HOUSE OF COMMONS

Public Accounts Committee

Oral evidence: Child Trust Funds, HC 1231

Thursday 18 May 2023

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Watch the meeting

Members present: Dame Meg Hillier (Chair); Olivia Blake; Sir Geoffrey Clifton-Brown; Mrs Flick Drummond; Peter Grant; Jill Mortimer; Nick Smith.

Also present: Ben Lake.

Gareth Davies, Comptroller & Auditor General, National Audit Office, Adrian Jenner, Director of Parliamentary Relations, Lee Summerfield, Director of Investigations, National Audit Office, and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Questions 1 - 95

Witnesses

I: Jim Harra, First Permanent Secretary and Chief Executive, HMRC; Emily Antcliffe, Director of Individuals Policy, HMRC; Gavin Oldham OBE, Chairman and Founder, the Share Foundation; and Anthony Walker, Director of Operations, the Share Foundation.

Examination of witnesses

Witnesses: Jim Harra, Emily Antcliffe, Gavin Oldham OBE and Anthony Walker.

Q1 **Chair:** Welcome to the Public Accounts Committee on Thursday 18 May 2023. Today we are looking at the child trust funds. These were set up between 2002 and January 2011, and the Government paid more than £2 billion into these funds for 6.3 million children born in that time. They can access that when they turn 18. Most children received £250 into their original account, though those from low-income families received an additional £250 from the Government, so £500 in total.

Those child trust funds became legacy financial instruments after January 2011, so some people will have converted them or taken the money out, but many of them have not been accessed by the young people concerned and they are reaching maturity from now over the next few years. We are really keen to know how HMRC is now having to enliven itself to deal with what is now a live policy issue, making sure that those young people get the money in the accounts that they deserve to have.

I would like to welcome our witnesses. Of course, from HMRC we have, as ever, Jim Harra, the First Permanent Secretary and chief executive. Welcome to you, Mr Harra. He is joined by a first-time visitor to the Public Accounts Committee, Emily Antcliffe, who is the director of individuals policy, which sounds quite interesting. You might want to explain what that means in a moment, Ms Antcliffe. From the Share Foundation we have Gavin Oldham, who is the chairman and founder and has been playing a very big role in making sure that young people can access these accounts, and Anthony Walker, who is the director of operations there. A warm welcome to you.

Ms Antcliffe, it might just be helpful, before we go any further, if you could explain what the director of individuals policy covers at HMRC?

Emily Antcliffe: Yes. I am responsible for HMRC's role in the development of tax policy where it impacts on individuals. I cover all of income tax policy and national insurance, as well as issues around savings and pensions. We also have responsibility for the delivery of student finance.

Chair: That is half the population.

Emily Antcliffe: It impacts a large number of people, yes.

Q2 **Chair:** It is quite a lot of people. Mr Oldham, we know what you are, but it might just be helpful for people who are following if you could explain, especially in your own words, what the Share Foundation is and what you are doing in terms of child trust funds.

Gavin Oldham: The Share Foundation is a registered charity formed in 2005, originally to put extra money into the child trust funds of young people in care during those first five years when the scheme was under way. When the Government changed in 2010, there was a line drawn under the child trust fund, and the introduction of the junior ISAs. We felt it was extremely important that young people in care should still continue to receive a starter capital account. We campaigned with Barnardo's and Action for Children, and the junior ISA for young people in care was brought in as a result of that.

We put ourselves forward for running the scheme, along with various others in competition for a tender, and we were accepted in 2012. Anthony joined us at that point. We have been running that scheme for the Department for Education ever since, for the last 11 years, and we have just had our contract extended for another four years now.

We work with 211 local authorities throughout the United Kingdom, and increasingly we have found confusion happening because part of the young people's base was looked after by the child trust fund with the Official Solicitor, and part of it with ourselves in the junior ISAs. We asked that the schemes should be brought together. The child trust funds for young people in care for those without a person in a position of parental responsibility, which is the area the Official Solicitor looked after, was transferred to the Share Foundation's administration in 2017, but we take a very close interest in the whole child trust fund base. We run the whole of that scheme. This followed problems regarding the reconciliation of the transfer from the Official Solicitor that are recorded in the NAO Report.

Chair: We will get on to the NAO Report in a minute.

Gavin Oldham: We will get on to the detail of that, but that is when we realised that there was a serious problem with child trust funds. We then brought in a purely voluntary exercise to help young people from whatever background to find their child trust funds throughout the United Kingdom, and we have been running that for the last five years.

Chair: Thank you. We were just discussing which of our children might have qualified for this. It is a very small window. A lot of people will not have come across your organisation or indeed child trust funds, so it is just helpful to have that on the record. Before we go any further, I need to just take declarations of interest from Ms Blake.

Olivia Blake: I am the chair of the APPG on special educational needs and disabilities and also a vice-chair on the ADHD APPG, which may or may not be relevant.

Q3 **Chair:** Just for clarity, I am the only member of the Committee who has a child who did get to have a child trust fund. I converted it to a junior ISA some years ago, so I no longer have a direct interest in this, but obviously I have a wider interest as a constituency MP and Chair of this Committee.

Before we go any further, I just wanted to pick up on this tricky issue that we have been in correspondence with you, Mr Harra, regarding a constituent of Mr Ben Lake, who is very welcome, I should say, as a guest on this Committee today. This constituent was receiving thousands of letters from VAT-registered businesses who changed their registration to his address. You have written to us, and you said, "Our investigations so far have found no evidence of fraud or fraudulent intent". It seems odd to me that you can say that when around 11,000 VAT-registered businesses varied their registration to that single address. Can you unpack that a bit more for us?

Jim Harra: Yes. It is definitely a very odd incident. There is no doubt about it. I do not feel that we have yet got to the bottom of why it happened. However, as our investigations have gone on, we are even more confident than we were at the time that I wrote to you that there has been no fraud perpetrated on HMRC as a result of this. It is not clear that it was an attempt to defraud us.

If I can explain that, these are overseas businesses that sell into the UK via an online marketplace. Since 2021, the online marketplace has been responsible for accounting for the VAT on those sales. Of course, there is a risk, therefore, that an overseas business will pose as a UK business and try to convince the online marketplace that they are a UK business so that the online marketplace will not account for the VAT. We are aware of that risk and we have a set of guidelines with checks that online marketplaces must carry out to determine where a business is established. Simply registering at a UK correspondence address does not pass those tests, so that in itself could not con an online marketplace into thinking that they are a UK business. Sure enough, when we have looked into businesses on this long list, we have found that, for the vast majority of their sales via online marketplaces to UK customers, VAT has been accounted for by the online marketplace.

The other thing that is quite odd, if this was an attempt at fraud, is that it would be very unusual for fraudsters to use an address that is not under their control, because what happened in this case would happen, which is that the real occupier of the address starts to get correspondence, contacts the authorities and it comes to light. That would be an unusual MO for a fraudster.

As things stand, we still carry on our investigations, but we are confident that there has been no widespread fraud perpetrated on us. It certainly was not a sophisticated attempt to defraud us, if that is what it was, but I recognise that it was extremely inconvenient and distressing for Mr Lake's constituent. We have been looking at how we can tighten up our procedures to prevent people being impacted.

Q4 **Chair:** That brings me to my last question on this before I pass it to Mr Lake. Surely your systems would have thrown up that you were sending a large number of letters to one address. Would you not have some flag in the system to indicate that there must be a problem?

Jim Harra: It is quite common, particularly for overseas businesses, for large numbers of them to be registered at a single serviced office correspondence address. That is convenient because their taxation correspondence is delivered to a UK address where their tax agent can collect it, and then they can deal, by email or whatever, with their client overseas. From our point of view, the fact that a large number of businesses are registered or have varied their address to a single correspondence address is not unusual in itself.

Chair: There were 11,000 over six months.

Jim Harra: Yes. That is the kind of number we can see at an address. Having said that, we have watchlists of addresses that we think are associated with non-compliance and we do transaction monitoring on those addresses but, if we have no reason to think that an address is suspicious, then the mere fact that there are a large number of businesses registered at that address is not in itself a flag from our point of view.

However, following this incident, because of the impact on the householder, we are now putting some checks in which, from our point of view, are not being driven by compliance risk but by the risk of inconvenience and distress to people. We are now checking whether addresses are residential addresses that may not be connected with a large number of cases, or whether in fact they are recognised serviced office addresses where you would expect these businesses to be.

Q5 **Ben Lake:** I was very interested to hear your answers there, Mr Harra, because, as you alluded to, my constituent has had a pretty worrying time of it, receiving so many thousands of letters to a residential address. Included in some of those letters were demands from debt collection agencies. I take what you said there—that your investigation so far found no evidence of fraudulent intent or that the HMRC has been defrauded—but could you explain to me why some of these overseas business would suddenly want to register a UK address as a flat in Wales?

Jim Harra: That is a mystery. We are aware of a serviced office address that is quite a similar address to your constituent, but it is not the same address, so that may not be the correct explanation. If I can just explain about the debtors, of the 11,000 businesses, about 2,300 of them owe us a debt. Those debts pre-date the 2021 online marketplace rules. Since they have come in, online marketplaces are liable for the VAT, not the overseas business. From our point of view, that is quite a secure way of collecting this tax, but prior to that, overseas businesses had the initial, primary responsibility, and certainly indebtedness was a problem for us during that period.

All these 2,300 cases relate to that period before the 2021 rules came in. There is no doubt that collecting and enforcing debts from overseas businesses is a challenge for us. That is one of the key reasons why the 2021 rules are so useful for us. In the case of these businesses, until we have resolved this address issue, we now have no address with which to correspond with them about their debts. In practice, being able to send them letters if they are not going to pay it does not get us very far.

We have recently published the responses to a call for evidence about how our powers to collect debts from overseas businesses might need to be strengthened to take account of e-commerce. You now often have businesses selling into the UK that have no assets and no presence in the country. We have just recently published the responses to that and we will obviously be taking things forward as to whether there are options. We have some powers to, for example, take control of goods, but those powers pre-date e-commerce. For example, they enable us to enter the business premises of the debtor. These debtors do not have premises here, so that is an example of an area where we may need to modernise the debt collection process.

Q6 **Ben Lake:** On those 2,300 businesses, do you have an estimate yet as to the total value of the debt that they owe HMRC?

Jim Harra: I do not have it to hand. I apologise. I am sure we know that, but I do not have that.

Q7 **Ben Lake:** It would be very interesting to have that in writing, if possible. I am very concerned about some of the systems we have in place if a residential address—a flat in Wales—can suddenly receive over 11,000 letters and businesses varying their address to that property. As you mentioned, it is not clear why these businesses or organisations might have done so, but I have to impress upon you that this is very concerning for my constituent, not least because, as you mentioned there, the common practice when a business owes HMRC a debt is that they will take enforcement action against it. Can you give me some reassurance that my constituent is not going to be facing any formal demands or enforcement action from HMRC because of this mix-up?

