House of Commons

Treasury Committee

Oral evidence: Work of National Savings and Investments, HC 1321

Wednesday 17 March 2021

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Watch the meeting

Members present: Mel Stride (Chair); Rushanara Ali; Mr Steve Baker; Harriett Baldwin; Felicity Buchan; Dame Angela Eagle; Julie Marson; Siobhain McDonagh.

Questions 1 - 58

Witnesses

I: Ian Ackerley, Chief Executive, National Savings and Investments; Ruth Curry, Finance Director, National Savings and Investments; Matt Smith, Chief Operating Officer, National Savings and Investments.

Examination of Witnesses

Witnesses: Ian Ackerley, Ruth Curry and Matt Smith.

Q1 **Chair:** Good afternoon and welcome to the Treasury Select Committee evidence session on the work of NS&I. I am very pleased to be joined by three witnesses this afternoon. I would ask them to introduce themselves very briefly to the Committee, please.

Ian Ackerley: My name is Ian Ackerley, and I am chief executive of NS&I.

Ruth Curry: I am Ruth Curry, and I am the finance director at NS&I.

Matt Smith: Good afternoon. I am Matt Smith, chief operating officer for NS&I.

Q2 **Chair:** Welcome to all three of you. Thank you for appearing before us. Just to let viewers who may be viewing the proceedings here today know, there may be a Division in the House of Commons at around 4 pm. If the Committee is still in session at that point, I will suspend the Committee for probably around 15 minutes, but we may conclude before 4 pm, in which case that will not be necessary.

Perhaps I could just kick off. The first question, Ian, is to yourself. Your annual report states that your aim is "to inspire a stronger savings culture". It seems to many over the last year that the performance of NS&I has done little to achieve this. There have been changes in rates, big flows in and out of NS&I and consequent issues around customer service, et cetera. Would you like to unpack what has happened during the year and why, to those looking in from the outside, people may be feeling that the organisation has not really been operating as effectively as it might have been?

Ian Ackerley: Thank you very much indeed for that question. This has truly been an extraordinary year. I do not just mean that for NS&I; I mean overall. As it happens, yesterday marked exactly a year since I told our staff to follow Government advice and work from home. I do not think many people forecasted the impact that the Covid crisis has had. This has been a year when NS&I has delivered a lot, and it is fair to say that not all of that has gone well. The key message is that we have learned lessons from that.

I want to start with the issues around customer service, which you alluded to. I have to say that at times our customer service has fallen well below the normally high standard of our service. For millions of our customers we did manage to deliver a good level of service, but it is true that there were others who were inconvenienced. I am genuinely sorry for that. I have apologised before, and I will apologise again today. We have addressed those challenges. I made reference in my letter to you in the new year about our progress on the plan we put in place to recover. Since we had the problems, we have hired over 350 people, we have opened three more contact centres and we have expanded existing facilities. Alongside that, we have seen an improvement in the business. I am very pleased to say we are making progress. The average call waiting time, which in October was around 20 minutes, fell to under six minutes in December. I am pleased to say it is now somewhere around 45 seconds.

That was where we said we would start. We said we would start with the contact centre, because that was where we were getting a lot of complaints that people could not get through. I know that is not enough. We need to do more. The next area that we said we would target is complaints. At times last year we were significantly resource-constrained. We had capacity to handle somewhere around 400 complaints a week. I am pleased to say that we have expanded that capacity, and we are now at a place where we can handle somewhere over 1,200 complaints a week. We still have a substantial backlog, and we continue to work to clear that. We have other operational challenges still to face, but the recovery plan is on track. Rest assured that I and my team are fully committed to getting back to the usually high standard of service that NS&I delivers.

Now, you asked the broader question of, "Hang on a moment. How did we get here? What has happened at NS&I over the last 12 months?" The Covid crisis has created a perfect storm for NS&I. I just wanted to talk you through what the issues and challenges are that we faced. Overall, we faced three key challenges. The first one of those was our fundraising target, which was a record for NS&I, of between £30 billion and £40 billion. To give you some idea, the most this business has ever raised in a year before is under £20 billion. That was a very substantial target.

The next significant challenge we faced was just the scale of inflow of business that we had. We have delivered already this year far more funding than in any other year, but, to be clear, we did that without launching new products. It is not as a consequence of having put rates up. It is not even as a consequence of advertising; we have not even advertised our products in the last 12 months. It is purely because, first, we did not reduce our rates when our competitors did and, secondly, the savings market grew at an unprecedented level. The savings market grew by almost two and a half times more than it did in the previous year. The Bank of England says that the savings market last year grew by about £168 billion. That is an extraordinary amount, and it is something that was not predicted at the start of the Covid crisis. Nobody really forecasted that there would be such substantial growth in the savings market.

That combination of our rates rising to the top of the best-buy tables, because competitors cut their rates, and that big inflow of money because of the growth in the savings market, meant that for us we started the year with a £6 billion target, which is the equivalent of about £500 million per month, but what we were actually delivering on days in

July was £500 million a day. The volume of purchases had risen from what was typically, at the start of the year, about 10,000 a day to over 130,000. The volume of work was huge.

The third challenge, which is the critical bit, was a resourcing challenge, because, unlike a number of our competitors, we have some quite old technology and we have some quite old processes. Frankly, we are largely reliant on the three Ps: people, paper and phones. As a consequence of that, we are really dependent on having the people we need. We faced this storm that staff numbers were reduced. They were reduced because they were isolating, because they were ill and because they were caring for other people. We saw a reduction in the number of our core staff. We also had a reduction in the capacity of our facilities. We have operations in India; they were closed on three occasions by Government edict and therefore we just did not have the facilities there. In the UK, the introduction of Covid regulations also meant that, to make our staff safe, we had to reduce the capacity of our operational centres.

Finally, facing all those operational challenges, the easy question to ask is, "Why the heck did you not go out and get some more people?" and the answer is that, as I said, of course we did. We brought in 350, but that is not easy. All sorts of industries were going online, and everybody wanted contact centre people. Therefore the competition for staff was really high. At the same time, the other element was that the supply was constrained because a lot of people who would have worked in contact centres instead were caring for themselves or others.

Overall, though, where did we get to? That is the question. What did we deliver? How did we perform? The core role of NS&I is to raise financing for Government. In the first six months from April, we delivered £38.3 billion of additional funds. That is more than NS&I had delivered in the preceding three years put together. That is a huge amount of money. To give you some idea of what that was, it is about the same amount of money that the Government spent on the furlough scheme over the same period. That is a very significant amount of money. We were not the only ones raising funds for Government at that stage, but I am proud of the fact that, when the Government needed the money to fund the people, we delivered that funding.

