

Treasury Sub-Committee

Oral evidence: The Work of National Savings and Investments, HC 1057

Monday 21 May 2018

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Watch the meeting

Members present: John Mann (Chair); Mr Simon Clarke; Charlie Elphicke; Stewart Hosie; Wes Streeting.

Questions 1 - 119

Witnesses

I: Ian Ackerley, Chief Executive, National Savings and Investments; Sarah Tebbutt, Acting Director of Risk, National Savings and Investments; Chloe Bowes, Acting Director of Finance, National Savings and Investments.

Written evidence from witnesses:

– [Add names of witnesses and hyperlink to submissions]

Examination of Witnesses

Witnesses: Ian Ackerley, Sarah Tebbutt and Chloe Bowes.

Q1 **Chair:** Good afternoon. We will begin 10 minutes early, which is unusual for parliamentary Committees but not this one—Treasury has always been time efficient. It would be helpful for the record if you could please identify yourselves.

Ian Ackerley: I am Ian Ackerley, chief executive of National Savings and Investments.

Chloe Bowes: I am Chloe Bowes. I am the acting finance director.

Sarah Tebbutt: I am Sarah Tebbutt, acting risk director.

Q2 **Chair:** Can I welcome you? Thank you for coming. I will start, Mr Ackerley, by asking the question that, really, we most want answered: do you need to exist any more? Could Government not do your role better elsewhere and get rid of you? We are not talking about personal qualities; we are talking about your organisation.

Ian Ackerley: Thank you for the question. This is a good place to start. There is an ongoing role for NS&I, and there are a number of reasons why the organisation exists and should continue to exist, starting off with the core purpose of the business, which is raising cost-effective finance for Government. That is why the business was originally set up in 1861, along with the purpose of encouraging people to save and establishing a savings culture. Frankly, we play a role in that to this day, and that continues to be an important function that the business performs.

In terms of raising cost-effective finance, the Treasury has an alternative, which is the gilts market. That is the natural comparator. When you look at our cost of raising funds, we compare very positively to that. If you look at our last set of published accounts, you will see there that we have what is called a value indicator, which is basically an attempt to compare the cost of raising money through NS&I with that through the gilts market. When you do that comparison, in the last reported year we made about £74 million on that measure.

The other way of looking at it is through the stock of savings or debt that we have raised for the Government compared to gilts. In terms of the implied interest rates, if you take the amount of interest paid over the amount of stock, for the gilts market the interest is about 3% and for us it is about 1.5%, so it is a difference of about 1.5%, which would equate to something like £2.2 billion.

Q3 **Chair:** Why are the Government shifting towards gilt sales, then?

Ian Ackerley: That is a decision to be made by the Treasury. Our target is set by them. It varies year by year and there is a discussion every



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time. They have to trade off the one versus the other. In the last reported year, we raised about £11.8 billion net. That is still an appreciable number; it is about 10% of the raising.

Q4 **Chair:** Why has the Chancellor reduced your net financing target?

Ian Ackerley: That is for this year. In the run-up to the autumn statement we had discussions with them, looking overall at how net financing was going from NS&I. The Treasury made the decision that it would reduce our target. It was an assessment made by them on the basis of what the need was for further financing and where we were against our targets at the time.

Q5 **Chair:** The question is why. Are they about to do that again? Will that happen again this autumn?

Ian Ackerley: Our target has been raised and lowered. If you look through the history, you will see that it has changed quite a few times. It could go up; it could go down.

Q6 **Chair:** What is your expectation?

Ian Ackerley: My expectation at the moment is that it will stay where it is, but that is because we have no better information than we have right now.

Q7 **Chair:** Was it a surprise, not literally when it was announced, but when you learned of it, that they were reducing your target by £5 billion?

Ian Ackerley: We work on a daily basis with the Treasury, so it is an open dialogue. We have an exchange. We put forward a plan that would raise the rest of our target. They looked at what their other options were. We all have to do whatever is best for the taxpayer. My role when I am raising financing is balancing the interests of the taxpayer, the customer and the wider market. Likewise, the Treasury has to manage whatever is most efficient for the Government as a whole.