Jim Harra: I will talk about your constituent specifically and then perhaps a bit more broadly about what will happen. Yes, we have taken steps specifically in relation to that address to make it an invalid address for VAT registration.

Q8 **Ben Lake:** On that point, I understand that you wrote to the Chair of this Committee on 29 March indicating that you had taken action to prevent any further correspondence from being sent to that address, but I understand from my constituent that he has continued to receive letters since the date in March on which you sent that letter. Indeed, in the last few weeks he has been receiving dozens more letters. How confident are you that this action has fixed the problem?

Jim Harra: I was going to go on to say that I suspect what we can do with our existing systems is imperfect. We will be very interested to understand what that correspondence is and see if there are parts of our systems where we have to put more flags on, but we have certainly put a flag on that address that should prevent both our VAT system and our debt systems from sending correspondence there. Both for your constituent and for other people who could be affected by this, while we have put additional processes in place to try to prevent this from happening, I suspect that they will not be perfect.

In your constituent's case, I am grateful that they did contact us. I apologise that we then did not act promptly on that contact, but I would urge anyone who does receive contact from a business that they have no association with to get in touch with us and we will look at what we can do. It is also the case that sometimes we have to send correspondence to the registered office of a company, which is what is on the register at Companies House, although I do not believe that was an issue in relation to these 11,000 businesses. Again, that can mean that we have to send correspondence to certain addresses. We owe you and your constituent a response in any event, but I will pick up why any further correspondence would be going there.

Q9 **Peter Grant:**[1] Is it not an offence in its own right to provide false information to HMRC?

Jim Harra: I am not sure there is specifically an offence of providing false information, but obviously it is an offence to cheat the revenue or to commit fraud, so if that was the purpose of providing false information, that could end up with penalties or criminal action.

Q10 **Peter Grant:** [2]Any self-assessment return I have ever completed has a bit on it that I have to tick that says I understand that if I provide false information, I will be prosecuted. Is it not the same for companies?

Jim Harra: Yes. If the information relates to your liability to tax, then that would definitely be the case, but I do not think there is simply an offence of providing false information. I will obviously write to the Committee if I am wrong about that, but I do not think I am.

Q11 **Peter Grant:** You have explained to the Committee that the fact that you no longer have a way of contacting these companies means that, for the ones that do owe the Revenue money, it will be more difficult to get the money out of them. Does that not mean that there is clear evidence that they have given a false address to make it harder for you to collect the money? Is that not an offence?

Jim Harra: My intention was actually to explain the opposite, which is that while we currently have no address to correspond with these businesses, when it comes to debts owed to us by overseas businesses, having somewhere where we can write to them does not get us very far. What we need are the best possible powers. We need to be able to access any assets they have in the UK, to impose the liability on intermediaries such as online marketplaces, where we obviously have a much greater

[1] Q9 and Q10 Correspondence from Jim Harra, Chief Executive and First Permanent Secretary, HM Revenue and Customs, re Following the hearing on Child Trust Funds on 18 May 2023, dated 7 June 2023

ability to collect the tax, and also to foster good co-operation with overseas authorities to help us to trace businesses that are in their jurisdiction and take action.

Q12 **Peter Grant:** Have you any idea how much money is owed on the transactions that took place before the online marketplace came in? You said the vast majority of the companies had only traded afterwards, but if you take out the vast majority of 11,000 businesses, it can still leave quite a lot of business.

Jim Harra: Before the 2021 rules came in, the responsibility for accounting for VAT primarily lay with the business. If they did not comply, then we had the power to serve a notice on the online marketplace that said, "In future, you will be liable for this person's VAT". Our experience in those days was that the online marketplaces generally, at that point, kicked these people off their platforms. That was the best that we could have prior to 2021, because we had to operate within the constraints of EU law, but when we left the EU we were able to introduce the new rules, which are much more secure. Since then, I believe that the EU has also implemented similar rules.

Q13 **Peter Grant:** Have you any idea how many of these 11,000 companies either ever did exist or still exist? Is there a danger that they just ran up the debts and then disappeared?

Jim Harra: No. What we have found is that these are active businesses selling on online marketplaces to UK customers. In the vast majority of cases, certainly since 2021, that tax has been accounted for and paid to HMRC by the online marketplace. It is still the case that those businesses need to register with us for VAT, so it is not unusual from our point of view that 11,000 of them have joined our register, because that is what they need to do. What we have found here is real businesses selling real goods to UK consumers and the VAT being accounted for in the vast majority of their sales.

There are some of the sales on online marketplaces where VAT has not been accounted for and where we need to check that that is valid, but there can be valid reasons. For example, if an overseas business sells on a marketplace to a UK VAT-registered business, then the marketplace would not account for the VAT in those circumstances. We are working through that to make sure that there has been no non-compliance. As I said, all the evidence points to the fact that, since 2021 at any rate, we have had our VAT from these businesses, and that there has been no fraud perpetrated on us through this action, but it is very curious.

Q14 **Peter Grant:** On the question of VAT registration, we know that is wide open. You will be familiar with the case I have raised with you before, where a legitimate business in my constituency had its Companies House details stolen and used to set up VAT registration for a criminal business. It led to two innocent people in my constituency getting debt collection letters threatening them with all sorts of things if they did not pay a bill that was not theirs. When they initially raised it with HMRC, they could not get anyone to believe that there was anything wrong with it. The best advice they got initially was that they should phone the debt collection agency and say, "HMRC have said it is okay. You do not have to collect the debt." At one point, HMRC actually denied having involved the debt collection agency at all.

If there is that degree of lack of understanding and simply erroneous information being given out by HMRC when people raise their concerns, can the public and legitimate businesses really have confidence that they are not going to end up being the victims of a significant fraud? Remember that, for a small business, a significant fraud does not have to be significant in HMRC terms—£10,000 could put businesses under.

Jim Harra: The VAT system is clearly a target for fraudsters, who in some cases are trying to undercut other businesses by finding a way of making sales VAT-free or to access a VAT repayment from HMRC. The nature of the VAT system is that there are very high levels of repayment, and the registration process is our first line of defence against those fraudsters coming in. Since April last year, we have seen several waves of what we believe to be fraudulent attacks on the VAT system, starting with unusual applications to register for VAT. We have strengthened our checks there, and I get correspondence from Members of Parliament because of the delays that some of those checks then impose on people who need to get a registration rapidly.

Since 2016, we have either refused or caused to be withdrawn 120,000 applications for VAT. We have also removed 10,000 businesses from the VAT register because we believe that they may be fraudulent. Before the 2021 rules, we issued 13,700 joint and several liability notices to online marketplaces in respect of non-compliant overseas businesses. We protected just under £500 million-worth of loss through that, but it is a constant arms race between us and the fraudsters. It is very important to us to make sure that we have the right checks in place to enable legitimate businesses to get registered as quickly as possible, but that we also trap those who are intending to use that registration to perpetrate fraud.

Q15 **Nick Smith:** All of this still feels pretty smelly. I am sure you can understand that. My first question is about Mr Davies, who says HMRC only took notice when he took his concerns to the BBC Wales consumer programme, "X-Ray". Why is that? Why is HMRC unable to respond to individual concerns like this?

Jim Harra: I apologise for that. I am aware that Mr Lake's constituent contacted us via his solicitor. First of all, that letter was delivered to a former HMRC address, so it took a while for it to get redirected to us, and then it got mishandled within the department. By the time we did deal with it, Mr Lake's constituent had gone to the media with his concerns. I apologise for that. We need to act on intelligence that we get from members of the public rapidly, and we did not do so in that case.

I also agree with you that there is a smell from this. It is a very curious incident and we have been seriously investigating it but, as I say, at this point we cannot find any indication of wholesale fraud as a result of it. It is difficult to tell whether it was an unsophisticated attempt to do so that did not work.

Q16 **Nick Smith:** To dig a bit deeper on that, you have described this as an arms race and said that it is difficult. You have given us some data on the enforcement work you have taken. Thumbs up for all of that but, as I understand it, these are international companies using commercial post boxes fairly often to establish VAT registration here. How many other addresses have over 1,000 companies registered at them? Can you please write and tell us? It would be good to understand what is going on across the piece here.

Jim Harra: I will see if we can easily produce that information but, as I say, it is quite common for large numbers of businesses. If you take what has happened with businesses in China that sell via Amazon, since 2016 they have had to register for VAT in the UK in very large numbers. They will use an intermediary to help them to do that. That intermediary will say, "I need to get the correspondence from HMRC, so we will register you all at this address." From our point of view, that is not unusual and is often a sign of people trying to comply with their obligations. I will see if I can get you that information.

Q17 **Nick Smith:** The reason I say that is that sometimes there may be front addresses or organisations going on here. You have told Mr Lake that you will look into it and see what the losses are in this particular instance in Cardiff, but I am troubled that there may be similar operations occurring in other commercial post boxes in other parts of the country. I understand that it is quite difficult but, if possible, can you let us know what your losses are in those other big commercial post boxes too, please?

Jim Harra: First of all, I would say that we are not aware of any losses as a result of the variation of these registrations to the address to Cardiff.

Q18 **Chair:** Just to be clear, in the letter you said that 2,356 have a tax debt, but that tax debt pre-dated this incident.

Jim Harra: Yes, they pre-dated this incident. I will look at what information I can.

Q19 **Nick Smith:** You can see why we are asking.

Jim Harra: Yes, I can well understand. There is definitely a legitimate interest in attacks on the VAT system, how those MOs change over time and whether we are effective at staying in front of them. A big problem certainly was non-compliance by sellers, and this Committee has looked into what people could buy online before. Between 2016 and 2021, we have really tightened up on that through three sets of legislation. However, that is not a perfect solution. There can still be people selling off-marketplace, for example. It is a partial solution, albeit quite a significant one. It is an arms race.

Q20 **Sir Geoffrey Clifton-Brown:** I am interested in these 2,356 businesses that have a tax debt prior to the change to the online marketplaces. Mr Lake's case is all post the online marketplaces, so these are a different category. Is that right?

Chair: No, these were the ones that went to that address.

Jim Harra: Although the variation to the address occurred between September 2021 and March 2022, in these cases their debts all arose prior to the 2021 rules coming into effect.

Q21 **Sir Geoffrey Clifton-Brown:** I see your letter to the Chair dated 29 March 2023 and how you go about collecting those debts, but there surely comes a point where, due to the cost of trying to collect the debt, particularly if they are in the category where they do not have any assets in this country that you can go after, it becomes not worth collecting that debt. Presumably this number is shrinking all the time and, in some cases, you are having to write off those debts.

