EXPLANATORY MEMORANDUM TO

THE NATIONAL SAVINGS (REMEDIATION SCHEME) (NO. 2) REGULATIONS 2026

2026 No. 624

1. Introduction

1.1 This Explanatory Memorandum has been prepared by HM Treasury and is laid before Parliament by Command of His Majesty.

1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Declaration

2.1 Torsten Bell, the Minister for Pensions at HM Treasury and the Department for Work and Pensions, confirms that this Explanatory Memorandum meets the required standard.

2.2 Stephen Farrington, Director of Fiscal Group, at HM Treasury, confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Alex Spelling at HM Treasury can be contacted by email at the following address with any queries regarding the instrument Alexander.Spelling@hmtreasury.gov.uk. Alternatively, he can be contacted by telephone on 07867162052.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 National Savings and Investments (NS&I) has identified a longstanding issue where the estates of deceased customers were not always repaid money in relation to the bonds, certificates, stock or other funds that they acquired during their lifetime ('the bereavement tracing issue'). These errors happened because the search process used when handling a bereavement claim (or enquiries from personal representatives that would lead to such a claim) failed to identify all relevant NS&I products. The issue was resolved for current and new bereavement claims and enquiries from January 2026, and operational processes have changed so that it does not recur.

4.2 NS&I along with HM Treasury and other stakeholders have been working together to design the remediation approach to put this issue right. This instrument places the key aspects of that approach, in particular the compensatory aspect for estates that have been affected by the bereavement tracing issue, on a long-term footing by setting out in regulations the eligibility criteria for compensation and the basis for calculating and paying compensation. This will ensure that NS&I has all necessary powers to undertake the remediation required and provide a consistent legal framework for NS&I to operate from when determining whether to, and how much to compensate estates affected by the bereavement tracing issue.

Where does the legislation extend to, and apply?

4.3 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales, Scotland, Northern Ireland, the Isle of Man and the Channel Islands.

4.4 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England and Wales, Scotland, Northern Ireland, the Isle of Man and the Channel Islands.

5. Policy Context

What is being done and why?

5.1 The National Savings (No. 2) Regulations 2015 consolidated various pieces of secondary legislation regarding NS&I and sets the legislative framework for accounts and financial investment products offered by NS&I, which the Director of Savings issues under the National Debt Act 1972 ('1972 Act'). The existing regulations already provide NS&I with the power to return holdings and other funds to estates of deceased customers. But the existing legislative framework and regulations do not contain express provision for a proactive remediation scheme of this kind. Although NS&I may in some circumstances rely upon implied or incidental powers to make compensation payments in response to errors or maladministration, HM Treasury consider it appropriate to place this large-scale remediation exercise on an express statutory footing and to set out a framework for eligibility, calculation and payment of compensation.

5.2 On 19 May 2026, the Minister for Pensions announced that NS&I would seek to proactively reunite estates with deposits or holdings of £10 or more with their disconnected assets. The relevant date for when estates needed to have total deposits or holdings exceeding this de minimis amount was 5 May 2026. The use of this date reflected the culmination of a significant amount of work and data analysis to understand the population of estates affected by the tracing issue that are within scope of this remediation. The de minimis threshold was set at a lower number than seen in other comparable redress cases, and balances the priority attached to returning funds to affected estates with not creating disproportionate administrative burdens for dealing with very small monetary holdings. The setting of the de minimis amount in respect of these claims does not change the ownership of any funds held within NS&I below the amount set, which can still be claimed at any time.

5.3 The Minister for Pensions also announced that compensation would be payable for estates that have been affected by the bereavement tracing issue. To ensure that these estates are not disadvantaged by the delay in receiving these funds caused by the bereavement tracing issue, NS&I will pay the estates the higher of the contractual interest accrued, or the Bank of England base rate plus one percentage point. This is in line with the current approach that would likely be taken by the Financial Ombudsman Service in similar cases.

5.4 It is accepted that these regulations confer onto the Director of Savings a wide discretion in respect to compensating estates for the tracing issue, including whether to pay compensatory interest and whether to consider making an additional payment. This was required because NS&I will need a degree of flexibility in its approach to compensating estates appropriately, and particularly in relation to the ones that will require more complex further administration. It is expected that some estates will have consequential losses above and beyond compensatory interest. Due to the volume of

estates affected, and the different types of potential financial losses, including unforeseen losses that an estate might incur, it is not possible to exhaustively prescribe the circumstances where compensatory losses can or should be paid. Consequently, we consider that NS&I needs flexibility in how it considers and responds to these losses, in order to make sure that they are fair and reasonable.