Q8 **Chair:** Are you increasingly inefficient, then, for the taxpayer compared to gilts? That is the implication of what you are saying.

Ian Ackerley: I am not sure it is the case that we are increasingly inefficient. If you look at the numbers we have published year to date for this year, you will see that, compared to the £74 million we raised in the previous year, we have already reported £188 million, so that would indicate that in fact we are becoming more efficient than the gilts market.

Q9 **Chair:** You would say you are offering value for money for the Exchequer?

Ian Ackerley: Correct.

Q10 **Chair:** What about the consumer?

Ian Ackerley: It is a trade-off between the two. As I was saying, we have to balance those. Whenever we are pricing product and whenever



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we are looking at our strategy, it has to be a balance between the return for the customer and the return for the Exchequer. The third factor is that we do not want to disrupt the market as a whole.

Q11 Chair: Is the consumer losing out with the shift to gilts, especially if the Government continue that shift?

Ian Ackerley: I do not think the consumer is losing out, because we are still offering very competitive products and a really good return.

Q12 Chair: In March, you announced you were forecast to miss your value-indicated target by £25 million. Is that still the case?

Ian Ackerley: We have not published our numbers for the last year yet, so those will come out in due course.

Q13 Chair: What would we expect?

Ian Ackerley: I would expect that we will not hit the £250 million target.

Q14 Chair: By how much?

Ian Ackerley: I can write to you with that number, if you like. I am happy to do that. We will beat the number that was quoted previously.

Q15 Chair: Why will you not meet it?

Ian Ackerley: It is complex. There are lots of reasons why we missed on that. The key thing is that it has a lot to do with the market and where the market goes. As I say, it is a very competitive market. We are competing with private sector players and rates change. For that reason, it is difficult. The other key element is that what drive the value indicator to a very large degree are gilt yields and where gilt returns are going, and we have no influence over that. We are in a period at the moment of record low gilt yields and as a result of that it makes it very difficult to generate a positive VI through products.

Q16 Chair: When it comes to your value indicators, you exclude the 65-plus pensioner bonds and the investment guaranteed growth bonds. Does that give you the appearance of better value to the taxpayer than the reality?

Ian Ackerley: It is important to differentiate here between different sets of products. Our core function is to raise cost-effective financing. Another thing that we do is to offer policy products on behalf of the Treasury. These are products that are designed and brought to us by the Treasury. They are not part of that core financing remit, and because of that, therefore, they sit outside our value indicator target. That is why they sit elsewhere: because their objective is not really cost-effective financing. Those are done with a different objective in mind.

Q17 Chair: In terms of your value for money, would it be true to say that, by excluding them, you appear to be better value for money than you actually are?



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Ian Ackerley: If the Government want to deliver that product anyway, you have to think more about how else they would do it. We are the cost-effective channel of delivering those products. That is what they are trying to achieve. We are the best way for them to get those to market.

Q18 **Mr Clarke:** In terms of the use of resources, and in particular the new programmes you have brought into play such as the new website, on which £68 million has been spent over the last year—I will come on to the IT software momentarily—I want to understand what your new website does that it did not do before.

Ian Ackerley: I am not going to go into great detail on this. The key thing for us with the website was that it was important to update it to make it a much more usable website. That is indicated by the fact that it has received plaudits for its ease of use. Increasingly, customers want a digital experience and a good digital experience. Their expectations are driven by their experience on other websites, so a lot of what we changed on the website was to do with its usability, to make it much easier.

Mr Clarke: It is generating business, in essence, rather than reducing costs.

Ian Ackerley: It is a combination of the two, but a lot of it is about trying to make it easier for customers to do business and service themselves, and doing that helps to reduce the cost to serve.

Q19 **Mr Clarke:** Do you have evidence that it is yielding benefits so far?