Jim Harra: It is undoubtedly the case that it is extremely difficult to enforce debts, which are often, business by business, relatively small amounts, from overseas businesses that have no presence or assets in the UK. That is a key reason why we introduced the legislation in 2016, 2018 and 2021 to move the liability away from those businesses and collect it from a more reliable intermediary. Yes, it is a real challenge collecting debts from overseas debtors. We have certain powers. For example, in certain circumstances, if they have goods in the UK, we can take control of those goods. We have recently done a call for evidence on whether our powers need to be improved.

Q22 **Sir Geoffrey Clifton-Brown:** Will the implementation of these increased powers be retrospective to these businesses?

Jim Harra: That is for Parliament to decide. We have not come up with what the policy proposals are. We have simply published the responses to the call for evidence. I can see how you could bring in powers that apply to existing debts, but that is something for the future.

We will pursue debts through overseas courts, and we have a network of treaties whereby foreign tax authorities give us assistance and we give them assistance. There is something called mutual assistance in the recovery of debt, which is an OECD standard that most OECD countries and other countries bilaterally apply. That can range from just helping us to trace where businesses are in the overseas jurisdiction right through to actually helping us to enforce the debt through the courts.

Q23 **Chair:** I just want to remind people that this was thanks to some heroic small British businesses who uncovered a VAT scam by Chinese businesses. That then led to the NAO looking into this issue, which led to some of these changes in the law and money being collected through the platforms.

Jim Harra: I would just say that there was a high level of non-compliance prior to 2016, which has gradually improved. The types of behaviour we saw did range from quite deliberate scamming right through to businesses—to be fair to businesses in China—that did not know they had an obligation, or knew they probably had an obligation but did not understand how to fulfil it. As well as tackling fraud, we have also done a lot to put out Mandarin-language guidance and to educate people. Very large numbers of them have come forward and registered for VAT and, ahead of the 2021 rules coming into place, voluntarily complied with their obligations, but there is no doubt that some, realising they were beyond our reach, continued not to do that, hence the 2021 rules.

Chair: It is an area we are still interested in. We hope that this does not happen again, so we will continue to watch the matter. I thank Mr Lake for coming along on behalf of his constituent today. As other witnesses will be pleased to know, we are finally now moving on to child trust funds.

Q24 **Peter Grant:** Mr Harra, at the time of the NAO Report, the most up-to-date information we had was that 145,000 young people who could have claimed their child trust funds had not done so. There was about £394 million lying unclaimed in those funds. Do you have an update for us as to where those figures have gone now?

Jim Harra: That was based on the last set of statistics that we published last July. The next annual statistics will be published this July, so in the meantime there is no published information other than that. That related to young people who became 18 between 1 September 2020 and 5 April 2021. There were about 370,000 of them and, as you say, on 5 April, 145,000 of them had not yet accessed their accounts.

Gavin Oldham: I wonder if I could explain what our estimates are and how we work them out. We keep population statistics on all 18 to 20-year-olds who would be eligible for child trust funds throughout the United Kingdom. We regularly keep in touch with the account providers' trade association, TISA, for their estimate of the unclaimed adult CTFs that are in the system. The latest one I have on that is from Easter this year, when they estimated 42%. If that figure is correct, that means that there are now over 900,000 young people who have unclaimed adult CTFs. They are predominantly low-income; we know that from research we have done.

Using the NAO figures for the average value of CTFs of £1,900, that means a value of over £1.7 billion has been unclaimed by young adults so far. Just to put that in context, the Children in Need appeal raised £35 million on the night. It would take half a century—50 years—of Children in Need appeals to raise the same amount of money that is unclaimed by young people at the moment. That is what our estimate is across the

United Kingdom. It is a major issue, particularly at a time of a lot of cost of living pressures on these young people. It is denying them a proper start to adult life. That is our estimate.

Jim Harra: If I can just correct a figure, I said 370,000 but it was 320,000 accounts that matured during that period. Yes, there is obviously a variety of estimates. The Investing and Saving Alliance estimated that around 27% of accounts remain unclaimed a year after maturity. That was in the NAO Report, on page 9, in paragraph 12. From an official statistics point of view, we will have another year's worth of data published in about two months' time.

Gavin Oldham: TISA accepts that, in the oldest annual cohort, the rate has dropped down as low as 27%, but the average for 18 to 20-year-olds is 42%, according to the trade association, which is probably the most reliable estimate you will get at the moment.

Q25 **Peter Grant:** Rather than getting into a game of ping pong as to who has the most up-to-date numbers, is it fair to say that there is a very large number of young people who have not claimed a huge amount of money that is owed to them or that is legally theirs, and that nobody is quite sure how many or how much? Is that a fair summary of it?

Jim Harra: We will have good data that we publish annually on how many accounts have matured and, of those, how many have been accessed and how many have not, and what the value is in those accounts. There is a bit more information required to understand what the behaviours are. Where accounts have not been accessed, is that because the account holder is unaware that they have a CTF? Are they aware they must have one but they do not know where it is? Do they know where it is but have decided not to access it at this point? It is open to them to just leave their funds as a tax-free account. Over time, as more accounts mature and we gain more data, we will need to get deeper and deeper into these reasons.

Q26 **Peter Grant:** Mr Oldham, from your experience, why are the young people not claiming this money? Is it simply that they do not know that the money is there and nobody quite knows where the young person is to tell them?

Gavin Oldham: We believe that is absolutely the situation. Up until a couple of years ago, I have also been responsible for a retail investment company called the Share Centre. It has now been merged into interactive investor and sold to Abrdn, but before that happened I did a detailed analysis of the Revenue-allocated accounts that were administered by the Share Centre. My colleagues kindly allowed me to do that and to pass those records on to the Share Foundation. That is recorded in the NAO Report, so you can see the figures there.

What we discovered is that the main problem is in the HMRC-allocated accounts. There were two aspects. One was the "addressee gone away" number, and the other was the "never registered with the family" number. These accounts were set up one year after birth because the family had not done anything about it. Of course, HMRC would have written to the family to tell them about the account having been opened, but I do not believe there was that much communication or follow-up to make sure that it had been received.

We discovered that over 85% of the Revenue-allocated account base was either never registered or "addressee gone away". We also identified the much higher proportion, recorded in the NAO report as 51%, that are low-income families or families in receipt of child tax credit where the extra money was paid in. We are talking about a problem that affects those who are the most disadvantaged. They would not have understood anything about the accounts in the first place and they are totally unaware of it. This is why we need to communicate so much at this stage.

Q27 **Peter Grant:** Is that not pretty much the precise target that the accounts were set up for in the first place? You have described the kind of young people from low-income families who may not have a lot of dealings with banks. Was it not one of the key objects of the whole scheme to encourage those young people and their families to get into the habit of saving? Presumably, the chances are that young people growing up in well-off families who have bank accounts of their own are going to get into banking quite quickly. You seem to be saying that the very people for whom the scheme was particularly targeted are exactly the same people it has made no difference to because they do not know the money is there.

Gavin Oldham: Yes, that is absolutely the issue. The Government that introduced it had every correct motive about providing a starter capital account and some financial awareness to help to build understanding, but the communication was not there throughout the scheme. The point that we have reached at the moment is a particularly difficult one.

I am aware of a question that was placed by Jonathan Ashworth MP's. He asked the Chancellor of the Exchequer, in relation to the NAO Report, for what reason the Government had not planned to commission additional data collection to enable an evaluation of the child trust fund scheme. There was quite a lengthy response to that, but the really illuminating paragraph from that response says: "The scheme has been closed to new entrants for over 12 years. In this time HMRC has been focusing resources on evaluating and improving existing schemes. We will continue to keep the need to evaluate old schemes under review." To describe this as an old scheme is a bit like a farmer planting his crop in autumn last year. You reach harvest time this summer and he says, "It is an old thing now. I planted it last year. I am not interested in that anymore. I am going to do other things now." Just at the time when we need to harvest this crop, we have so many young people who are not aware of it.

What you are saying is absolutely the case, but it is not too late. We can do a great deal now to deliver this scheme.

Q28 **Peter Grant:** Mr Harra, paragraph 4.9 of the NAO Report lists some of the actions that you have taken since 2019 to try to get back in touch with these young people. What assessment have you made of the impact that these initiatives have had? For example, in 2019 you included a mention of the scheme when you sent out young people's national insurance numbers for the first time. Did you monitor to see whether that made any difference or whether any young people actually read that bit of the letter?

Jim Harra: First of all, there are two different things here. One is evaluation, which was what the answer to the parliamentary question was about, but when it comes to connecting young people with these accounts as they mature, that is absolutely our objective. The primary responsibility, of course, rests with the account providers. Just as with any savings product, they need to keep in touch with their customer and they are under obligations through the Financial Conduct Authority to do so.

In addition, we have been carrying out communications to raise awareness among young people that they have these accounts, and to raise awareness among them about how they can trace their accounts if they do not know where they are. We have a fulfilment route for that, as indeed does the Share Foundation and some other organisations as well. Between now and 2029, as more and more of these accounts mature, we will keep under review whether that is working.

We have ramped up communications since 2018 in a whole variety of different ways. This a cohort we are trying to reach that is not HMRC's usual customer base. We have been monitoring what the response is to that. For example, we can see spikes of contact from young people after different communication events. Probably the best is that when Martin Lewis mentions it on ITV, I immediately put 20 extra people on to the line because that has an impact. We can see that the communications work in that they create a spike of contact afterwards, but for people who have not yet reached 18 and will not until 2029, we have to sustain that, keep that going and keep picking up the cohorts.

Q29 **Peter Grant:** Could I ask you to write to the Committee with details of the impact assessment you did after each of the initiatives that are shown in paragraph 4.9?

Jim Harra: Yes, I will give you what information we have.

Q30 **Peter Grant:** I want to come on now to the monitoring of performance, and particularly to the compliance of the providers. Part 3 of the NAO Report refers to the fact that, very often, the providers do not actually provide you the very small amount of information that you ask for. Why is that?

Jim Harra: In terms of monitoring compliance risks, we were quite active until 2013 but, after that point, no new accounts were being opened—no new Government subscriptions were being put into it. We assessed that the tax compliance risk to HMRC from this was pretty low, and therefore we ramped down our activity. That included switching off fortnightly returns that we had previously required from account providers. While they were still required to send us annual returns, it is fair to say that we did not rigorously enforce that. We have now ramped that up more recently because, as accounts mature, that data is increasingly important. For the statistics that we will publish this July, I am confident that we will have a complete data set based on having enforced it and chased up the returns that are missing.

Q31 **Peter Grant:** What was the basis for you deciding that there was a low risk of non-compliance from these providers?