Q3 **Chair:** Ian, thank you. I let you continue for around 10 minutes there, because that was a very comprehensive and helpful opening statement. Harriett is going to come on to the issue of complaints in a little more detail in a moment, but you mentioned the substantial backlog that you are now hoping to catch up on. Can you tell us what the size of that is and how long you think it will be before you catch up on the complaints backlog, please?

Ian Ackerley: At the moment, the backlog is about 6,700 complaints. We expect it will take several months to clear, but we will have cleared it by the summer. The key with this is that the rate at which we will get through those complaints will rise, because we will move more people into this area. Part of the issue is that the people who are great at handling complaints are also the people who are really good in the contact centre. Once we resolve the issues in the contact centre, we get fewer complaints from the contact centre so complaint inflows reduce and we get more people to be able to handle the complaints.

Q4 **Julie Marson:** Thank you for that summary, Ian. It is interesting to hear you speak about people, paper and phones—nicely alliterated. I would like to drill back into the continuity plans. You have identified those issues. It brings into sharp focus the fact you did not have in place the contingency plans for major business disruption to deal with those three things. Is that fair?

Ian Ackerley: I do not think that is fair. We have a business continuity plan, and we implemented that continuity plan. For example, when we lost operations in India, we repatriated activity using that plan back into the UK. The point is that we did implement it; we did use it. Our business continuity plan was frankly not constructed with the vision that the whole world would be disrupted at the same time. There was an assumption that, when we repatriated into the UK, if there were problems in India, it was very unlikely that there would be problems in the UK. Therefore, clearly, as a consequence of that, we faced some constraints and some issues.

However, we had other facilities that we put in place, such as falling back on other third parties to provide additional capacity for us. They did that, but again they, too, were finding that they were having operational problems because the whole country was having operational problems. It was not about one area of the business.

Q5 **Julie Marson:** You mention people. Is the fact that you were over-reliant on paper a big issue? Did you, for instance, underinvest in IT for many years?

Ian Ackerley: Over-reliance on paper was an issue. You are absolutely right. We have been trying to reduce the amount of paper in our business for several years. I am sure we will come on to premium bond prize warrants, which is a good example of our trying to take paper out of the business. We have had a consistent programme to try to do that. We need more investment, and I am delighted to say that one of the things that has happened just recently is that we have had approval for our transformation programme of the business. That will enable us to move to become a much more digital-first business, which will enable us to reduce the amount of paper we have.

Q6 **Julie Marson:** What about the phones, the third element of it? What were the contingency plans for the phones? It seems to me that you are saying your contingency plans were good enough, but the scale was something you could not have predicted. Are you being complacent there, Ian, or do you really feel that the contingency plans you had in place were sufficient? Would you change them?

Ian Ackerley: We are learning all the time. Quite plainly, after an event like this you learn. There are all sorts of lessons that we have picked up from this about what we need to do to make the business more resilient. I am very pleased to say that, even during the year, the Government gave us extra funds to be able to improve the resilience of the business. Yes, there is more we can do.

The other element of this is the changes we have made. For example, we have become a much bigger user of webchat. One of the things we have introduced recently is chatbots, because again that will take demand off the call centre. We are doing as much as we can on that. During the crisis, we followed the FCA advice and we encouraged customers to go online instead of trying to use the phones, not least because we were concerned about vulnerable customers for whom that was probably the only way they could get to talk to us.

As I say, we had other providers lined up to provide extra contact centre facilities, and we did that. We took steps. There was a point in the summer when we identified a cohort of somewhere around an additional 80 staff that we arranged to bring into the business. They were staff through one of our suppliers who were serving another agency in Government and were going to be made redundant. We were all set to bring those on board when, at the very last minute, or in fact after the last minute, after the point we got them, we were told that they had changed their mind and they wanted to hang on to them. There were a number of occasions when we had contingency plans, but they did not come through.

Would we do things differently next time? Yes, absolutely. The real key is the transformation programme, the Rainbow programme we have lined up. That will help us truly transform the business and enable us to be less reliant on people, paper and phones.

Q7 **Julie Marson:** To follow up on a little of that, you have, for instance, improved your efficiency rate by cutting operating costs from 12p to 6.9p per £100 of stock held. Did a focus on efficiency have that knock-on effect at the expense of resilience?

Ian Ackerley: No, I don't think it did. We have been trying to focus on resilience as well. This is a very old business. This business dates back to 1860. It is a very old business. I am not saying our technology is quite that old, but it is old. Therefore, there was a lot of opportunity here. When we outsourced operations in 1999, there were opportunities for improvement, and that has continued.

I do not think it has reduced our resilience. In fact, if anything, we have made investments to improve resilience. We have invested in new data centres to try to make our IT more reliable. It is not a matter of cost reduction. That has come from doing things better and, frankly, by automating things to try to make us less reliant on the people element. Frankly, automation brings a more consistent service, too.

Q8 **Julie Marson:** I am conscious that we have the chief operating officer. I want to give Matt an opportunity to make any comments that he wants to add.

Matt Smith: In terms of the online service we provide, almost 95% of our customers have been transacting with us online, so the vast majority of customers have received the service they expect and have been able to fulfil the transactions they intended to or wanted to quite successfully. In terms of the resilience of the online business, that works extremely well. We have not had any problems throughout the Covid crisis.

I just want to add my apologies to any customer who has been affected by the issues we have had in customer services. All customers are important to us. It is really important that we provide the level of service that they deserve and expect. It is frustrating that we have not been able to do that in all cases.

Q9 **Julie Marson:** Finally, you have announced work preparatory to a new tendering for an outsourcing contract. How will the experiences of the last year influence what you are looking for in that contract for outsourcing?

Matt Smith: The business case for our transformation programme was in flight before Covid but, absolutely, the experience we have had throughout the Covid pandemic has informed the final iteration of that. We submitted our outline business case to Treasury in October, so we were really in the eye of the storm of all the challenges that we had.

There was a lot of good insight there in terms of the things we needed to fix. We need to become less reliant on ageing processes and technology, and less reliant on manual processes and people. That has been one of the key issues for us throughout. We still need to make sure that we have that cohort of contact centre professionals who are there to support customers who are vulnerable or otherwise excluded, who need that additional support.

Q10 **Felicity Buchan:** My questions are on your interest rate policy. When you decided in April 2020 not to lower interest rates, as you had planned, you got this influx of money. Can I perhaps ask, as a general question, who sets your interest rate policy? Is it you or the Treasury? Is it done in conjunction? Can you tell me what sort of process and what scenario analysis you go through to determine volumes versus interest rate?

Ian Ackerley: That is a very good question. The answer is that it is a joint effort with Treasury, but the decisions are all made by the Minister. Ultimately, it is for the EST to decide. We do an awful lot of modelling, and we have built a model over years that is clearly based on our past experience of how our customers react when we change rates. We put a lot of effort into that modelling.