Ian Ackerley: In terms of our business performance, you can see that 92% of our sales come through digital channels, although I must admit that also includes telephone. The website is definitely proving more effective than it was before.

Q20 **Mr Clarke:** In terms of the £27 million, which is obviously a lot of money, that was spent on the IT software technology you have brought in over the last year, why did you develop that technology yourself?

Ian Ackerley: It is worth highlighting that the operating model for NS&I since 1999 has been that all the administration is outsourced to a third party. The development and selection of software solutions lies with our partner.

Q21 **Mr Clarke:** That partner is Atos?

Ian Ackerley: That partner is Atos. Those things will be either bought off the shelf or developed, but typically here we are talking about packages and developments in packages.

Q22 **Mr Clarke:** This is bespoke to the particular needs of NS&I in what way?

Ian Ackerley: They are not particularly bespoke to our needs. Apart from premium bonds, which is a genuinely unique product for customers' specific needs, most of what we do, frankly, is the same as any other



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financial institution that has a savings business. We are administering savings accounts.

Q23 **Mr Clarke:** That being so, why did you need £27 million worth of your own software, if most of what you do is relatively normative to the sector?

Ian Ackerley: In that £27 million, you are seeing the development and implementation of those packages. Somebody has to programme it with the product. Somebody has to programme websites. Somebody has to programme the interfaces between customer databases and other systems. There is where the software build goes on.

Q24 **Mr Clarke:** How do you evaluate whether Atos is giving you value for money when it develops these things? If you are anything like me, there is an element whereby you are trying to assess something in which you are anything but an expert. How do you ensure value for the taxpayer in that sense?

Ian Ackerley: We have an overall contract with Atos. Within the price we pay them is the development of certain systems, so that is already built into the contract cost. There are other things that are done on an incremental basis beyond that, and those are subject to an individual business case. Those business cases have success criteria associated with them, so we will assess them against those.

Q25 **Mr Clarke:** My other set of questions is on the gender pay gap. Obviously I welcome the fact that you are signatories to the Women in Finance Charter but, that being so, do you not publish data on your gender pay gap?

Ian Ackerley: I just want to say, before I pass over to Sarah to deal with this, that diversity is a really important issue for us. The organisation signed up for Women in Finance before I had arrived. I have only been in place for just over a year. The short answer to that question is that we have fewer than 250 employees, so we are not required to publish. However, we will be publishing the data.

Sarah Tebbutt: Like other public sector bodies, we publish an annual equality and diversity information statement. I am pleased to say that our board decided that it wanted to publish the gender pay calculation in that, and we did so on Friday. It will also be in the annual report and accounts. Our mean gender pay gap on base pay is 11.5% and our median gender pay gap is 6.5%.

Q26 **Mr Clarke:** What action will you be taking to try to narrow that gap over time? Over 11% is above the national picture.

Sarah Tebbutt: It is important to look at the reasons why the gender pay gap is there. We have looked at the diversity split by gender that we have for each pay grade, and I am pleased to say that our leadership and management are evenly matched, so we meet our Women in Finance



target. When you go down to other levels of the organisation, you find that at our lowest grade it is 100% female, so we are not gender balanced throughout the organisation.

With staff in the last year, we have developed a welcoming diversity at work plan, which has a number of measures dealing with gender but also other aspects of diversity. To be honest, our concern is to achieve ethnic diversity better than we have, because we already meet the Women in Finance target. The diversity plan has lots of different measures about investing in people, giving them opportunities to work shadow, making sure internal promotions and opportunities are fair and building up people's confidence.

Q27 Mr Clarke: Have you set active targets in that regard, particularly in terms of BAME recruitment? It depends on the areas of the country within which you are recruiting, I suppose, in terms of the population that you are recruiting from, but it is important to try to get that breadth of experience. That is a theme we repeatedly hear as a panel: the benefits that derive from that.