Jim Harra: If you look at the risks of tax loss from this scheme, the main risk is people opening accounts when they are not eligible, or duplicate accounts, and that is what we actively tracked and monitored while people were opening accounts. Beyond that, the risks are relatively low. There is a risk during the period since 2011 that people might oversubscribe to these accounts but, in practice, most children have a tax-free personal allowance and the savings allowance in any event, so the chances of us losing tax from this were pretty low.

Q32 **Peter Grant:** When you have described it as low risk, you are talking about the potential risk to the public purse.

Jim Harra: Yes, I am talking about the compliance risk to HMRC and the tax system.

Q33 **Peter Grant:** Have you done any assessment as to the risk that some of these young people might be losing money because the fund has been badly managed, possibly even deliberately? Have you assessed that risk at all?

Jim Harra: HMRC does not regulate account providers; they are regulated by the Financial Conduct Authority. All these account providers have to be registered and authorised by them, so we do not have an active role in protecting the consumers.

Chair: Some of that is more for the Treasury. It is an important point about fees and funds. Perhaps Mr Oldham has something to add here.

Gavin Oldham: If I could just comment on that area, Jim Harra is absolutely right to talk about tax compliance risk, and I understand that, but, as Peter has said, the issue here is really about whether the account providers are doing as much as they possibly can to join up these accounts. The NAO Report estimates that about £100 million a year in fees is being earned.

We know some account providers that are working really hard with this, particularly NatWest; they excel themselves in putting a lot of effort into trying to link up accounts. There are another three Revenue-allocated account providers who are working with our CTF register, but there are reasons to say that account providers are showing inadequate enthusiasm for linking up accounts. I believe they even have an obligation to do that under the treating customers fairly routine of the FCA. Next year that will be superseded by the consumer duty regime, but I understand it will not apply to existing accounts until July 2024.

It is really important to get the message through to the FCA to put pressure on account providers so that they are co-operating with search registers, such as the CTF register. We have been following that up in some detail. I had a report last night on the numbers responding to them and, in my view, it was quite inadequate, particularly for the Revenue-allocated, which is where the greatest number of unclaimed accounts are. It would be really helpful if the Committee could speak to the FCA about this.

Q34 **Chair:** It is something we have noticed with other projects we have looked at. The legacy products often have very high fees because no one is really watching them. No one really cares about them.

Gavin Oldham: Some £100 million a year is a lot of income when you bear in mind that, because so many of these accounts are "addressee gone away" and never registered, they do not have any expenses. They cannot send it to an address because they do not know what the address is.

Chair: We have similar concerns about some of the auto-enrolment, so it is something we are very alert to, although some of this would fall to our sister Committee, the Treasury Select Committee. The point is well made; thank you, Mr Oldham.

Q35 **Peter Grant:** My understanding is that the £100 million estimate was assuming that everybody was charging the 1.5%, which is the maximum for stakeholder accounts. Nobody knows how much these young people are being charged if they have a non-stakeholder account, because that is not capped.

Jim Harra: There is a cap on the fees that can be charged for stakeholder accounts, at 1.5% per annum. All the Revenue-allocated accounts, which are the accounts that are at greatest risk, if you like, of lack of engagement by the child and their family, are stakeholder accounts, so they are subject to that cap, but you are right: if a parent or guardian chose some other account other than the stakeholder, then there is no cap in the CTF legislation for the fees, and that is just subject to general regulation by the FCA.

I would add that, while the responsibility for monitoring account provider action to contact account holders rests with the FCA, there are specific rules in the CTF regulations—for example, requiring account providers to contact the account holder in the year of their 17th birthday, and then thereafter to send at least annual statements if they do not engage with their account. Our experience of engaging with account providers is that they comply with that obligation. In addition, most of them will try to contact the account holder immediately before maturity, both to remind them of maturity but also to tell them what they need to do to access their account.

Gavin Oldham: If I may just comment briefly on that percentage ad valorem rate of 1.5%. It was introduced in 2004 or 2005. I was in the meeting in the Treasury when that rate was set, and it probably did not seem an unreasonably high maximum ad valorem rate, although I did propose at the time that if they had allowed a maximum flat charge to be put alongside that, they could have reduced the ad valorem quite significantly. Obviously, I say that with the experience of an account provider.

I have to say that 1.5% looks very high indeed for fund management. On £1,900, you are talking about nearly £30 a year per account on an account where there are very few costs against it. It is almost straight to the bottom line, and that probably speaks volumes about why the account providers are not doing enough.

Anthony Walker: On the non-stakeholder charges, just to give you a flavour, when we take over responsibility for a child trust fund for someone who is in care, we generally ask for a statement on that account so we know where we stand. One of the non-stakeholder providers said quite happily, "Yes, £20 out of the child trust fund, please." That is the sort of charge just for providing a statement. I am sorry to use the word, but that is bonkers.

Chair: That is all right; we like straight talkers, Mr Walker.

Anthony Walker: We refused to pay.

Q36 **Chair:** You refused to pay and you still got the statement.

Anthony Walker: We did not get the statement, unfortunately. We have to wait until they are duty-bound to provide one at certain dates.

Q37 **Peter Grant:** You certainly mentioned some providers that are behaving very responsibly, possibly going beyond what they are required to do to try to track down the account holders. Is it possible or indeed likely that some businesses are just saying, "We have no interest at all in finding out who these people are because we are getting 1.5% off them every year"? Could there be firms out there who are quite happy to let the fund basically run down to nothing because it is all being swallowed up by their fees? Is there anything that can be done to prevent that from happening?

I know we have mentioned the Financial Conduct Authority. My views on their effectiveness are quite well known. Is it only the FCA that stands between firms literally just getting money for nothing every year until the trust fund has run out?

Gavin Oldham: Yes, that is a risk. I am absolutely appalled by the suggestion in the NAO Report that there could be dormancy considered at the end of these. These are not older folk who have saved up all their lives and may be in a different situation. These are young people from low-income families who really need this money to get them started in adult life. There is a real risk that they could be just sitting there anticipating dormancy.

I am aware that some of the Revenue-allocated accounts sit in mutual organisations who do not have a huge amount of other business alongside it as well, and that may be part of the reluctance to do it, but there are others that are commercial and are doing the same thing in terms of being very reluctant about this. This is a big issue. I would be very grateful if we can ask the FCA to focus a bit on this.

Emily Antcliffe: Not to take away from the responsibility to the FCA, but it is worth noting that these accounts, even as they mature, still attract growth. They are savings accounts. Even though there are fees on them, the growth of the account outstrips that cap on the fees. On those accounts that are within the cap, we would not expect them to sit there until they ran down to nothing. They would still continue to attract growth.

Q38 **Chair:** It is fair to say that one of the reasons that I converted my daughter's account into a junior ISA is that the interest rates were just withering away because it was a legacy project that nobody had a real interest in, which is a wider issue that this Committee is quite interested in. I take your point.

Before we move on, Mr Oldham, you mentioned that NatWest was doing a good job. Can you just be clear about what they are doing compared with those who are just letting them sit there and potentially move to dormancy? Are they the only one?

Gavin Oldham: NatWest is co-operating fully with the CTF register run by the Tracing Group, which is absolutely key to our search process. Maybe we could discuss that a little bit as well, because it is a very effective system. NatWest also contributes £40,000 a year to the costs of publicising that search facility. It has made a lot of difference, and it is not one of the largest Revenue-allocated account providers, so it is really good of them to do that. None of the other account providers is contributing anything in terms of creating awareness. As I say, three others are co-operating on this.

Q39 **Chair:** Have they done that proactively, or have you asked for support?

Gavin Oldham: They have very much volunteered that and put it forward from that point of view.

Q40 **Mrs Drummond:** Because it is statutory that they have to report back, has every provider sent those annual statements on the 10th, 15th and 17th birthdays? Is there any evidence to say that some providers are not doing it?

Gavin Oldham: If you do not know what their address is, you do not have anywhere you can send it to, so nothing would go out from that point of view.

Q41 **Mrs Drummond:** What percentage do you think is in that category?

Gavin Oldham: In the Revenue-allocated accounts section, we reckon it could be over 80% of those. As I say, when I analysed the 83,000 accounts that we were administering within the Share Centre, it came to about 86%. The numbers are in the NAO Report from that point of view.

Q42 **Mrs Drummond:** They will not have received a statement at all, hence the lack of engagement.

Gavin Oldham: Yes, absolutely.

Q43 **Chair:** Just to pick up on the NatWest point, as Sir Geoffrey was just suggesting, have you used NatWest's example as something to try to push other providers to do?

Gavin Oldham: Yes. In fact, the Tracing Group, which provides that interface with the account providers, has spoken to all the account providers, particularly the Revenue-allocated ones, in the last two or three weeks since the NAO Report came out. There are five of them who are expressing some interest. The majority are not Revenue-allocated account providers. Interestingly enough, one of those that is not a Revenue-allocated account provider reports an 11% unclaimed rate. It is not just in the Revenue-allocated account area; but it is a problem that is much worse in the Revenue-allocated account area.

Q44 **Chair:** Because there has been a bit of publicity thanks to the National Audit Office's work on this, maybe some of these other providers might start coughing up.

Gavin Oldham: It has been really helpful and your interest in it will be very important in terms of raising the focus that can be put on this. I mentioned to you about the answer to Jonathan Ashworth's question. You will be aware that there was a debate in Westminster Hall in 2019, which was very much something that we initiated. It was led by Helen Goodman and John Glen answered on behalf of the Treasury. I recall walking out of Westminster Hall afterwards and John Glen turned to me and said, "There are no lost child trust funds." I know what he meant: he meant that they are all safe because they are all sitting with regulated account providers. I know that too, but the fact is that for the young people, they are lost.

I believe this is the main problem for Jim. I do not believe that the Treasury has given enough priority to HMRC to put a focus on this. That is one of the key problems. People in HMRC would like to do much more, but I do not believe Ministers in the Treasury are allowing them to do it. They are not giving them the budget to do it and they are not giving them the priority. Jim will probably tell me that that is not entirely correct and that a lot more is at his discretion.

Jim Harra: The Committee is very familiar with the budgetary constraints that HMRC operates under, but this is obviously one of a whole range of things that we have to deliver. Although we undoubtedly ramped down our focus on it between 2011 and 2018 or 2019, we have been ramping it up as the first cohort reaches 18. We will continue to monitor the extent to which maturing CTFs get accessed and what more we might need to do. It is one of a whole range of priorities.

We currently have about 11 full-time equivalent staff who work solely on linking young people with their CTFs, and we can flex that up as needed. For example, as I said, when Martin Lewis talks about it on his programme, I put 20 people on. I have up to 50 people trained who I can put on it in an instant. If today's hearing creates a spike of interest, I will be able to make sure that we service that demand.