This was of course, as I said, an extraordinary year and a very unusual year. We had such huge growth in the market. Our pricing policy is about balancing the interests of the taxpayers who pay the interest, the customers who receive it and the broader market. We endeavour to balance those. That usually means our products are priced somewhere around the mid-table. It is not about being market leaders. It is very rare that our products find themselves at the top of the league tables.

During this last year, what has been different is that we made that decision not to reduce our rates, because, frankly, in March it was unclear how much money the Treasury needed. We have a dialogue with the Treasury normally before the start of the year about what the funding requirement is. When we had that conversation towards the end of last year or two years ago, I should say, we came to the target of £6 billion. The answer was, "We need to raise about £6 billion." We put together plans, to start in April last year, to raise £6 billion.

A month before that, we started to have conversations with the Treasury where the Treasury started saying, "Hang on a moment. This Covid thing is going to be expensive. What are we going to do? We need to raise more money." Therefore, it becomes a bit of an interaction between what we think we can do and what the Treasury needs. That has been an emerging conversation throughout the entirety of this year, because the cost of the Covid crisis has changed significantly as the year has gone by.

We would normally work like that. The decision was taken that we would not reduce rates. That was one of the proposals we put to the Minister. That was the one the Minister chose. As a consequence of that, therefore, because everybody else cut, we ended up rising up the table. That attracted for us, therefore, a cohort of customers that we normally would not see. That was one of our big learning points of this year. Those customers behaved quite differently and they came in very fast. As I said, we did not advertise. I want to be clear on that: we did not do any marketing. The inflow of funds was because of league tables and because of the media, which advertise and publicise who is at the top of the table at the moment. It brings in a different set of people. That is one of the things we have certainly learned this year in terms of our forecasting and modelling: those people behave differently.

Q11 **Felicity Buchan:** Just so I am absolutely clear, you make the recommendation, but it is ultimately the Minister's decision?

Ian Ackerley: That is correct.

Q12 **Felicity Buchan:** When Treasury got this influx of money, were they happy with that outcome, or did they say, "We have overpaid for it"?

Ian Ackerley: Treasury was in a really difficult and challenging position last year. I know you had the Debt Management Office in front of you last year. Robert talked about the option they had in March, just at the beginning of the crisis. Although it was covered, immediately afterwards he said that market conditions in the hours afterwards deteriorated and, had that happened sooner, it would have been a problem.

It was not apparent at the start of the crisis whether the gilts market was going to have the capacity to support what the Government needed. NS&I has always acted as that hedge for Treasury so they are not 100% reliant on the gilts market. All through the year, it was not known whether the gilts market would continue to perform. Therefore, when we came up and said, "It is not going to be £10 billion; it is going to be more," they said, "Okay, let us keep going. We do not know how much we need at this point in time."

It was very much one where we continued on that path and continued in dialogue with them all the way through. At the point when we said, "Look, we are seeing high volumes coming in," that is when we started having conversations and putting proposals forward to say, "Let us slow this down. Let us see what we can do now to slow down this flow."

Q13 **Felicity Buchan:** Do you do backward-looking analyses as to how much your funding has cost versus gilts?

Ian Ackerley: Yes, we do. In fact, we usually have a performance measure called the value indicator. Very broadly, the value indicator compares the cost of raising money through NS&I to the cost of raising money through gilts. Over the last 10 years, we have delivered a positive value indicator result. A year ago it was negative, because gilt yields fell very low. This year, the value indicator measure was suspended because of the market conditions we were in. At times, the gilts market was producing negative yields. If you set me an objective of being better than that, it results in some pretty disruptive behaviour in the savings market.

For that reason, yes, we do that. Even though we were not measured on value indicator this year, we have continued to monitor it. We are very acutely aware of it, and we recognise the fact that, over the long term, we have to make sure that we represent good value, because we need to deliver value for money in what we do for the taxpayer.

Q14 **Felicity Buchan:** I get the sense from your informal monitoring over the last year that you have been more expensive than gilts. To what extent is that a result of the negative yields we have occasionally seen in gilts or your decision not to lower rates back in April?

Ian Ackerley: Our value indicator result is almost entirely driven by the level of gilts. That is the key challenge. It is gilt yields being at very low levels at the moment that drives our negative value indicator result.

Q15 **Felicity Buchan:** You said at one point that it is your mission to balance the interests of your savers, the taxpayer and the financial services sector—your competitors. How do you feel you have done on that measure in the last year?

Ian Ackerley: As I said before, it has been an extraordinarily difficult year. We have had to look at that over a longer timeframe. We do not adjust it day by day, because, frankly, it takes time to change prices. If you change prices all the time, customers get confused and it creates operational complexity, which results in problems.

Overall, we clearly started off in a place where there was a strong need for the Treasury to raise money to be able to support people who were going through Covid. Therefore, quite plainly, through holding our rates, it resulted in a position where we were top of the table. Again, like I say, we did not put up our rates. It was just because everybody cut theirs. It was illustrated in July-time when competitors decided that they wanted to play in the market. They put their rates up, got the money they wanted and then left again. We stood by the savers and we kept our rates. Through that period, we offered very good returns for our customers, but that was to the detriment of the taxpayer, who was paying higher rates of interest than were present within the market.

In terms of balancing the market, that has been a really difficult one as well, just because of the extraordinary circumstances of this huge inflow of cash into the market. To see a flow of £168 billion into the savings market in less than a year is extraordinary. Therefore, we saw very different behaviours from different groups of customers. If you look at the information from UK Finance, you will see that retail banks were behaving in one way with their rates; specialist borrowers and lenders were behaving in a different way.

Overall, we are trying to strike that balance, and reducing the rates has swung the pendulum the other way. The rate cuts we implemented mean it is cheaper for the taxpayer but not so good for our customers.

Q16 **Felicity Buchan:** How often do you change your interest rates? In light of the fact that you have attracted this much more agile money this year, should you be changing your interest rates more frequently?

Ian Ackerley: We monitor our pricing every month. We have a pricing committee every month. We look at where we are in the league tables versus our competitors, we look at our inflows and our outflows and we put it through the model. We say, "Where do we think that is going to leave us by the end of the year?" We do that all the time.

We try to avoid moving price too often. Part of the reason for that is because we made a commitment that, when we reduce rates, we will give customers 60 days' notice. Therefore, that naturally slows it down. Not all of our competitors do that. Some of our competitors move much more quickly. As a consequence of that and as a consequence of the time it takes to work through Treasury and to go through the Minister, we do not move. As I said before, operationally, if we keep moving rates all the time, it makes for a very complex operating environment.

Q17 **Harriett Baldwin:** I know a lot of this has already been covered, and I guess the purpose of today's session is to try to understand how, if we were ever in such an unprecedented situation again, you would be able to provide a better customer experience. Obviously, you have gone through a lot of the steps that you are taking to make it more automated, as I understand it. I want to go into some of the data. In terms of the people who had to wait for their calls to be answered in September, October and November, you have given us the data on how many people were over 15 minutes. Does that include people who had to ring off because they were waiting for too long?

