Investment's ("NS&I") Direct ISA is governed by the ISA Regulations, which apply to the ISAs offered by all providers, and by article 3B of the 1977 Order, which applies only to NS&I.

7.2 On the introduction of ISAs in 1999 it became necessary to set the annual subscription limit by order (section 9A of the National Savings Bank Act 1971, which allows the limit to be specified in terms and conditions, was not enacted until 2003). This was done in 1999 by inserting article 3B in the 1977 Order and subsequently by amending it in line with the ISA Regulations. That procedure had to be followed until recently when NS&I's ISAs introduced before 2003 were closed.

7.3 As the subscription limit for NS&I's Direct ISA is specified in the account terms and conditions and cannot exceed the limit in the ISA Regulations, it is no longer necessary also to lay down a limit in the 1977 Order and amend it each time the ISA Regulations are amended (if it is to be increased in line with the general limit). The maximum subscription limit for NS&I's Direct ISA will continue to be governed by the ISA Regulations and the limit which is current at any time will be the same or a lower limit set out in the Direct ISA's terms and conditions.

7.4 This measure is not expected to attract public interest and is not of political or legal importance. It removes an unnecessary level of control and avoids making needless changes to the 1977 Order.

- Consolidation

7.5 It is intended that the provisions of the 1977 Order, and the enactments that amend them, will be consolidated as part of the Government's Red Tape Challenge.

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 the prevailing Direct ISA deposit limit will be published in its terms and conditions and

NS&I will provide information and guidance in response to any queries from customers.

10. Impact

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

10.2 There is no impact on the public sector, except that it will no longer be necessary to consider the need to amend the 1977 Order to keep the Direct ISA deposit limit in line with the general limit for ISA deposits.

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.