Sarah Tebbutt: Somebody once said that you have to measure it to achieve it, so I am pleased that we have set this year a diversity target, which will be published. It is to both continue to meet our Women in Finance target and increase the proportion of people from different ethnic backgrounds in our management level. It could be achieved partly through recruitment to that level, but I believe we have a lot of talented people already in the organisation who should be supported to go for those opportunities and given the L&D that they need to progress.

Mr Clarke: What active steps will you take to support them?

Sarah Tebbutt: We are setting up an internal work shadowing scheme so that people can go and find out about other departments. One aspect of lack of inclusion could be that people are in their own silos or their network in the organisation could be stronger. We want to encourage people to network outside of the people they already know, to go and find out about other opportunities. It is also important to support managers. We have unconscious bias training. We have diverse recruitment panels.

At NS&I, we have good policies to support people to work flexibly and work at home. There has been a huge take-up of the nine-day fortnight scheme that we have, but we want to make sure that is applied consistently throughout the organisation. We had evidence that some people felt that, in their team, they could not have that opportunity, and that was never our intention. Working with staff, we have identified these actions that staff tell us will make a difference to them.

Q28 Mr Clarke: It sounds as though really positive steps are being taken there. In terms of the relationship that you have with Atos—it is a key partner and does an awful lot of contracting on your behalf—the gender pay gap there is the better part of 19%. What action are you taking to



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urge them to try to address that?

Sarah Tebbutt: I know that the chief executive published their own diversity actions when they reported their gender pay gap. The way NS&I works in general with Atos is that we assure and monitor the activities it does. When I was people director, I had fortnightly meetings with them about HR matters like this, and I know that they have a plan in place to address their gender pay gap.

Q29 **Mr Clarke:** Do you think that is a credible plan?

Sarah Tebbutt: Time will tell on plans like that.

Q30 **Mr Clarke:** If it is not a credible plan, will you take steps to urge them to make sure that it is remedied?

Sarah Tebbutt: Yes.

Q31 **Mr Clarke:** In terms of HR, there was a rather concerning finding that only 10% of your staff who had experienced discrimination or bullying actually reported the incident, and the wider civil service average for this is apparently 37%. Is there an issue, do you think, in terms of the policies you have in place to protect staff members from wrongful behaviour?

Sarah Tebbutt: First of all, this is a really important issue for all of us here. We have taken steps to promote the support that is in place for staff if they wish to report discrimination or harassment that they have experienced at work. We have had staff communication events and set out that people can perhaps buddy up with another member of staff to get support through the process, or they can get help from HR. We have made it very clear that, unless we know what colleagues are experiencing, it is difficult to support them other than in general terms by creating a good atmosphere and culture at work.

Q32 **Mr Clarke:** I am just reading through some of the reviews on Glassdoor, and there are some quite worrying comments: "Stop allowing bullying and harassment to be acceptable. Stop praising the same individuals every year"; "Bullying and harassment seems to be the norm with board members trying to hide the fact and sweep it under the carpet". I appreciate those are very, very subjective views from individuals. Is there a systemic problem within the organisation?

Ian Ackerley: No. Let us be really clear here. There is no room for that at NS&I. I have not seen evidence of it in the 13 or 14 months that I have been around. We will, if we find evidence of it, act appropriately. I take that very, very seriously. It is very undermining. When you are trying to build a business, and trying to build a diverse business, the last thing you need is an environment where people believe there is bullying in the workplace.

We use the staff surveys that come back as a really important way of getting a measure of how the organisation feels. We take the outcome of



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them very seriously. We have an employee engagement group, which we use to develop actions, so we work very closely with staff to develop new ways and means to address the challenges that come out of that. I am pleased that, where people have stepped forwards and raised their hand—and you are right that very few people have—action has been taken.

Q33 **Chair:** Do you pay the living wage?

Ian Ackerley: Yes, we do.

Sarah Tebbutt: We pay more than the living wage. We do not have any staff at that level. There may be such staff in the Atos part of the business, but Atos is committed to paying the living wage.

