EXPLANATORY MEMORANDUM TO

THE PREMIUM SAVINGS BONDS (MAXIMUM HOLDINGS) (AMENDMENT) REGULATIONS 2014

2014 No. 1182

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 Premium Savings Bonds Regulations 1972 S.I. 1972/765, (the "1972 Regulations") for the purpose of increasing the maximum investment a person is permitted to hold in Premium Bonds.

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

3.1 None.

4. Legislative Context

4.1 Premium Bonds are subject to the 1972 Regulations. The Treasury wish to increase the maximum holding permitted, as set out in paragraph 7 below, using the powers conferred on them by section 11 of the National Debt Act 1972.

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 NS&I's Premium Bonds are a cost effective method of raising finance for the UK Government.

7.2 The maximum investment a customer can hold in Premium Bonds is set out in the 1972 Regulations. The Treasury wish to increase the maximum investment limit which will enable eligible savers to invest more in tax free savings (prizes are exempt from UK Income Tax and Capital Gains Tax).

7.3 The maximum investment limit was last increased to its current amount of £30,000 in 2003 and its value has since been eroded by inflation. Adjusted for CPI and rounded, £30,000 in 2003 would be equivalent to £40,000 today. The Treasury wish to increase the maximum to £40,000 from 1 June 2014.

7.4 There are currently around 600,000 customers who hold the current maximum investment in Premium Bonds.

7.5 The March 2014 Budget announced the Treasury's intention to go further and increase the maximum investment limit to £50,000 in 2015/16, giving people who want to put more of their savings into Premium Bonds the flexibility to do so. As there is no agreed date at which this second increment to the maximum investment limit will be introduced, additional amending legislation will be needed to do this at that time.

- Consolidation

7.6 A consolidated version of the 1972 Regulations is available on the NS&I website at http://www.nsandi.com/files/asset/pdf/premium-savings-bonds-regulations.pdf

8. Consultation outcome

8.1 No consultation was conducted in relation to these Regulations because of the limited impact on business, charities, voluntary bodies or the public sector. Details of the limited impact set out in 10.1 below.

9. Guidance

9.1 No guidance has been produced for this legislative change. However the prevailing Premium Bond maximum holding limit will be published in its terms and conditions and NS&I will provide information to customers by way of a media release.

10. Impact

10.1 The increase in the Premium Bond maximum investment limit is one part of wider measures announced for NS&I customers in the 2014 Budget. Minimal impact on the UK savings market is anticipated as a result of these changes. NS&I will continue to balance the interests of its savers by offering a fair rate; the taxpayer by delivering cost-effective finance; and the stability of the broader savings market by acting transparently and maintaining an appropriate competitive position. There is no impact on 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 Danielle Morley at NS&I (Tel: 020 7932 6696 or email: danielle.morley@nsandi.com) can answer any queries regarding the instrument.