Gavin Oldham: One of the really important aspects about the search register offered through the Government Gateway is that it uses data that goes back to when the account was first opened, which was 18 years ago. Many accounts have moved on to other providers and people do not know where they are anymore. The HMRC has not been able to keep that record up to date. One of the values of doing what we do with the CTF register is that we engage directly into the account providers for 60% of the base, and we can provide the answer within 24 hours without engaging or troubling HMRC at all. We make no fees for this.

Q45 **Chair:** In our preparation, we were very interested in the difference and the value of how a body like yours can do work differently from HMRC.

Gavin Oldham: That is right. We would like to volunteer our service, without charge, to the Government and to the HMRC, working in partnership to focus on 16 to 20-year-old young people, because that is the area that we really need to work with. We do not want to make any charge for this. We just want to put ourselves at your disposal and to work in partnership with Jim. If one thing came out of this discussion today, that would be ideal for us, because then we would get the coverage in DWP and in schools.

Chair: It is a good pitch. We recognised the value of what you offered when we learned about your organisation in preparation for this session. To my shame, I had not heard about you until preparing for this session.

Gavin Oldham: We will not charge for it, I promise you.

Chair: It is a good pitch for business.

Q46 **Olivia Blake:** I just want to follow up a bit on advertising, because I have been sat here brainstorming my own ideas about how you could communicate with young people. Lots of people who turn 18 register to vote. Those dates of birth are collected by local authorities. What is the Department doing to reach out to people within DLUHC to ask about communicating through that system of voter registration? Every 16-year-old is sent a national insurance number. That could include a communication about this money. Every person who goes to university, and a lot of colleges as well, interacts with UCAS. Why are you not paying for advertising on UCAS? That is something that a lot of young people use. What about when people register for university? I could go on and on.

Chair: Ms Blake has a local summer campaign for young people in Sheffield Hallam.

Olivia Blake: Absolutely, so I just want to know why you are not reaching out to parts of Government and our education system that are engaging with these people at a point when they are turning 18?

Emily Antcliffe: There is a lot that we have done. We have either done or are planning to do some of those things you have mentioned. From 2018, we produced leaflets that went out to our volunteer tax ambassadors who visit schools. From 2019, we changed the national insurance letter, as you suggested, so it now includes a reference to child trust funds and information about how a young person can contact us.

Q47 **Chair:** That would require someone to read through the whole letter. It is at the bottom of the letter.

Gavin Oldham: We did try to get a larger commentary in it, but it was actually our initiative to get it into the letter in the first place.

Emily Antcliffe: It is included in that. We have done some work through things like working mums' websites to help to raise awareness. Between 2020 and summer 2022 we put monthly social media posts out. Obviously, lots of young people are also on social media, and we saw spikes of contact when those posts went out. We have been looking at what we can do in partnership with UCAS. One of the things we need to do is keep an eye on these matured funds and see how the work we are already doing and funding increases access. As the numbers become clearer, we may decide we need to do further outreach and pay for some further communications. That needs to be balanced with the constraints that we operate in, but it is really important that we are reaching these young people through those routes already.

Q48 **Olivia Blake:** It is good to hear that you are doing some of that, but obviously more would be welcome. It is particularly important for disabled young people.

I am going to ask a couple of questions about some of the evidence that we have had from the Down's Syndrome Association. They have written to us to outline the issues for young people with Down's syndrome—this obviously applies to other young people with learning disabilities—and the trouble that they are having in getting access. In their evidence, they call for much more public education and awareness to parents about banking safeguards, explaining that if you have appointeeship for your welfare and benefits, that will not allow you to access this fund, so a deputyship would be needed. Would that be something that you would be likely to take up to try to get that message out to parents?

Emily Antcliffe: Communication with parents is really important. The responsibility for who can manage the finances of vulnerable young people sits with the MOJ, and we are aware of some of the challenges that have been raised recently about people who have had to take on that responsibility in order to access the child trust fund. We know that the MOJ is trying to simplify that legislation.

Q49 **Chair:** Just to be clear, it is in legislation. Apparently, there is a six-page letter for GPs to complete before someone can access it, if they do not have the mental capacity.

Emily Antcliffe: If you are a guardian of someone with limited mental capacity, it is not just about child trust funds; there is a much wider process.

Chair: The problem is because of the wider thing.

Emily Antcliffe: Yes. It is obviously there to protect young people, but we also need to make sure that it works.

Q50 **Olivia Blake:** Yes, absolutely, and I always say that protection is really important. Deputyship is for life though, and obviously this is happening at a point in someone's life, and that is a big responsibility for any parent to take on. It costs them a lot of money. There was a report by the BBC saying that up to 80,000 of these accounts could be held by children with learning disabilities who do not have mental capacity, but only 15 in 2021 were approved by the Court of Protection. That is a massive thing to simplify, as you have just said.

What are you doing to improve the experience of people who are going through the Court of Protection? What work are you doing with the Ministry of Justice to make sure that access to the child trust funds is possible for children who lack mental capacity?

Emily Antcliffe: We continually have conversations across Government about how we can make sure things are working, but the guardianship process and that system is the responsibility of the MOJ. As I understand it, where an individual has some capacity there is a kind of lasting power of attorney, which again is also an MOJ matter. That is a simpler system that people can use in order to access funds where the young person has some but not full capability.

Q51 **Chair:** From what you are saying, though, it sounds like the issue around child trust funds is not so much about child trust funds; it is more about the guardianship side of that. That can be very clunky. There is no specific issue around child trust funds. Is that right, Mr Harra?

Jim Harra: The issue often crystallises with child trust funds for many families because that is the point at which this account matures and they say, "We are now able to access these funds. Oh, we have a particular procedure that we need to go through to do that." Although the law applies generally to all the assets—

Chair: There are not many assets that a child has.

Jim Harra: Yes. There are two things that the MOJ has done. First of all, it waives the fees for people where the only asset that the young person has is their child trust fund. The MOJ has also recently consulted on what it can do to simplify the procedure. Although the MOJ has decided not to proceed with some of the proposals in that, it is very much alive to the issue.

Q52 **Olivia Blake:** I am a mother. I have two children. They are twins. One has a learning disability and the other does not.

Chair: This is a theoretical situation.

Olivia Blake: Yes. I put the same amount of money into those accounts because I feel that they are both my children and I want to treat them fairly. When one gets to 18, they can access their account and go off and enjoy that money, which is their right because it is their money. I can no longer access the money I have been putting into my disabled child's account for my child's benefit—is that right? Was that communicated to people? Would it not have been better for me to keep that money in my own account?

Jim Harra: The issue is that these account holders are no longer children at that point. They are young adults. It is right that the law protects vulnerable adults, but also that it enables people who have their best interests at heart to help manage their assets for them. The experience has come to light, as a result of the maturity of child trust funds, that parents of incapacitated young adults are finding that very difficult to navigate effectively. The MOJ has recognised that. It has taken some actions such as waiving the fees and it has actively looked at whether there is anything it can do to simplify the procedure and make it more effective. I am sure they will keep working on that.

In the meantime, at HMRC we have made sure that our guidance for parents sets out where you can find out what you need to do if you have an incapacitated young person. It is an issue that we are alert to and I know the MOJ is alert to, but there is a balance that needs to be found between protecting young adults and helping the people who have their best interests at heart.

Chair: There is an issue about child trust funds because, as you highlight, they mature at this point, but the guardianship issues are wider. We all have experience of that to a degree.

Q53 **Olivia Blake:** I just want to ask a little bit about children in care. Why are the trust funds about half the amount of the average for children in care?

Gavin Oldham: Perhaps I could answer that point, if I may. I do not know if you would like to just pass that diagram around so that people have a copy of it. This picture is for young people in care. It is a chart of the average account value by annual cohort. The figures in the red are junior ISAs, which apply right throughout the range because they are picked up on some of the older young people too. The figures in green are the child trust funds.

We are looking at a situation where, for the oldest child trust fund owners, they were fortunate enough to receive two payments, one at age seven and obviously the one at birth, and the growth on top of that too. You can see the rise in terms of the value over that last bit, and that is why these accounts for 18 to 20-year-olds at the moment are so important to find. You can see that it quickly falls off, so you are down to about £1,100, and then it drops still lower. When you are down to age 11, it really is a very small amount.

Regarding the average amount for young people in care, bear in mind that what we are doing here is looking after young people up until they reach their 18th birthday. They are the less valuable ones for that period. That is the reason why the numbers are quite different. The £1,900 in the NAO Report of course covers the whole scheme, including the wealthy families who are able to put in their own contributions as well. A lot of contributions were put in. Across the board, they tend to be worth a lot more when you get to these younger age groups.

The other thing I might just say about this chart is that you can see how modest the junior ISA allocation is. It has been set at £200 now since 2012. I understand that there are no funds for inflation uplifting that, but that is another matter.

Q54 **Chair:** Let us not stray into that; it is another problem. We are always a bit wary of taking figures just presented to us, so we would need full referencing on that.

Gavin Oldham: I know that. I thought it would be helpful to give you this chart because it answers the question.

Q55 **Olivia Blake:** Thank you; that was very helpful. Mr Harra, how will you prevent disadvantaged groups experiencing poor service from future schemes, as some children who are disabled and some children in care are obviously struggling with now? Are there any lessons from this that you would apply in the future to make sure that these children are thought about at the beginning of a scheme being set up?

Jim Harra: As we have said, the ability for the guardians of incapacitated young adults to access their assets is not the responsibility of HMRC, but there is no doubt that the Government have learned lessons from the experience of CTFs and is searching for what the best solution is to that.

In the case of child trust funds, I have been involved from the outset. I was involved in the implementation of the IT systems back at the start of the scheme in 2005. We have certainly learned lessons about how to run such a scheme. In particular, as Mr Oldham has mentioned, of the 6.3 million accounts, about 1.7 million of them had to be set up by HMRC because, after 12 months, the parent or guardian of the child had not taken action. There is a risk that that lack of engagement tracks right through to the maturity of the account and beyond.

I am sure that a lesson is how we segment this population, because they range from children who have very engaged parents who will keep on top of their financial affairs through to children whose families will not do that and who therefore need a different approach. Those would be the two key learnings.

Gavin Oldham: Having been alongside this scheme all the way through, when you have a long-term scheme, it really does need consistent focus throughout the period. In my experience, it is easier to hold that service monitoring to account if you contract it out rather than trying to do it within Government. Government is not very good at handling the long term, as we are all aware.

Chair: I am going to come to some of this at the end because I am concerned about some of the wider lessons on this for sure, Mr Oldham, but your point is well made.

Q56 **Olivia Blake:** How much do you think children in care have benefited when they have been able to access their funds? Do you think it has had a positive impact on them?