Chair: It would be helpful if you could talk to Atos and get back to us, to clarify whether it is paying the living wage and, if not, when it will be, or if it will not be. A note on that would be useful, please. Thank you.

Q34 **Charlie Elphicke:** Sarah, you worked at the Treasury for many years, I understand, and at one point you were head of debt and reserves management. Is that effectively dealing with all the gilts?

Sarah Tebbutt: That is a broad role. Yes, it deals with the gilts. It also deals with the Royal Mint, aspects of the Bank of England's business and with NS&I.

Q35 **Charlie Elphicke:** We heard from Ian a few moments ago about this business where, effectively, you are competing with the Treasury's thirst to shove debt instruments out through the gilts market as opposed to through you guys. How does the overall yield that NS&I offers to savers compare to the overall yield that gilts offer to investors in the gilts market?

Sarah Tebbutt: That was the role I used to do, whereas my colleague Chloe is currently responsible for the comparators and value indicators.

Chloe Bowes: In terms of yield, all our products are priced at slightly different rates, but we do not operate in that active market in the way that the gilts do. Whereas gilt yields are very volatile and move all the time, our pricing works the other way round, where we fix the interest rate that we will pay to customers, rather than that being a flexible yield as it is in the gilt markets.

Q36 **Charlie Elphicke:** Let us take it over a one or two-year period. How does the yield in the gilt market and the yield offered by you compare? I am the Treasury. I want to raise some cash. Why should I use you guys or why should I use the gilt market? That is what I am trying to ask. How do you actually compare?

Chloe Bowes: In terms of cost to the Treasury, as Ian mentioned earlier, the implied interest rate for NS&I's book for 2016-17 was 1.6%, whereas for the gilt market it was 3%. Some of that difference is driven by the length of term of the products that each organisation offers but, at



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a macro level, those are the core figures. In fact, they were called out in a recent review by the National Audit Office on Government borrowing, which set out exactly all those figures.

Ian Ackerley: The way the value indicator works is through a product-by-product comparison.

Q37 **Charlie Elphicke:** I understand that. This is what I am trying to get at. If I am sat in the Treasury as a Treasury Minister, and I want to raise 10 billion quid, I say to the officials—Sarah and co in a previous life—“Right, get me £10 million”. Then they will say, “Well, Minister, which distribution network do you want to use? Do you want NS&I or do you want the gilt market?” and I just say, “Raise me the cash”. What I am hearing is that you pay out to consumers 1.6%, and that in the gilt market they are paying out 3%. Why is double being paid to big corporate investors of what you are paying out to consumers?

Ian Ackerley: The key thing there is partly to do with the term of the gilts book. The gilts book contains some very old product that has very high interest rates on it. That raises their overall average.

Q38 **Charlie Elphicke:** That is why I posed the question in relation to yield, not coupon. There is a difference. That is why I talked about yields. I am talking about yields. I am not talking about coupons here.

Ian Ackerley: Yes. Overall, we were talking about the implied interest rate, and the implied interest rate is distorted by those high-coupon gilts.

Charlie Elphicke: I get that, but my question was about yields, not coupons.

Chloe Bowes: The value indicator compares NS&I’s interest rates, given that we do not have a coupon/yield difference, versus the current gilt yield for an equivalent product. For example, for a five-year fixed rate product with NS&I, we would compare that to the current yield for a five-year gilt. Essentially, that is worked through at a portfolio level for our entire book, and then that is the number presented in the value indicator. The positive number in the value indicator sets out that net difference.

Q39 **Charlie Elphicke:** I get that. It seems to me that the Treasury is offering a better deal through its distribution channel into the gilts market to big investors, many of whom are overseas, than it is to consumers through your distribution channel. It is not exploiting your distribution channel as much as it could or should be. Is that fair?