Ian Ackerley: I am not quite familiar with the data you are talking about. Was that in the written response?

Harriett Baldwin: Yes, the source is your normal reporting.

Ian Ackerley: I do not know. I will hand over in a moment to Matt to see whether he knows the answer. We normally split out those people who abandoned.

Q18 **Harriett Baldwin:** Do you have that data on what proportion of calls made to the helpline were abandoned because people had to wait for so long?

Ian Ackerley: Yes, we do have data on abandonment. If the Committee wishes to see that, we will share it with you.

Q19 **Harriett Baldwin:** Could you share it with us now?

Ian Ackerley: To be honest, I do not have the numbers immediately in front of me. I do not know whether Matt has it. It has varied quite considerably over time.

Q20 **Harriett Baldwin:** I am talking about September, October and November last year.

Matt Smith: Over that period, the percentage of calls abandoned was around 40%. That is against a business-as-usual pre-Covid figure of less than 5%, usually around 3% or 3.5%.

Q21 **Harriett Baldwin:** So 40% of your customers were abandoning the calls because they had waited for too long?

Matt Smith: Yes.

Q22 **Harriett Baldwin:** Clearly, we understand it was a pandemic and no one had planned for the pandemic, but you must have put in place some steps when you realised that you were going to be so popular, and then also when you were going to be so unpopular, to try to deal with spikes in customer demand. Why did those steps prove to be so inadequate?

Ian Ackerley: What we saw was a level of call volumes that we had not predicted, and a pattern of core volumes that was quite different to what we expected. I will explain a little more about that. I mentioned the 80 additional contact centre people whom we were looking to bring in ahead of our announcement of the rate reduction, which is obviously into that period we are talking about.

One of the really interesting things that happened—it was a big surprise, certainly to me—was, when we announced the rate reduction in September, we announced that we were not going to reduce rates for 60 days, and yet, remarkably, quite a high percentage of the new customers immediately left. It was a real surprise that they did not hang on to the high rate for two more months; they left immediately. That created a spike in demand at that stage.

There was some slightly different behaviour in the customers. It is interesting to see this when we plot it out. We have done that and we have broken it out. When we look at our core customers, we find that those customers hang on to the last minute and then leave when the rate finally falls. That created a slightly different pattern. At the same time, we were also implementing the premium bond changes. That created a bigger spike, again, than we expected.

There were two sides to this. We were not getting the resources we had hoped to get to be able to handle the spike, and the spikes turned out to be bigger and at a different time than we expected them to be.

Q23 **Harriett Baldwin:** What really worries me is that this was a time when people were having to dash for cash. I find it very worrying that 40% of the people who were probably trying to get their money out were unable to get through to you.

Ian Ackerley: Let us bear in mind that, as Matt said, 95% of transactions are online. Those transactions were going through. People were getting their money within a day or two of going online. That is where 90% of the traffic was going.

Yes, people were calling up. Yes, we were trying to deal with them as quickly as we could. I am very sorry to all those customers who had to wait and abandoned those calls. That is why we were taking the action to bring in extra people, but, as I explained, it was a really difficult market to hire people in. We were caught in a really awkward challenge. We needed to reduce the rates to be able to reduce the flows. We knew that when we did that it was going to create more calls, but we just could not bring people on fast enough to be able to handle those calls quickly.

As I said, we have added technology. We have added webchat and chatbots to try to increase that capacity, but, yes, we definitely had a big squeeze. I am really sorry about that. That was, by far, not our best moment.

Q24 **Harriett Baldwin:** It sounds as though you were unable to predict that a lot of these things would happen. If a similar surge were to happen, what reassurance can you give the Committee that this will not be something that our constituents experience again?

Ian Ackerley: There are a number of answers to that, one of which is around the investment we are making in technology to try to make it easier for people to go online and do transactions.

Q25 **Harriett Baldwin:** We are going to talk about vulnerable customers in a moment, but we are talking about a lot of people for whom, if they have not gone online yet, it is probably because that is just not something they are going to be able to do.

Ian Ackerley: Let us go back to the contact centre. If you look at the contact centre performance now, the abandonment rate is well below 10%, and often below 5%, at the moment.

Q26 **Harriett Baldwin:** Volumes are back down to normal levels.

Ian Ackerley: We have managed to deliver that even though volumes are still high. We are still seeing call volumes that are higher than we would normally see. Yes, we have got the capacity up. That is what we have done. We have hired in the additional people to do it. That is how we would deal with it now. In the longer term, the solution is the Rainbow project and re-engineering the business so it is easier for people to do things.

Why are people calling up? Often, it is because they have issues with the online journey or something, because they are trying to get through security or because they have not logged in for five years and they cannot remember their password. Those are all perfectly understandable. We have to get better solutions in place so people can reset passwords without needing to pick up the phone and talk to the contact centre. That is one of the things we need to change.

Q27 **Dame Angela Eagle:** You are in a strange position, are you not, Ian, because you have a very old business model that you are trying to transform, but you also have large numbers of customers who are extremely loyal, who will not be able to engage easily with the new digital you when it arrives?

Ian Ackerley: You are absolutely right. We are blessed with an incredibly loyal customer base. We have over 25 million customers. That is an extraordinary number of customers. You are absolutely right: we have quite a lot of people who are relatively elderly, but not all of those are not digitally enabled. I am sure you will appreciate that. There are people of all ages who are not digitally enabled.

We are absolutely committed to being inclusive of all those people. Whatever we build in the future and whatever we have now is designed to be appropriate for all of them. As I said, at the start of the Covid crisis we sent emails to millions of customers to say, "Please could you leave the contact centre open for those vulnerable customers who need to deal with us by phone?" We continued to do that; we continue to offer paper transactions for people, because we know some people do not have email addresses or mobile phones, and in that situation paper is the answer.

Q28 **Dame Angela Eagle:** Can we talk about paper, then? In your annual report, you state that customers are at the heart of your business, but, for understandable operational reasons, you wish to move to putting premium bond winnings directly into people's bank accounts. That is a problem for quite a lot of your customers, is it not? This is the idea that you would withdraw the warrants, the cheque basis of payment, in exchange for electronic payment. That has caused a problem. Age UK is on to you about it, is it not? You have delayed that change. Can you tell me how you are going to proceed? You have obviously recognised that there is an issue.

Ian Ackerley: Yes, we have recognised that there is an issue, and we did suspend it. I said last year that it was probably a mistake to go ahead with doing it at that time, because of the challenges we faced in the contact centre.

I just want to be really clear about what this change is and why we are doing it. The reason we are removing all the warrants is because, frankly, customers are doing it. That is what is happening. Customers are voting with their feet. Over 1.3 million people last year moved away from having their prizes paid by warrant. Part of the reason we are doing this is because it is safer, more secure for customers and, frankly, for many customers it is more convenient.