Gavin Oldham: The answer to that is hugely. In our process for young people in care, we have a very disciplined handover process at the end. We also have a financial awareness programme called the Stepladder PLUS programme, which is incentivised learning. Young people can add an extra £1,500 to their account as a result of taking the six steps, and there is also a really vigorous system of seminars for local authority individuals so that they can keep up to date with how things are going. Anthony, perhaps you would like to explain how effective that is in making sure we get the handover of accounts.

Anthony Walker: We deal with 211 local authorities, and their turnover of staff is quite high. We have provided a series of learnings so that all of our contact to children in care is through the local authority. It is not usually directly to the young person. We have instigated this so that local authorities understand that the money is there. We try to get them to engage the young person with the account from the age of 16 onwards because, as we learned, by the time they are 18, if they have disappeared from the care system it is quite often too late to get them to engage. We are trying to get the local authority staff to engage with them from 16 onwards, so that they take responsibility for their account prior to their 18th birthday.

The letters that we receive from them are just fantastic. We ask them to let us know how it has affected them. Through the Stepladder scheme, we also ask them to give us their thoughts on where they see their financial future going after age 18. Again, some of those responses are so uplifting. It is absolutely fantastic. When we do get to them, it proves that it does make a huge difference, because they do not have the bank of mum and dad. That £1,500 or £2,000 makes a world of difference to them. It may not mean as much to anybody else in this room but, for an 18-year-old who is just leaving the care system, if they suddenly find they have £2,000, it makes a huge difference.

Q57 **Olivia Blake:** Finally, is there anything more that you would like to see in terms of support to children in care to help them to make the most of their trust fund? It sounds like you are doing great work, but is that consistent at the minute?

Gavin Oldham: At the present moment on the Stepladder PLUS programme, all the incentives are raised voluntarily. We received over £400,000 from the British Bankers' Association in January, which has enabled us to open this for every local authority throughout the United Kingdom. Over the last three months, we have had 500 young people just come in and register straight away for that.

We currently have a major social investment consultancy called Mutual Ventures producing a business case for coming up with a partnership between Government and the corporate sector to provide ongoing incentivised learning payments coming in. They are not going to be a huge burden to the Government in terms of cost, but they transform the attitudes. What you find is that, as they go through this course, they start by thinking, "I will earn £150 for doing literacy or £150 for numeracy," but by the time they have done the financial awareness, you can feel their attitude transforming. On step four, they write 250 to 500 words on what they are going to do in their life going forwards, and it is so exciting to see that coming through. You can see the transformation. We are talking about significant reductions in NEET status, which currently is at 40% for care leavers. We want to see that come well down as a result of providing incentivised learning, and we think it will do that. It will have that effect, so that is really good.

Also, in connection with the whole issue of getting involved with young people in care, the Children's Commissioner in Wales has taken a real interest in this area and is writing to all the local authorities to get them to engage more actively. We would welcome the Children's Commissioners in England, Scotland and Northern Ireland doing the same thing and taking a vigorous interest in this area. It really is so important. Every young person born into this world has the same potential to achieve amazing things as adults. What we need to make sure is that they have the resources and life skills to be able to do that job properly.

Chair: With the child trust funds maturing, this is an opportunity to help to engage them on that.

Gavin Oldham: Yes, that is absolutely at the heart of it.

Q58 **Mrs Drummond:** It is a slight rewind, I am afraid; that is the problem with each person answering questions. Going back to paragraph 4.14, where the MOJ has stated that it is not willing to deviate from the Court of Protection process, some providers have unilaterally agreed a process for accounts below £5,000. Is that of concern to you? I know the Government have looked at it and they have not agreed with that. Is it wise for the MOJ to allow a large proportion of the account to be settled on the sector's own risk?

Gavin Oldham: It is our understanding that the account providers are using their discretion in a large number of cases for handling that issue. They are handling it in a mature and sensible way. That is our assessment.

Anthony Walker: It is at their risk. They are the ones dealing directly with the young person concerned. They will put their protections in place for using the scheme, but they are happy to do it on their own risk.

Q59 **Mrs Drummond:** There are no concerns from HMRC on that.

Jim Harra: As Mr Walker said, my understanding is that the account providers who have decided to do this do so at their own risk. In the event that money is misused and they have not gone through the proper legal protection route, then that risk lies with the account provider for having done that. They have clearly decided that is a commercial risk they are willing to take.

Q60 **Chair:** Presumably they have their own safeguards they have put in place for interviewing the parent.

Jim Harra: I assume so, because obviously they carry a financial risk if they get that wrong. As you say, the MOJ has concluded that it would not be right to amend the law to work in that way.

Q61 **Mrs Drummond:** The MOJ has very kindly waived the fee, but there must be some cost implication for these between 63,000 and 126,000 account holders. There must be some cost implication, either for the providers or for HMRC, on how we are going to handle all those numbers.

Jim Harra: It is not HMRC's responsibility. There are a whole range of issues that people have brought up in relation to accessing and managing the accounts of people who are incapacitated. One is obviously the costs of the legal process. As you say, the MOJ waives those costs in some circumstances, but there are also the ongoing responsibilities that the person takes on and the reporting and recording that they need to do. There is a whole range of factors that need to be looked at together. As I say, the MOJ has consulted on some things and ruled some things out. It will no doubt continue to keep this under review.

Q62 **Mrs Drummond:** Who is picking up the tab of all these processes? Is it the MOJ?

Jim Harra: It is a court process, so yes. To the extent that the fees have been waived, the Government are picking that up, presumably through the court system and the MOJ.

Q63 **Mrs Drummond:** Why do they not use the DWP appointee status to help those people who lack the capacity to look after their own funds? Would HMRC have any concerns about DWP appointee status doing that?

Emily Antcliffe: I understand that is the status that is used when children are under 18 for things like managing disability living allowance—is that right?

Olivia Blake: It goes beyond 18, I believe.

Mrs Drummond: I think it goes beyond 18.

Emily Antcliffe: Again, that would be something that would need to be referred to MOJ in terms of whether that is the right route for these young people to be able to access those funds.

Q64 **Jill Mortimer:** If I can, I would like to bring the focus back to outcomes, so this is probably another question for Mr Harra and Mr Oldham. One of the four policy objectives, as you will know, was to help people to understand the benefits of saving and investment. What difference has the child trust fund scheme made to young people's understanding of finances and their ability to manage them?

Emily Antcliffe: An interim evaluation was carried out in 2009 and published in 2011. It found no statistically significant difference in the savings of young people. It did find that there was a £600 increase in the amount saved by those living in rented accommodation, and that some parents had opted to open savings accounts for young people who were not eligible for child trust funds when they opened one for a younger sibling, but overall it showed that there was no statistically significant change.

Q65 **Jill Mortimer:** We have not had a look at that since 2011 and there has been no further assessment made.

Gavin Oldham: What drives the Share Foundation is the whole concept of intergenerational rebalancing, because it is this thing about providing resources and life skills that really provides an opportunity to really change our world significantly for the better. Evaluating this scheme is really important, hence we were grateful when a team from Bristol University approached us a few weeks ago and asked if they could do some research with us into young people who have found their child trust funds.

So far, through findctf.sharefound.org, we have linked about 34,000 young people with accounts worth about £65 million. We have the ability to write to them and to ask them to take part in a survey. We will be doing that detailed survey and getting answers back in terms of the change that it has made in their lives and what sort of value this has going forward.

That is alongside quite a bit of international interest. We have already had discussions with California, which is introducing a similar scheme to the child trust fund. I have had discussions with charities in Paris in France from this point of view. What the United Kingdom has done in terms of introducing this scheme is pretty unique across the world in terms of bringing in intergenerational rebalancing. It is extremely important that we demonstrate that it has worked. That is why we have to join up these accounts. If we want this kind of scheme to come in in the future, we cannot have Governments turning round and saying, "The last time you did this"—

Chair: You are preaching to the converted here, Mr Oldham. We are big on evaluation.

Gavin Oldham: We will keep you in touch with the evaluation with Bristol.

Q66 **Jill Mortimer:** That leads on to my next question, which is probably for Mr Oldham and Mr Walker, since you probably know more about this. Another one of the objectives was to build on financial education and to make people more financially adapt and aware. Are people leaving school today properly equipped to understand that? Has the scheme had an impact on that?

Gavin Oldham: "Absolutely not" is the answer to that. They say that about 25% of students leave school saying that they have been adequately prepared in financial awareness. I have asked Ministers over and over again to introduce a financial awareness GCSE, and I have had that turned down more times than I can remember. It is just extraordinary how they think maths can carry the whole subject, which it just does not do from that point of view. I do think that is really important.

I have to say that, for young people from disadvantaged backgrounds, incentivised learning is absolutely critical. In fact, when we first brought it in, it was following an afternoon spent here, downstairs in Portcullis House, with a whole raft of MPs all saying, "We need to see that the young person is engaged and part of that process."

I also had discussions with Muhammad Yunus, who ran Grameen Bank and introduced microfinance. I said, "Why do you use loans rather than grants in your system?" and he said, "Because it builds accountability." It is that communication and accountability that develop the understanding and the financial awareness as you go along.

Incentivised learning does the same thing. When you start, it is just a payment for taking one element of a course. By the time you have finished, it has transformed attitudes, and that is the really exciting thing about it, as Anthony was saying earlier.

Q67 **Jill Mortimer:** That applies particularly in a constituency like mine, where we do have a lot of deprivation and a lot of children in care. We also have a lot of very decent, hard-working families, but that financial education is not part of their remit, so they just will not be aware that this is there and will not have done it. It is very sad that this scheme has failed to reach the very people who would have benefited from it in the main.

Gavin Oldham: Particularly young people in care go through an experience where their expectations have been hammered down all the time. Insecurity is the primary concern that they have. They do not have anything stable to hold on to. That transformation process is fundamentally important to start building confidence and to give them a chance to achieve their potential.

Some people can do amazing things. I believe that Michael Gove was in care originally. Kriss Akabusi was. I could give you a whole raft of people who have done wonderful things. We could do this across the board much more deeply.

Q68 **Jill Mortimer:** You do not believe we have lost that opportunity with this. It is still not too late if we can get the message out there to people.

Gavin Oldham: It is absolutely not too late. This scheme is ready for harvesting. The crop is all yellow. It is in the field.

Jill Mortimer: I love your analogies.

Gavin Oldham: Government Ministers should not say, "Look, we are not interested in that. That was last year. Just chuck that crop away." It is not a matter of that. It is there to be harvested, and now we get the harvesters out and we take it off the field.

Q69 **Jill Mortimer:** Mr Harra, which parts of Government are responsible for achieving these intended benefits and value from the Government's investment in the child trust fund?

Jim Harra: Back when this policy was being set up, HMRC had the job of administering the scheme in a mechanical sense and making sure that everyone got their accounts and subscriptions and, now that they are maturing, making sure that people are able to be reunited with their accounts.