What was the previous policy, how is this different?

5.5 Where NS&I receive justified complaints or where complaints are determined through the Financial Ombudsman Service, NS&I does pay compensation to individual customers or other eligible complainants for service issues, errors or maladministration. These regulations are being made to establish the framework for making compensation payments to address the bereavement tracing issue that the Minister for Pensions announced in Parliament on 26 March 2026. There is currently no framework for this or for similar situations within the existing legislation.

6. Legislative and Legal Context

How has the law changed?

6.1 The National Savings (No. 2) Regulations 2015 incorporates various pieces of secondary legislation regarding NS&I and sets the legislative framework for financial and investment products offered by NS&I, which the Director of Savings issues under the National Debt Act 1972. These regulations do not affect the rights of personal representatives to bring complaints or legal claims on behalf of an estate, nor do they alter any existing rights or liabilities. Therefore, these regulations do not require affected estates to accept any compensation determined to be payable by NS&I, and the usual recourse that customers have in these situations will apply.

6.2 This legislation creates express provisions that codify NS&I's ability to be able to provide proactive compensation to the estates of deceased customers affected by the tracing issue and establishes the framework for determining and making such payments, including any further payments that may be paid to estates that have, or will incur further financial losses, for example owing to any further administration and associated costs required as a result of this issue.

Why was this approach taken to change the law?

6.3 HM Treasury has the power under section 11 of the National Debt Act 1972 Act to make regulations governing the manner and conditions under which money may be raised under the auspices of the Director of Savings – that is, through the financial products NS&I offers to customers, including the administration of the holdings and funds arising from those products. There is a separate general power under section 3 of the 1972 Act to make regulations in respect to stock, which is a subset of financial products that the Director of Savings issues and NS&I offers.

6.4 The Director of Savings is a statutory officeholder who under section 1 of the National Savings Bank Act 1971, carries on the business of the National Savings Bank. In practice, this is done through NS&I which the Director of Savings leads. The ability to make regulations which deal with what the Director of Savings, as a statutory officeholder that issues financial products to the public through the guise of NS&I, can or should do when things go wrong with the handling of said products, are within the scope of these powers.

6.5 These regulations are being made to ensure that NS&I has full and adequate powers to fully compensate estates that have been affected by the bereavement tracing issue, and

to ensure that a high-level framework exists that NS&I is required to follow, whilst still providing it with flexibility to address and to remediate some estates on a case by case basis, where necessary.

7. Consultation

Summary of consultation outcome and methodology

7.1 There was no requirement for HM Treasury or for NS&I to undertake a consultation for these regulations. Extensive engagement has taken place with relevant stakeholders, consultants and legal experts to design the approach to remediating the bereavement tracing issue and providing adequate compensation when appropriate. It is imperative that NS&I begin the remediation at pace, and a consultation would have risked elongating this process.

8. Applicable Guidance

8.1 No guidance has been produced for this legislative change. However, NS&I has provided information and guidance to estates that may be affected by the bereavement tracing issue which can be found on NS&I's website (www.nsandi.com). Further information will be included in correspondence that NS&I issues in relation to estates affected by the bereavement tracing issue.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument as HM Treasury consider there to be no, or no significant, impact on businesses as the instrument relates to compensating estates of deceased NS&I customers that were affected by the tracing issue.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies because the instrument relates to compensating estates of deceased NS&I customers that were affected by the tracing issue.

9.3 The instrument does not impact small or micro businesses.

9.4 There is no, or no significant impact on the public sector.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 Whilst no formal or specific review of this legislation is planned, HM Treasury and NS&I will be closely monitoring and reviewing these arrangements on an ongoing basis, to ensure that the remediation is progressed adequately and at pace, and in adherence with Managing Public Money. NS&I will report publicly on progress on a quarterly basis, including on the monetary amount of compensation paid to date.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 These regulations are being laid contemporaneously with the National Savings (Remediation Scheme) Regulations 2026, which applies to NS&I products that fall within the National Savings Bank Act 1971 and the National Savings Regulations 2015, and that is made under the negative resolution procedure (rather than the laying after making procedure required for these regulations).

11.2 These regulations deliver on the statement that the Minister for Pensions made to Parliament on 19 May 2026 which committed to providing compensation to estates affected by the tracing issue where the holdings exceeded the de minimis.

12. European Convention on Human Rights

12.1 As the instrument is subject to the laid-only procedure and does not amend primary legislation, no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").