At the start of the Covid crisis we were getting calls and messages from customers saying, "I have warrants. I am isolating. I have been told to shield. I cannot get out." We issued over 1 million warrants in April last year, and only 60% of them were cashed in that month. People could not get to banks. In a world where there are fewer and fewer branches, it is more and more of a problem for people to be able to bank warrants.

Two years ago, 35% of prizes were paid out by warrant. Today, it is 12%. There has been a two-thirds fall in the percentage of prizes going out as warrants. People are voting with their feet today, because they know it is more convenient. They know it is safer. We had issues at the start of this year with mail arriving at our offices that was a month old. Mail was a month behind. People were calling us. You say, "Why was the contact centre so busy?" They were calling because they had not got their warrant. They were calling because they had not had correspondence from us because it was stuck in the post. Sadly, we have incidents where mail gets intercepted. People get it. Frankly, people do not remember to update their address, and as a consequence of that we mail warrants to the wrong place.

People are much less likely to change their bank account. All they have to do is tell us their bank account once, and we will pay it directly into their account. If they have an email address, we will notify them by email that they have won. If they have a mobile, we will send them an SMS. If they have not, we will write to them. That is what we will do.

Q29 **Dame Angela Eagle:** This is very compelling, and I have a great deal of sympathy with what you are trying to do. Obviously, warrants are an old technology, they rely on post, they are more expensive and all of those things, but there are still people who will only be able to deal with that kind of paper, particularly the elderly, though not only, and also the unbanked. What can you do to ensure they do not get completely left behind? How long are you going to carry on operating a remnant paper system as you go into your transformation?

Ian Ackerley: As I say, we are committed to being as inclusive as we can be. We recognise that we are providing a service to the people of the UK. For that reason, as I have indicated, we will continue to write to people to tell them about it. In extremis, we will maintain a warrant option if it is absolutely necessary in some cases, but, frankly, a lot of those people are already receiving benefits or pensions paid directly into their bank accounts. It is no different to that.

I agree with you, Angela, about the unbanked. That is an issue. One of the conditions of premium bonds is that you have a UK bank account. People sign up to the terms and conditions when they take them up. It is a requirement to have a bank account, so I am afraid for premium bonds that is the case. It should not be the case that the unbanked are in the product unless they have become unbanked since they took it out.

Q30 **Dame Angela Eagle:** Can you tell me why you did not do an equality impact assessment before you made this change? I can see it is operationally convenient and desirable to shift to something cheaper and more secure. You have delayed the introduction. How are you going to deal with this going forward? Why have you delayed it? How are you going to change the way you would have implemented it, as a result of the delay?

Ian Ackerley: There are a number of questions there. Let us pick those off one at a time. First up, why did we not do an impact assessment? My understanding is that an impact assessment is necessary for a policy change. This was not a policy change; it was just a change to a product. It was not actually required. However, we did extensive research. The journey to the removal of warrants is a very long one. It goes back five or six years. We have interviewed and run focus groups with thousands of people over that time. A lot of those were face-to-face focus groups. It was not just people who were online or people who were on the phone.

We have done a lot of research to make sure it was as inclusive as possible. There are things we could have done at the time. You say, "What are you going to do differently the next time you come back to doing this?" The answer is that, frankly, the communications could have been better. Our communications were not consistent in some cases. We did not make it clear in all situations exactly what options were available to all customers. That will be different next time.

Last time, when we started the process, we did not initially have a portal available. People were trying to register for an online service in order to be able to register their bank details. We have removed that step now. Unfortunately, that ran late and was delivered in November, whereas we made the announcement in September. That will be different next time as well. There are a whole number of steps that we have taken that will mean it will be an easier journey.

Also, frankly, more and more people are going down that route anyway, in the meanwhile. Therefore, I hope there will be fewer and fewer people who we need to deal with. We will have more capacity in the contact centre, and therefore we will be able to talk to those people who want to talk to us and do that over the phone. There are a whole number of things that we have learned from that exercise for when we eventually resolve the matter.

Q31 **Dame Angela Eagle:** Matt Smith, as head of operations, are there other changes coming along the track that might have the potential to have a similar effect to the ending of warrants?

Matt Smith: Generally, the esteem in which premium bonds and warrants, or the prizes, are held by customers means that there is a certain focus on the topic of warrants. There is a broader initiative here in terms of taking paper out of the system as much as possible. This is not only from the ease and security perspective; there is also a green agenda to that as well.

As of the end of last year we still processed around 33 million bits of paper, so as part of our transformation we would be looking to reduce that to as close to zero as possible. However, we absolutely want to make sure we are continuing to be inclusive and we will ensure that we have those exception processes for customers who need paper, whether that might be standard, large print, braille or whatever. The methods we use today will continue to do that, but we anticipate it will be a much smaller cohort of customers with those particular circumstances.

Generally, in terms of the digital transformation that we are undertaking, it is a very exciting time for NS&I, because it means we can start to remove some of the constraints we have had around the legacy technology and processes and really start to give customers the journey and experience that they expect and, frankly, that they get from most other organisations they deal with, whether it is online shopping, other banks or whatever.

We will be bringing forwarded a transactional mobile app. Ian has already spoken about automated chat responses as well. There will be lots of different measures to make customers' lives easier. For all of those valued customers that we have out there, that is the key thing: making the experience as smooth as possible for them.

Q32 **Dame Angela Eagle:** Finally, Ruth, as director of finance, will this transformation mean there is less fraud involved? What are the levels of fraud that you experience? Will you sleep safer at night thinking that you have more robust systems than the ones you have been relying on?

Ruth Curry: It will improve. We have quite low levels of fraud. We have seen an uptick in recent months, as all financial services institutions have seen, given the vulnerability around Covid and the operational resilience; fraudsters take advantage of that. Yes, I would expect it to improve our fraud resilience. The financial risk of fraud sits with our outsourcing partner, Atos. It does not sit with Government, so it does not hit the taxpayer. From our customers' perspective, we are very concerned about any levels of fraud. The issue always is that we become aware of fraud after the event, and you never know how much is sitting there that is still to surface.

In terms of all the work we are doing, we had additional investment this year from Treasury specifically to focus on cybersecurity. We have put a lot of our emphasis and focus on the cyber aspects and increasing our security, and we will continue to focus on that over the coming year.

Q33 **Rushanara Ali:** Good afternoon. I want to focus my questions on the green bonds that the Chancellor announced. Mr Ackerley, could you start off by talking us through the proposed green bonds? How would you ensure that the funds invested are invested in a way that achieves the green outcomes? How will the greenness of the bonds be verified?

Ian Ackerley: We are delighted to be part of the team that is delivered the retail green bond. This is a global first. It is the first sovereign retail green bond to be produced, so we are really delighted to be part of it. I want to flag that we are going to be the ones responsible for selling it; we are going to be the ones responsible for raising the money.