There was, I recall, an aim at the time that it would also be used in education, whereby every young person in this cohort in a classroom would have a CTF and, therefore, there would be opportunities to use that for financial education, for example. It is the case that, since 2010-11, there have been no new cohorts going through. They do not have a CTF, so there is nothing there to have that same engagement with.

Gavin Oldham: Quite apart from the Share Foundation, I am currently involved with a research programme up in Cambridge, which is looking specifically at intergenerational rebalancing. We are using the information that we are learning about through the Share Foundation to put together new ways of bringing forward schemes like this that are much more effective and much more targeted. The universality of the child trust fund is really not necessary. It could be much more targeted in terms of its application and bringing in things like incentivised learning alongside it, which will give it the real drive for giving young people the opportunity to achieve their potential. Those are the sorts of things that we want to do.

Q70 **Jill Mortimer:** What has been achieved towards the aim of helping people to develop the habit of saving and making better financial choices from the child trust fund?

Gavin Oldham: Quite a lot has been achieved for those who have engaged with them. I will be able to tell you more when we get the Bristol University results back in.

Jill Mortimer: That would be very interesting.

Gavin Oldham: I really look forward to coming back to you with that, if I may, because it is very important that you survey these things. What we are doing with the Stepladder programme is an intense programme of research. We have a PhD student up in Cambridge who is specifically looking at the impact of creating a really significant reduction in the NEET status. You have to do the research and find out what is happening as a result, and we are very much engaged with that.

Q71 **Jill Mortimer:** Mr Harra, what do you think has been achieved? Has there been a problem with education? Could more have been achieved if better education had been in place in schools?

Jim Harra: Political decisions were made 12 years ago that different policies needed to be pursued to achieve these objectives. The evaluation at the time showed that the scheme was having pretty limited impact in terms of the cost at that point—the cost being the Government contributions into the accounts.

It has been my Department's job to make sure that those accounts keep running to maturity, that parents who wish to make subscriptions into them can continue to do so, and now, since 2020, as accountholders reach 18, that they are able to access their account or be reunited with it if they do not know where it is. We have that task up until 2029, when the final cohort reach 18, so we are about a third of the way through that process, but we have an ongoing responsibility to do it.

Q72 **Jill Mortimer:** That is more about HMRC's involvement in administering the scheme. What has been your involvement in building on the financial education for young people and their parents? Have you had any involvement in that at all? That seems to be where the problems lie.

Emily Antcliffe: As HMRC, we have not particularly had a role in managing the education. We have done lots to raise awareness of the scheme and to help people to know that it exists, but those young people who turn 18 can access their account, and then, at that point, may be able to access further—

Q73 **Jill Mortimer:** Who should have been responsible for that?

Jim Harra: We have a set of tax ambassadors who go out into schools to teach young people about tax and about how to manage that as they leave school.

Q74 **Jill Mortimer:** This is specifically about this scheme and about saving and investment, not tax management.

Jim Harra: As part of that tax ambassador work, we do focus on CTFs, so there are resources that we give to our tax ambassadors and also to other stakeholder groups to use in schools in relation to CTFs. Our motive at this stage is to raise awareness of CTFs and make sure that young people realise that they have one somewhere, but it is part and parcel of a wider effort to educate people about tax and savings.

Q75 **Jill Mortimer:** Part of this specific scheme and the specific objectives was to get better education for children and their parents.

Emily Antcliffe: Building on what Mr Harra said, as young people have matured, we have expanded those resources specifically for that reason, to make sure that there is more information about child trust funds and how they work. People going into schools, as well as our work with universities, raises awareness of different things like how young people can access their accounts. They let them know that they are there, to make sure that there is an understanding.

Gavin Oldham: I have to say that the role of MaPS, the Money and Pensions Service, in this area should not be overlooked. It is really important. MaPS has taken a real interest in this, particularly in Wales. A lady called Lee Phillips, who runs MaPS in Wales, has been absolutely focused and dedicated in this area, and it is a great credit to them. It is a quasi-governmental organisation that has been working quite hard in this area. It deserves a bit of a mention.

Q76 **Jill Mortimer:** That is on wider education, isn't it?

Gavin Oldham: No, it is specifically in relation to the child trust fund, particularly in Wales. This is where the interest has come through. They have a low-income section within the Government in Wales, which has been very vibrant in its interest. That is why we have converted all of our facilities into the Welsh language as an alternative, alongside English, for the Find CTF and Talk CTF pages and so on. It has been really effective.

Q77 **Sir Geoffrey Clifton-Brown:** Mr Oldham, although slightly outside the scope of this specific inquiry, but you did refer to this and, therefore, I am going to ask you a question about it. You referred to the fact that a targeted scheme, rather than a universal scheme, could play a great role in reducing the dependency of those people who are in care on the system. Have you done any work on that?

Gavin Oldham: We have done quite a lot of work. The sensible thing for Government to do would be to hypothecate an element of inheritance tax, which is £6 billion a year at the moment. It is long-term savings within families, which is then the ideal opportunity to recycle that into disadvantaged young people to get these sorts of accounts under way and moving.

As part of that, we have written up quite a bit of work on this, although not entirely within the Share Foundation. The work that I am doing up in Cambridge at the moment is under Share Alliance, which will be a separately registered charity with intergenerational rebalancing as a key part of that. The PhD student who I referred to earlier up in Cambridge is specifically involved with looking at how this element of introducing a much more egalitarian form of capitalism can work, but it is going, as you say, a bit beyond what we do in the Share Foundation.

Q78 **Sir Geoffrey Clifton-Brown:** Perhaps you could let us have details on that. Going slightly beyond the scope of this Committee, although again you referred to it, you have asked numerous Ministers numerous times to introduce a GCSE in financial education. Maybe you could let us have a note, offline rather than taking up time in this Committee, about your ideas on how you could improve financial education in schools.

Gavin Oldham: I have analysed a quantum of GCSE results over a number of years, and I can see the number who have taken the primary one. You have to go a long way down, except for maths, to find anything that is related to financial awareness, and that is a large part of the problem. You only have to talk with your children or your grandchildren about taking maths, and they will say that there is a very limited amount of financial awareness that comes through with that.

Chair: There is some in PHSE, but we are in danger of straying off subject.

Sir Geoffrey Clifton-Brown: We are.

Chair: Mr Oldham, everyone is going to be looking up everything that you are doing on the internet after this session, whatever we put in our report on the issue, because we are fascinated by some of the things that you have been raising today.

Q79 **Peter Grant:** I want to go back to the discussion that we had earlier about the arrangements for protecting the interests of young people who have been in care and of young people and young adults who do not have the mental capacity to manage their own affairs. In both of those matters, the legislation and, very often, the administrative arrangements in Scotland are different from other parts of the United Kingdom. Are there any particular issues—for example, around adults without mental capacity—that apply in Scotland but not elsewhere? Or are you comfortable that the arrangements that are in place are working effectively?

Gavin Oldham: In this area we are particularly indebted to the account providers' trade association, and particularly to Nigel Banfield, who was responsible for the work on these young people. I would like to mention that, because it was largely due to his initiative that we have anything coming through in this area.

Anthony, would you like to comment on what the Scottish experience is like? My understanding is that it is relatively limited.

Anthony Walker: It is. The problem we have is that as soon as a young person turns 18, our responsibility falls away. We have no difference in the way those young people are treated by ourselves in Scotland, England, Wales or Northern Ireland, because, as Mr Oldham said, the responsibility falls to the provider to enable access to those funds. It is the provider that will be able to better tell you whether there are any other difficulties in Scotland as opposed to any other part of the United Kingdom.

Q80 **Peter Grant:** In preparing for a young person reaching the age of 18, if that young person does not have the mental capacity to manage their own affairs—for example, I heard the position of the MOJ that applies in other parts of the United Kingdom—are there any different arrangements that need to be made for someone to take over their affairs?

Jim Harra: You are quite right. You referred to MOJ, which is for England and Wales. My understanding is that the financial deputyship rules are very similar in Scotland and Northern Ireland. One key difference in Scotland is that people are adults at 16 rather than 18. That does not change when the CTF matures, but it might change when people start taking deputyship action in relation to a young person there. Otherwise, my understanding is that the processes are very similar.

Gavin Oldham: In relation to Scotland, we would really welcome more emphasis being given by the Scottish Government towards this whole area of child trust funds and what we are doing.

Q81 **Chair:** You are lobbying a very good advocate. I have to say, Mr Oldham, that you are using this Committee very effectively, but we are all with you, because we all have young people in our constituency who will be benefiting.

I have some fairly quick-fire points on this, for HMRC in particular. One of the things is about the resources that you have to do this. You used your good mandarin language, Mr Harra, about having a lot of things to do. Do you have enough resources? Or are you bidding for more from Treasury, or allocating more, as these come to maturity?

Jim Harra: We do not have a ringfenced allocation for this. It is just one of the many things that we need to do. We currently administer it with about 11 full-time equivalent people, and their main task is linking young people with their accounts. We can flex that, but the scale of this is such that we have not bid separately for it.

Chair: You are not overrun.

Gavin Oldham: We really do place ourselves at the disposal of HMRC to work in partnership. We worked very closely with one individual in HMRC throughout the last 10 years, who is called Helen Williams, and she has been absolutely terrific and a great help for us introducing things. We will make no charge for doing this.

Q82 **Chair:** Mr Harra, when you look at the whole design of the scheme, one of the issues that we have picked up is that it has a flurry of activity. It was a short-lived scheme. There is the danger of Chancellors making statements at the Budget about delivering things. It then withered a bit, and is now ramping up again. Is HMRC the best place for it to be, when you have these projects that start and stop? Is it better to have outside organisations commissioned to do the job well? Is that something that you have learned from doing this? What is your opinion on that?

Jim Harra: First of all, I would echo that Helen is brilliant. She works for Emily, by the way.

What is required here is a partnership. We have responsibilities. The account providers in particular have responsibilities. We fund the Share Foundation's contract, to some extent, with DFE. There are a range of people who need to work together.

Q83 **Chair:** You had to be there at the beginning to set it up, because it was putting money into these accounts.

Jim Harra: Yes. Our primary responsibility then was making sure that everyone could open an account and administering the Government payments into it. We have a different responsibility now as the scheme matures.

Q84 **Chair:** Does it have to be in HMRC? It could be something that is contracted out, effectively.

Emily Antcliffe: From HMRC's point of view, we are delighted that there are lots of different ways that young people can find their account. That is great. That means that there are more opportunities for them to locate their account. We really support the Share Foundation's search engine, recognising that it has fewer providers than ours but has really good data. The more opportunities there are for young people, the better that is.

We have a search tool that operates as well. It is the robot that helps people to track down their accounts. We have improved that based on feedback over the course of the last few years, so your digital footprint does not have to be as robust now in order to access it and find your account. We are doing further work to help young people where account providers have merged and changed their names, so that they can work out where their account is.

