

HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

22nd January 2025

Response to HM Treasury’s “Help to Save Delivery Consultation”

To whom it may concern,

We welcome the opportunity to respond to this consultation. The Association of British Credit Unions Limited (ABCUL) is the primary trade association representing credit unions in England, Scotland, and Wales, with around two thirds of credit unions in Great Britain affiliated to the Association.

Credit unions are co-operative societies who provide financial services – primarily savings and loans facilities – to their member-owners. They are registered as Co-operative Societies under the Co-operatives and Community Benefit Societies Act 2014 and the Credit Unions Act 1979. As deposit-takers they are dual-regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

Since their inception in Britain in 1964, credit unions have been closely associated with anti-poverty initiatives and financial inclusion. They primarily offer savings and loan services to individuals with limited or no access to mainstream financial services, often due to low income or an underdeveloped credit profile. They have been a central element of numerous government and philanthropic initiatives to extend financial inclusion and address the lack of adequate provision of affordable credit and secure savings facilities for large sections of the population. The interest rate credit unions can charge is capped at 42.6% APR under the Credit Union Act 1979, allowing them to provide credit as an alternative to high-cost lenders.

There are over 230 credit unions in Great Britain today, serving more than 1.5 million members and managing £2.7 billion in assets. They range from mid-sized businesses of up to 50 staff to small voluntary organisations.

Response to Consultation

The credit union sector welcomes the opportunity to respond to the Government's proposals on reforming the Help to Save scheme.

We strongly support the need for reforming the current Help to Save scheme. The current eligibility and sole provider model has resulted in little take up of the accounts since its inception in 2018, with only 359,200 individuals opening an account.

Question 1: Do you agree that the scheme design framework is a commercially viable product? If not, why not?

ABCUL has consulted with our member credit unions and the majority of those who have responded believe the scheme design framework is a commercially viable product. Some concern has been raised about the lack of publicity the scheme has attracted in recent years, apart from the consultations, there has been very little promotion of the scheme from government. This is something that would help with increasing the awareness and viability of the scheme moving forward.

Question 2: When the original scheme launched in 2018, it was guaranteed for 5 years. Do you believe that a minimum guaranteed scheme length is required to provide enough certainty to consider the scheme as a viable product? What are your reasons?

We strongly believe that a minimum guaranteed scheme length is required to provide certainty to consider the scheme as a viable product. Having certainty around the product's duration would encourage more credit unions to participate as providers. There may be associated costs for some credit unions related to API integration and the creation of specific reporting requirements, such as bonus calculations. Having a minimum period would allow credit unions to ensure savings grow and the time/development costs incurred, if any, could be recovered. Without having a deeper understanding of the development requirements, it is difficult to provide a desired minimum scheme length. We do have several credit unions who are willing to provide the accounts even if there are additional costs for development, but this varies per credit union.

Question 3: Would this bonus calculation method provide a commercially viable product for you to offer? Please provide details and reasons why.

ABCUL supports the proposed bonus calculation method. The new calculation method provides more clarity to the account providers and most importantly the account holders. We strongly support increasing the frequency of the bonus payments from the biennial to a more regular payment. We do not strongly oppose the 6-month payment cycles proposed as we feel this could encourage individuals to keep saving throughout the length of the product. However, credit union dividend/interest payments are paid on an annual basis so having the bonus payment paid on this same cycle would align with payment processes already in place.

Question 4: Would you be interested in offering Help to Save accounts to your customers as part of a multi-provider model? What are your reasons?

We have received strong support from our members to provide the Help to Save accounts as part of a multi-provider model. Credit unions typically serve some of the most vulnerable members of society, many of whom have been excluded from mainstream banks and building societies. FCA's Financial Lives Survey found that 23% of UK adults (12.1 million people) had issues accessing a financial product or service in the two years to May 2022. Those who have experienced rejection from mainstream financial service providers, many of whom then turn to a credit union, would be hesitant to opening a Help to Save account with that same provider or another mainstream provider for fear of further rejection. The credit union sector is better placed to engage and reach the intended target audience than the current NS&I model, which has received limited take up of the accounts since the launch in 2018. Part of the reason for the lack of uptake may be down to the lack of relevance and accessibility of the current provider. Credit unions already help low- and moderate-income individuals to build small-scale savings and the bonus rate offered exceeds what credit unions are likely able to fund. Allowing a multi-provider model empowers individuals to make informed decisions about where to open their Help to Save account.

This could be a valuable tool to help credit unions fulfil their mission of encouraging regular savings while also supporting the government's financial inclusion agenda, economic growth, and the expansion of the co-operatives and mutuals sector.

Question 5: The government aims to introduce the enhanced scheme once the existing scheme closes in April 2027. Approximately how long would it take for you to develop systems to offer Help to Save accounts to customers through a multi provider model?