When it comes to the investment side of it, that is going to be handled directly by the Treasury. They are the ones who will be able to answer your questions on the detail of how that works. In the Budget, the Chancellor committed to launching this in the summer, and there will be, therefore, more information in the summer about the details of exactly how the product will work. Suffice to say, it will be something that will invest in a series of environment-related projects that are being delivered by the Government. It will be matched against those investments. The detail of how that will run is very much something that will be handled by the Treasury.

If I can just clarify that, what will happen is that we will raise the funding. As with all the products we raise at the moment, that money will then go into the national loans fund. That is how it works. The next stage, therefore, is a matter for the Treasury.

Q34 **Rushanara Ali:** Do you have any influence in shaping the part the Treasury is responsible for? It seems like it is a bit bitty. You mentioned that it is the first in the world, but there are other similar schemes, are there not, in France, the US, China, the Netherlands and Germany? What is different about this one?

Ian Ackerley: My understanding is that this is the first sovereign retail fund that has existed. That is what I have been told. You say it is bitty. It is not unusual for us to work in this environment. We have a business-to-business arm that provides services to other parts of Government. Through that, we will often deliver part of a service. For example, when it comes to the help to save scheme, we administer the accounts for that; the marketing and the other elements of it are all handled by another Department. This is another one of these products where we will be responsible for the front end of it, and they will be responsible for the rest of the proposition.

Q35 **Rushanara Ali:** Ruth Curry and Matt Smith, did you want to add anything to those points? If not, I will move on to the next lot of questions.

Matt Smith: I am not sure whether you are going to ask questions around the operational readiness for the green products, but the timing that the Chancellor announced in the Budget for the product to be launched later in the year dovetails well with when we expect our recovery to be completed. As Ian has already said, the recovery process is in flight. We are seeing real improvements in the performance of the contact centre. There is still more work to do in complaints, as we said, and we expect to complete that work over the summer and get back up to speed. We are very confident that we will be in a good position to successfully deliver the green bond on its launch.

Q36 **Rushanara Ali:** To any one of you who is willing and able to answer this question, how are you going to ensure the green bonds offer value for money for the taxpayer, or is that a question for Treasury Ministers again?

Ian Ackerley: This product will pay an interest rate, just like all our other products. Therefore, we will go through an exercise of looking at the prevailing rates in the market, what rate we think we will need to offer for it to be a good, fair price that will be attractive for customers, and then we will strike that balance. Just like with all our products, it will be a matter of that same challenge of doing the right thing for taxpayers, savers and the market.

Q37 **Rushanara Ali:** Should investors expect the interest rates not to be too low, or are you going to be relying on their conscience?

Ian Ackerley: You are very keen to find out what the rate will be. I am not going to tell you, because it has not been set yet. The reason it has not been set is because the market is moving all the time. Yesterday, one of the key players in the market reduced their rates by a third, so it is really hard for us. We have a milestone in the future when we will set that rate.

Q38 **Rushanara Ali:** Let me ask the question in a different way. How do you expect this bond to evolve if interest rates are too low? What are the chances of this succeeding? Obviously, it is encouraging that the Chancellor has introduced this. What can we learn from other countries? There are equivalents, though they might not be exactly the same. What are the chances of this succeeding in a context in which interest rates are very low? Would you then have to take a different tack or a different approach to encourage people to invest?

Ian Ackerley: It is a genuinely difficult challenge. It is one we are really looking forward to. We are doing quite a lot of market research at the moment to see customers' attitudes towards this. You are absolutely right about that trade-off: do you rely on people's green conscience to make up for what might be a relatively low interest rate, or does it require a high interest rate because, frankly, people may be sceptical about the proposition?

We are investigating that right now to try to find out what it might be. Overall, it is going to be a combination of NS&I's responsibility in pricing the product and Treasury in devising the matching that will go behind it in terms of the investments to be able to create a proposition that is compelling. That is what it is going to have to be.

Q39 **Rushanara Ali:** I know I am asking you lots of contradictory questions: on the one hand, you want a good return for investors, but, on the other hand, you want value for money for taxpayers. How are you going to try to balance that, both in terms of what you do and in relation to your discussions with the Treasury in terms of the part of this scheme that they have to shape and design?

Ian Ackerley: Welcome to my world. The trade-off between the two is something that at NS&I we live with every day. It will be a judgment call. Part of it is looking at the balance we strike at the moment. Part of it is just ensuring that the price is right. If you put too high a rate on it, quite plainly everybody will rush into it and the conclusion from that would probably be that the taxpayer has overpaid. On the flipside, if you put too low a rate on it and nobody buys it, there is significant money involved in setting up a product like this. We need the product to be at least successful enough to cover its costs.

Q40 **Rushanara Ali:** Quickly on this, what demographics are you looking at as investors? Who can afford to invest? If my constituents are watching this, who are very focused on green issues, what demographic are you looking for and could qualify? How wealthy do you need to be to be able to invest?

Ian Ackerley: We will be looking to make this product as accessible as we can. I am personally really passionate about that.

Q41 **Rushanara Ali:** What amount would you need to have to invest? Where do you start? That is what people want to know. How much money do you need to have to be able to invest in a green bond?

Ian Ackerley: You are absolutely correct. We will be announcing that. I am not going to pre-empt the announcement. Let me reassure you. One of the things we changed in the last couple of years is that premium bonds had a minimum investment of £100. I thought that was too much and our research showed it was too much. We took that down to £25, so we are very set on trying to make this accessible. Quite what the lower limit will be on the green product, it is back to that one about the cost of administering and running this, and trying to strike that balance.

Q42 **Rushanara Ali:** I am looking forward to hearing more about it. It is a very exciting proposition, so I hope it is successful. I have one final question for all of you, starting with you, Mr Ackerley. This is not about green bonds. Your most recent published figures indicate that you had a median gender pay gap of 11% and a bonus pay gap of 25%. Why is this gap so large?

Ian Ackerley: The reason we have that large gap is because of changes we made to the bonus scheme. That is one of the reasons it happened. If you look at the footnotes, you will see there is a bit of an explanation offered in the reporting accounts as to why things have changed. I can come back to you and provide you more detail on this. I would be happy to do that, but it is in the details of the way our scheme works and the subtleties of the mix of male and female staff that we have in the organisation.

Q43 **Rushanara Ali:** It would be helpful to know how you are going to tackle this gap. It is a pretty worrying gap. We had an inquiry into women in finance, as you know, in the previous Parliament. Frankly, women in this country are pretty fed up of being done in in the workplace, as well as in safety terms. You have seen the debates in the last week. It would be helpful to understand better what you are going to do as an organisation to close the gap and, operationally, what is happening. Of course, we understand there are lots of structural barriers. That can be in writing, given we are short of time. I do not know if Ruth Curry would like to come in on that, being the one of the three witnesses who is a woman.