Q85 **Chair:** You seem to be keen to still play that active role, but are you saying that, ultimately, because it was set up by HMRC, you are always going to have to have a backstop responsibility, even if you commissioned other people to help find it? The NAO has said that there can be other, easier ways of finding it, because your information is out of date by the time someone is 18.

Jim Harra: Our database is comprehensive, in that it covers all accounts. It is out of date in that where account providers have transferred their businesses or merged, we have not kept that up to date. What we are able to do is link any young person with the account as originally opened for them. For most of them, that will be all they need. For some of them, they need further assistance. While Share Foundation's database is less comprehensive, it is more up to date than ours, so that is a potential hand-off, if you like.

In terms of the formal way in which this scheme is administered for the rest of its life, I am sure that there are many options. The Government have no plans to change the way it is done, but what needs to happen effectively is all the different parties working in partnership and using their different strengths together.

Q86 **Chair:** We have heard that loud and clear. Let me stay with HMRC for just a minute before coming back to you, Mr Oldham.

The evaluation point has been well made by my colleague Ms Mortimer. We like evaluation on this Committee and are very concerned at how little is done across Government. Ms Antcliffe, what would trigger an evaluation of this scheme, if, according to the Minister, there are no plans? What would move it from keeping evaluation under review to evaluating this?

Emily Antcliffe: Ultimately, the decision to evaluate would be for Ministers, and it would be their decision as to whether they wanted to evaluate the scheme. As far as I am aware at the moment, for a scheme that was started by a former Government and ended in 2011, I do not think that there is a particular appetite to do any further evaluation.

Q87 **Chair:** It is interesting that you say that it is for Ministers. I would not say that it is a massively political policy decision to look at a scheme. There are other examples of financial products that have been created. We have the lifetime ISA and auto-enrolment, which are similar interventions into people's financial lives. There must be lessons that are important to learn, but you are saying that it is definitely not a decision for officials to take to say, "What have we learned from this? What has and has not gone well?"

Emily Antcliffe: There are two questions there. One is around the evaluation and whether we choose to go into the data and put resources into a formal evaluation, which would be a decision for Ministers.

From a policy point of view, we absolutely make sure that we learn lessons within HMRC. We think about how we take those corporate lessons. We create playbooks that look at how we set schemes up and at where things worked, where they did not and what we can hold on to from those. A really good example is where we have created playbooks on the back of the covid schemes and the job retention scheme to make sure that we understand HMRC's role.

Q88 **Chair:** There is a big difference between a playbook—which is absolutely right and I am glad that you are doing that—on how you do something, and whether you should do it. You may be giving advice to a future Minister who might come in and say, "We want to do something." Everyone would find a different title, because Ministers never call things the same as the old thing, but let us say someone wanted to do a similar thing again. You would have nothing to draw on, except the playbook about how it was set up in the first place. The NAO Report is probably the best thing that is out there, but there is not a detailed evaluation. Maybe it is unfair to ask you, Ms Antcliffe, so I will ask Mr Harra.

Jim Harra: It works in two ways. First of all, we advise Ministers on areas of the tax system where further research is required to enable us to effectively advise them. That includes evaluating what is happening now, but also what the options are. Ministers then say, "Yes, let's do that research" or, "No, I am not interested in making policy in that area. We do not need to do that research."

The other top-down is that Ministers might say to a Department, "We want you to carry out and publish an evaluation of this." In this scheme, the reality, as Mr Oldham has intimated, is that it was closed to new members a long time ago. There have been no further Government contributions to it. Of course, they want to see it properly administered and closed down, but they have no plans to do that top-down evaluation.

Q89 **Chair:** There just seems to be a lack of curiosity. If you look at social science budgets in Whitehall, the evaluation is often underplayed. We recently looked at the Department for Education, which put in, as the Permanent Secretary said, what is a rounding error into evaluating programmes. The point there was that, even on things that do not continue, they will learn really detailed lessons for the design of future schemes. This is not a running-off scheme; it is ramping up at this point.

Mr Oldham has made some good points about what the impact of that sort of investment is on young people's lives. You could say that the LISA is for a different cohort, but it is similarly putting money away for one day in the future. It might not be until retirement, which could be decades away. There might be lessons that could be learned, but are you just saying that it is really not something that you would put to Ministers as something to consider?

Jim Harra: We certainly do put to Ministers areas where we feel that research and evaluation would be valuable to us as policymakers in order to help give them the best possible advice but, in relation to this scheme, the current policy is junior ISAs and lifetime ISAs and so on. There are no plans to do further evaluation, but I know that others, such as Bristol University, will carry out research.

Q90 **Chair:** The common point in all of these schemes is the treatment of monies being handed to a cohort of whatever age—LISAs, which are for young people but not children, and junior ISAs similarly—and the impact of what that money does and how people manage it. That is the common thread, isn't it? There are new schemes being designed that have a thread that runs through them, even if they are not exactly for that cohort.

I just worry about the lack of curiosity. How many new Ministers were there in the Treasury over the last year? Ministers come and go, but the consistency of evaluation surely must rest, to a degree, with officials in Whitehall. If it is just down to the whim of an individual Minister, no Minister is really worried about what is going to happen in 20 years. Hopefully, some Ministers are but, generally speaking, 20 years is a long horizon for a Minister, but it is not for HMRC.

Jim Harra: I agree with you. We are talking about two different things. One is a formal published evaluation of a policy, which is definitely a decision for Ministers to take. The other is gathering intelligence and recording that corporate learning, so that we can give good policy advice and, when a Minister comes along and says, "I would like to stimulate savings for children and young people," we are able to advise on what has and has not worked in the past.

Q91 **Chair:** How much do you spend on evaluation, typically?

Jim Harra: I can get you that information. I do not have it.

Chair: We are asking this of every Department.

Jim Harra: We certainly have a research budget and I also have a big analytical team, so I will get you that information.

Q92 **Chair:** One of the other issues is about financial literacy, which Ms Mortimer picked up on. That was one of the plans, so who is evaluating that bit of it? If we are talking about financial literacy, which is still a current conversation, not a party-political issue, are you looking at the impact of that or are you relying on Mr Oldham and others to do that?

Emily Antcliffe: Within HMRC there are no plans to look at financial literacy and whether the scheme has had an impact on that.

Q93 **Chair:** Who is looking at evaluating that? It was an adjunct to this at the time, but it has been talked about many times since by Governments of all colours.

Jim Harra: In relation to CTFs specifically, no one has any plans. The responsibility for financial education in the curriculum, for example, sits with DFE.

Gavin Oldham: Can I just make one or two comments about this partnership thing? I very much appreciate the willingness to do a partnership with us, but it needs to be formalised because, at the moment, if we go to the Treasury Ministers or to DFE, and we say, "Please will you tell people about Find CTF and what we are doing?" they say, "We have the Government Gateway and that is our system," but it is a very blunt instrument. The NAO Report refers to 235,000 inquiries into it. There is no idea how many of those are duplicates, what the age profile is of the people who have registered, or what the success numbers are in terms of the numbers who have been linked at the end of this process. I know the gateway was simplified a couple of years ago, but it is still very challenging for a young person.

The reason why we focus on the area that we do is that, at 16 years old, the young person is not only given a national insurance number but is also allowed to take control of their CTF account. They are not allowed to withdraw it until they are 18, but they can take control. That is why we start at 16. We cover for only those young people who are eligible and would have a child trust fund, so it is that 16-to-20 age group. We use TikTok and all sorts of social media to get the word across. It is therefore very relevant to those young people. What we would really like to do is to provide that as a focused facility for HMRC to use. I am quite happy for it to be rebranded HMRC, if you would prefer to call it that.

Q94 **Chair:** We are in danger of you pitching for business from HMRC in the middle of a Public Accounts Committee. The points have landed well. We know where the intent is.

I just wanted to touch finally on the lessons learned for HMRC. Let us say that the Minister today turns around and says, "We want to do something similar to this." What lessons would you say have been learned from the design of this scheme? Ms Blake raised this issue about capacity, which is complicated for you to deal with, because it relies on other bits of Government. What lessons have you learned?

Jim Harra: In terms of the mechanical administration of the scheme, we did a good job. We made sure that everyone got an account. We are now making sure that everyone can be reunited with their accounts. The key lesson for me is that there is a set of quite complex policy objectives that it was intended to achieve but cannot be achieved just through the mechanical administration of the account. It needs a partnership of the different stakeholders in order to really deliver on those objectives.

Back in 2005, I was focused on creating the IT system, which is why I think it worked very well, but a policy adviser needs to be able to give joined-up advice to a Minister about how the whole network can work together.

Q95 **Chair:** Also, presumably, from end to end, because I remember the policy proposal at the time being intently about getting that money to young people. There was a lot of talk about the money in the account, and the long-term stuff was not talked about so much.

Jim Harra: At the start, the intent was that there would continue to be Government contributions at different stages in the child's life, and that those would create opportunities, for example, in education, to say to seven-year-olds, "You have just had a payment of £250 into your account. Do you know what that means?" That, of course, was discontinued, effectively.

Gavin Oldham: One of the things that is absolutely a central feature of the child trust fund is that these are individual accounts in the individual young person's name. When the Westminster debate was held in 2019, Helen Goodman, who was the person who put it forward, did not realise that they were individual accounts. She thought that they were pooled accounts to begin with, or some pool from which the Government would draw. That would make it very easy to push that towards dormancy.

These absolutely must not go dormant. They belong predominantly to low-income, disadvantaged young people, and we must find solutions to link up these accounts. That is the thing that we have learned so much from this account. The CTF design has a lot of merits to it. We have learned a great deal. In my view, the long term is critical. The communication maintained with families, particularly on revenue allocated accounts, is critical. Importantly, it should be targeted and not universal. It will also reduce the burden on Government and make it more effective. Most of all: do not let them go dormant.

Chair: Mr Oldham, we have got the message loud and clear. I have to say that you have been a great advocate and advert for your organisation and the work that you are doing, so let us hope that you can keep working together on this. There is a lot of food for thought for us about how you evaluate these long-term programmes.

I pay tribute to a former Member for Nottingham Central who decided to set up a programme because he realised that there was a high rate of teenage pregnancy in his constituency. It has taken that long to see if those interventions have worked. Some of the best policy is potentially long-term, and there is sometimes a bit of an onus on us as politicians to think longer-term, so some of it is down to us.

Thank you very much indeed for your time and for your candid and helpful evidence. The transcript of this session will be published on our website, uncorrected, in the next couple of days, and many thanks to our colleagues at Hansard for that. We will be producing a report before the summer recess. As you can sense, there is enthusiasm on this Committee and among our constituents who will benefit from them, and we thank you for your enthusiasm for those young people too. Thank you very much.