As previously stated, without a deeper understanding of the development requirements, it is impossible to provide a definitive time frame. From engagement with our members and some of the software providers the timescales vary from a number of weeks to 12 months. All who responded to our survey agreed that they would be able to implement the changes in advance of April 2027.

Question 6: Does your business have the capabilities to connect to an HMRC API to check eligibility on account opening? If not, what alternative method would you propose to confirm eligibility? If the government was to widen the eligibility criteria in support of its broader objectives of tackling financial inclusion and/or reducing and alleviating child poverty, are there any considerations (operational or otherwise) that you would need to take into account?

All of our member credit unions who have engaged with this consultation have confirmed their businesses have the capabilities to connect to an HMRC API to check the individual's eligibility on account opening, which could also be built into their online processes. We strongly support the government in widening the eligibility criteria in support of its broader objectives of tackling financial inclusion and reducing and alleviating child poverty. Credit unions serve some of the most vulnerable people in society and see first-hand the impact of financial exclusion on individuals. Some other demographics we would like to see the scheme open to are those who are in receipt of other benefits including pension credit, long-term sickness benefits etc. The report "[Missing out:£19 billion of support goes unclaimed each year](#)" published by Policy in

Practice in April 2023 reported that £7.5 billion of Universal Credit goes unclaimed by 1.2 million eligible households each year. This shows the scale of people who would still be missing out, even with the new relaxed eligibility criteria.

Question 7: Will your business be able to provide national coverage (England, Scotland, Wales, Northern Ireland) for Help to Save? If not, please give details on the geographic coverage you will be able to provide.

ABCUL member credit unions are located across England, Scotland, and Wales. We are unable to comment on the possibility of coverage across Northern Ireland, which I am sure our colleagues from the Irish League of Credit Unions will cover in their response to this consultation.

As per the credit union common bond requirements one sole credit union would not be able to provide national coverage for Help to Save. However, with a number of credit unions already interested in providing the accounts, the sector would be able to offer significant coverage across Great Britain. With further clarification on the development requirements, we are confident that many others would also wish to become account providers.

Question 8: Will any other kind of restrictions apply to your ability to provide coverage for Help to Save? Please provide details

Apart from the common bond requirements there are no other restrictions that would apply to the credit union's ability to provide coverage for the Help to Save accounts.

Question 9: Does your business have the capabilities to provide an automatic transfer of savings from the Help to Save account into another savings product? If yes, what kind of savings product would be suitable for this? Please provide details.

Credit unions can automatically transfer savings from the Help to Save account into another savings product. For some credit unions this would require IT development with their software provider, but for many this is already possible. Credit unions currently offer standard instant access

savings accounts, where the individual can withdraw the savings at any time. The individual may even receive a dividend from the credit union if they retain their savings, dependent on the individual credit unions performance for the financial year. The accounts offered by credit unions vary in relation to the name of the account, but many do offer an instant access savings accounts which have the same product features, terms and conditions.

Question 10: Would a mandatory requirement for an automatic transfer of funds on maturity to a follow-on savings account present any challenges? If so, please provide details.

As stated above some credit unions already have this functionality so there would be no challenges for them. Some credit unions would require IT development in order for the transfer of funds to be made automatically, although a manual process is currently available and could be utilised dependent on the number of accounts held within the credit union.

Question 11: Would you consider providing the scheme if you were able to adapt an existing framework and system to interact with HMRC? Please provide details and any impacts this would have on the scheme design framework.

All of the credit unions who responded to our survey agreed they would consider providing the scheme if they were able to adapt an existing framework and system to interact with HMRC. They would also be willing to engage with their software providers in order for this to be achieved. If development was required with platform providers in order to facilitate the accounts, ABCUL would be happy to support HMRC by engaging with the credit union software providers. We have previously provided this support with other changes impacting credit union software e.g. Child Benefit reference changes.

We would also like to add that we are not advocating for the credit union sector being the sole provider of the Help to Save accounts but to be an option. A government landing page allowing individuals to search for Help to Save account providers by location or employer would give them greater freedom of choice. We do know if credit unions were able

to offer the accounts it would help raise awareness of the scheme which has been very low amongst the public to date. We also suggest that a modest level of financial support for credit unions could significantly increase account uptake. As previously stated, credit unions are already engaged with individuals who are eligible for the Help to Save account and have solidified trust with those individuals through existing credit union products and services. This in turn helps to reduce apprehension and potential lack of uptake if going through a larger mainstream provider like the current offering.

Please get in touch at advocacy@abc.ul.org should you wish to discuss our response.

Yours faithfully,



Natalie McQuade

Head of Advocacy and Regulatory Affairs, ABCUL