Ian Ackerley: Before she comes in, can I just say we are absolutely committed to diversity and equality in our workplace? We signed up to the women in finance scheme several years ago; I am very pleased to say that we conform with that. Until very recently, my management team was 50% men and 50% women. Our non-execs are similarly split, so we are very keen to have that gender balance.

Ruth Curry: Picking up on that, as with many organisations, our gender mix is varied across the different grades. At the more junior grades, it is 60% to 65% women. At the higher grades, it tends to be only 40% to 45%. That, as a consequence, causes the gap.

One of the things we have done at NS&I is, for the first time, we are supporting six women on the Crossing Thresholds programme, which is the civil service-wide programme for supporting women in progressing and developing their careers. That is a really important initiative in helping those at the middle and junior management grades to progress through. Helping people develop in their career is one of the really important things.

We are focusing a lot on career progression and on us in the senior team mentoring those colleagues. I do it within NS&I and across the civil service. Through the Government finance profession, I mentor individuals. Personally, I am really passionate about it, not just on the gender side of it but on other aspects of diversity and inclusivity. Certainly, we have a real focus on gender, ethnic minorities and LGBT+.

Matt Smith: All the things that Ian and Ruth have said about NS&I go across the whole organisation. I might add that this is very important to our service delivery partner, Atos, as well. As part of the partnership charter that we have between NS&I and Atos, they have also committed to ensuring that they are managing the gap in pay and ensuring that there is a focus on diversity. I would say that the benefit we have seen as NS&I from that relationship is, as a large organisation, Atos have at their disposal quite extensive resources in this space and we have been able to participate and collaborate with Atos in that space. It has taken us through that evolution curve, maybe more quickly and organically than we would otherwise have done.

Q44 **Rushanara Ali:** Thank you very much. I have gone over time, but I would be very grateful for a written update, particularly in relation to this bonus gap that has increased.

Ian Ackerley: Yes, we will update you on the bonus gap.

Q45 **Mr Baker:** I would like to turn to your future business. I understand you have received £23.5 million of funding to modernise parts of your infrastructure. Which particular elements will you be focusing on, please? Perhaps to give you a rest, Ian, I might turn to Matt straightaway.

Matt Smith: The money that we have been granted this year is really the start of a transformation journey. As Ian said earlier, we have also recently received approval for our overall business case. The work we started this year is focused on the legacy black box IT components that we have today. We are starting to decouple them so that we are not overly reliant on this monolith of legacy tech and so that we can plug in new, more contemporary, more modern components that improve the customer experience.

The initial phase of funding will be focused on doing some of the back-end re-engineering in the systems. It will also be invested in accelerating the evolution of our mobile app. At the moment, we have a prize-checker app. We have an app that has developed over the last couple of years but is still not what I would call a fully functioning app that our customers would like to use on a day-to-day basis for their transactions. It goes back to what we replace calling into the contact centre with. That back-end replumbing is part of that initial investment, and the progression of the mobile application is the front-end piece.

Q46 **Mr Baker:** When you say "legacy black box" and so on, are you talking about a mainframe that hardly anyone understands with everything written in COBOL? Again, it is difficult to get COBOL programmers. Is that what you are talking about?

Matt Smith: We do indeed have some legacy systems written in COBOL, yes.

Q47 **Mr Baker:** That is marvellous. Are you struggling to get software engineers who know what they are doing with COBOL?

Matt Smith: As you probably know, our service delivery partner, Atos, is responsible for all the outsourced IT services. They have a broad network of both internal experts and people within the supply chain that they can bring in. Those capabilities and skills are in short supply, and sometimes that creates bottlenecks. That is more of a reason and justification for accelerating away from that and into more contemporary infrastructure.

Q48 **Mr Baker:** Tell me a bit more about the techniques you are using to try to design, presumably, a software architecture that is capable of replacing those systems. What are the risks involved, and how long are you expecting it to take?

Matt Smith: The contract that we have with Atos runs until March 2024, so we have about another three years. Ahead of that, we started work, probably about two years ago, on redesigning the future. Because we had outsourced our IT and retained a small IT assurance function, we had not really got the enterprise architecture skills that we needed, so we have hired those in. I acquired some new senior people with external experience of having done this kind of transformation before. They have been front and centre of the design phase of that. We are also buying in some consulting expertise to help us with that. More recently, we have launched a tender for an enterprise architecture partner that can take the broad wireframe we have already created and start to help us build that out into what the components of the new infrastructure need to look like.

Q49 **Mr Baker:** As you can hopefully tell, this used to be my specialist subject. If it all goes wrong, it will not be Atos coming before the Treasury Select Committee to explain why it has all gone terribly wrong, I do not suppose. Perhaps it will be.

Matt Smith: That would be me as SRO for the project, I believe.

Q50 **Mr Baker:** Yes. Are you satisfied that the hires you are making will equip you to adequately work with Atos to really understand what is going on with your own systems and what that means for service delivery for the public?

Matt Smith: Yes, absolutely. We have hired in some really skilled people with a broad cross-section of experience across the private sector, as I said, but also within the public sector, not to walk past the fact that there is a huge amount of digital transformation going on in the public sector already. Large Departments like HMRC are at the forefront of that. We will also be reaching into other Departments. Around the programme, we are putting in structures such as advisory groups that will bring in people from both the public and private sectors to help us ensure that we are taking into consideration all the variables and making the right decisions.

In terms of your question about recruiting the right team, we have done the initial stages of that, as I mentioned. Now that we have approval, as of a week or so ago, for the business case, we can start the really heavy lifting of building out the recruitment and the new team to help us move that forward at pace.

Q51 **Mr Baker:** I wish you every success, because mainframes and COBOL were legacy systems 12 years ago when I was involved with it. Can I turn now to Ruth, if Ian will bear with me? As part of the supplementary estimate, I understand you have requested an extra £9 million for temporary operational support and customer services. For what reasons do you think that is temporary? What level of assurance can you give us that it will not be a long-term problem?

Ruth Curry: We have received an additional £9 million this year for operational resilience work. Specifically, it is extra resource that we have received this year. We do not believe those pressures will finish this year, so we have set aside money in our budget for the coming year for those ongoing operational resilience investments that we will need. Yes, we received an additional £9 million because, when we received our budget for this year, it was before the Covid pandemic had started and we did not realise that we were going to require this. As we have been planning for the coming year, we have made sure that we have built this into our budget, so we have already set aside some budget so that we do not need to revert to Treasury and ask for additional funding.

Q52 **Mr Baker:** We lose track of just how much money we are talking about. The motor neurone disease guys came to see me to say that they need £50 million over five years and they might get a cure for some kinds of motor neurone disease, so I am conscious that £9 million is a lot of money. How much money have you had to set aside for next year as well?

Ruth Curry: At the moment, within our budget, we are looking in the very low millions. In the nature of setting a budget, I will want to ensure that, at the end of our first quarter, so in early July, we will be doing a very thorough review of our budget. We have ensured that we are not committing all of our other budget immediately. We always have the ability to ratchet up or down some of our change spend particularly. We will want to look in early July across our whole budget, and particularly on the level of funding that we are raising, because that directly impacts the budget that we need. At the moment, we are looking at the very low millions, but we will conduct a review.

Q53 **Mr Baker:** I have a couple of other quick questions. You have reminded us in the course of evidence that you raise billions of pounds and you have millions of customers. What do you have in place to make sure that what you spend on customer service is competitive and comparable with your other industry competitors and that you are actually getting value money from those funds?

Ruth Curry: That is built into the contract with Atos. A lot of the cost savings are already baked into the contract, and the risk sits with Atos for driving down those costs. For the taxpayer, I am confident that we are securing good value for money. We are constantly working with Atos on, as we talked about already, the paper-reduction element and other areas where we can introduce greater automation and reduce our costs so that, as we go out to the retendering, we have a lower cost base, because that is going to be very important.

Ian Ackerley: The existing contract with Atos that started in 2014 has yielded savings of about £400 million already. We think it will yield, probably, another £150 million before the end of the term in 2024. We are reasonably confident we have the value. The critical point, though, as Ruth just pointed out, is the retender; it is getting the pricing right at the retender. That is why it is so important that we make the business as efficient as possible now, prior to going to that retender, so we can get the best possible price.

Q54 **Mr Baker:** I really must touch on one final question, Ian. Changing the subject, without wishing to open a total can of worms, we understand you have decided to opt out of compliance with the FCA's senior managers regime. Could you please explain why?

Ian Ackerley: First of all, we were never part of the FCA's senior managers regime because we are not regulated by the FCA. There are a number of reasons why that is the case, not least of which is that the ultimate decision-makers would fall within the senior managers regime. The ultimate decision-maker for us is the Minister. That would therefore mean that the Minister would have to appear before the regulator. That is not really going to work. Also, frankly, the way we are managed is by coming in front of you. Therefore, we are directly supervised by yourselves.

I know what you are referring to. We used to refer to a shadow regime, where we were sort of following the senior managers regime. We reviewed that and we had the Government Internal Audit Agency review it as well. We concluded that there was quite a substantial overlap between what the senior managers regime was trying to achieve and what we do anyway as civil servants and accounting officers and all the other control frameworks and things that exist within Government anyway. Therefore, there really was no benefit from also saying, "We are following the senior managers regime."

Q55 **Siobhain McDonagh:** Happy St Patrick's day to everybody, even if it is slightly subdued this year. My first question is to Ian or any of our witnesses. The Government have given you a target of £6 billion to raise from savers during the course of the next financial year. How confident are you that you will raise these funds?

Ian Ackerley: That is a very good question. As I said, the last 12 months have been an extraordinary year. In that period, at one point, we raised over £38 billion. It is somewhat less at this point. We are confident that we can raise that amount of money at this point in time. Obviously, things could happen that could derail us. If you look back at the performance of the business over the last five years, it has delivered somewhere between £10 billion and £12 billion of net financing every year. This year is something of an exception. I think we can deliver £6 billion. It will all depend on market conditions, obviously. Frankly, every year, we have, as I mentioned earlier, an open dialogue with the Treasury. It is possible that target will change during the year. It has on a number of occasions in previous years.

Q56 **Siobhain McDonagh:** Your product stock saw a relative decline in the importance of fixed-rate and index-linked stock during the year. Did this reflect changes in consumer preference or was it a conscious policy change?

Ian Ackerley: It was because those products are not on sale at the moment to anybody other than those with a maturing product. We withdrew those from sale in 2019. That rebalances that book as matured. The variable book has grown because that is where all the new money came in. We have seen attrition on the fixed-term book because every time it matures some people take the money out.

Q57 **Siobhain McDonagh:** NS&I has increased its total stock of products by around £20 billion during the year. Do you have any concerns that investors will withdraw those funds when they have an opportunity to spend it following the cessation of lockdown restrictions? Do you think we will all go out for a drink for St Patrick’s or something?

Ian Ackerley: Maybe that is what we should all do. I listened to the Governor of the Bank of England being asked exactly the same question. We do not know. It was a huge surprise that during the Covid crisis, when more people saw their income fall, the savings rate went up so high. How quickly people will unwind those savings is really unclear. Yes, we will see some of that money go out. How much? We do not know. This is the first time we have been through this. The last major crisis like this was 1918 and the Spanish flu. I am not sure that is a good model for where we are today.

Q58 **Siobhain McDonagh:** Will NS&I be able to respond if other lenders are able to make more attractive offers to savers?

Ian Ackerley: That is what we do every month when we look at our position in the market. That is where we will have to make that call: if it looks like we are not going to get to our £6 billion target, we will look to adjust our rates in order to achieve that. All the time, we have to try to strike this balance between the taxpayer, the customer and, ultimately, the market.

Chair: Can I thank all three of you for attending and particularly Ruth, because I have just been alerted to the fact that you very kindly changed your holiday plans as a consequence of our shifting the dates for this session? It has been a difficult year, and we have discussed that in some detail in this session. Of course, it has been a difficult year for everybody. I think it is fair to say that some organisations have fared better than others. One thinks of, perhaps, the banks in general not having fared too badly, given all the problems they have had around Covid.

Therefore, there are concerns about the overall level of performance that we have expressed today in the session. Some of it, certainly, you can put at the door of Covid and some of the decisions that were taken around the interest rates on the products that NS&I have. However, we have also heard about the adequacy of contingency plans and quite a lot, as a recurrent theme, on the outdated approach to operations. "Pens, paper and phones" has been the catchphrase used there. It is gratifying that, clearly, we have moved on from your origins in 1861, with quills, parchment and carrier pigeons, but it seems to me that there is still quite a way to go to get to where you want to be in the 21st century.

The Committee is going to be looking closely at NS&I in the months ahead, particularly looking for some of the improvements that you have said that you are relatively confident you can bring in in a reasonable amount of time. Ian, at the beginning of the session, you suggested that the backlog of complaints, for example, would be dealt with by the summer. The Committee will also very much be looking at the progress for the transformation programme, which is clearly extremely important at the moment. Could I ask you to keep us informed as a Committee of the progress that you make in those two particular areas, please?

I conclude by, once again, thanking you very much indeed for giving us your time today. We wish you well in the months and years ahead. As Siobhain said, happy St Patrick's day. Having a wife whose family hail from Connemara on the beautiful west coast of Ireland, I have an ice-cold Guinness awaiting me in the fridge for this evening; I will be celebrating that with her. On that note, that concludes this session.