Ian Ackerley: That is a decision for the Treasury to make. That is not our decision, and there are multiple factors for why they might choose to put different amounts through the different channels. Part of the challenge with increasing the amount of fundraising through NS&I is that we are going to draw savings from other areas of the market. In drawing



savings from other areas of the market, you start to put negative pressure on smaller challenger banks and some of the building societies.

- Q40 **Charlie Elphicke:** Fine. I have noted that building societies complain about the fact that you offer competition, and the building societies do not seem to like competition. Well, I disagree; I think we need more competition, not less. Overall, you are at 1.6%—half the coupon I could get in the gilt market.

Then let us talk about products that are in your province. Let us take premium bonds. I invest £1,000 in premium bonds. Money Saving Expert says I will only win a third, so only a third of those investors get anything out of £1,000 of premium bonds. They also say it is only good for the rich because, frankly, I am not going to be taxed on my savings if I am not rich anyway. Is it not mis-selling?

Ian Ackerley: I would not say it is mis-selling at all. The effective interest rate on premium bonds is 1.4%. If you go on to Money Saving Expert and find an instant access savings account that pays more than that, you are doing very well, because I was looking this morning and I could not find one. On an absolute term, it offers an effective return that is very competitive in that market. Obviously, for higher-rate taxpayers, because it is tax free, that brings with it further benefits, because it is effectively an even higher rate. People buy premium bonds for all sorts of reasons. There is a love of the product. It is more than 60 years old now. There is over £70 billion invested in it by 21 million customers, so it is a very attractive product and it is offering a good return.

- Q41 **Charlie Elphicke:** The odds of winning for each £1 bond are 24,500 to one. It is a con, is it not? They are premium cons. How does it benefit my working-class constituents who cannot invest as much as £1,000?

Ian Ackerley: Even with a pound, you can win. A few years ago, somebody who had £400 invested won £1 million.

Charlie Elphicke: What are the odds of that?

Ian Ackerley: I think you have just given the odds. For an individual bond winning, the odds are—

Charlie Elphicke: 24,500 to one.

Ian Ackerley: Those are the individual odds. In May, we paid out 3 million prizes worth about £87 million. A lot of people find that a very attractive prospect.

- Q42 **Charlie Elphicke:** If a financial adviser was advising on this sort of product and advised to take it, surely it would be seen as mis-selling, because the odds of a return for the average person are that they will get nothing at all. In fact, two-thirds will not win anything whatsoever. They will not get any return, will they?



Ian Ackerley: It is all a matter of how long you hold the product for and luck. That is the nature of the product. It is a matter of whether you win or not, and if you win you can win big.

Q43 **Charlie Elphicke:** Let us move on to the pensioner bond. You issued this in May 2015 and you closed it in a hurry because it carried a 4% interest rate and everyone was really keen on it. As soon as you get a product that everyone really likes, you stop selling it. Why?

Ian Ackerley: The 65-plus bond was a policy product, and I made that distinction before. It was done for policy reasons rather than for raising cost-effective finance. It was not our decision as to how big it should be or how long it should be on sale for. It was a very popular product. It was one of the most popular products there has been. About £13.7 billion was invested by 1.1 million customers, so an awful lot of people did get to buy it. It was extended and, in the end, I think everybody had the opportunity to purchase the product who wanted to buy it, but inevitably there is a limit to how long those products can be on sale for.

Q44 **Charlie Elphicke:** Why are you not making the case to the Treasury to say, "Look, you are happy to pay 3% to big fat cat investors in the gilt market; why can we not have a pensioner bond and offer our pensioners, say, 3%, the same as the gilt market"? Why are you not making that case to the Treasury? Instead you are closing the product.

Ian Ackerley: The product closed before I arrived. The reality is that there is a cost to that and the taxpayer is going to pay that cost. In order to be cost effective, therefore, a balance has to be struck between making those interest payments to customers and the taxpayers paying for them.

Q45 **Charlie Elphicke:** The product was closed before you arrived, but now the three years is up they are maturing, are they not?

Ian Ackerley: They are maturing.

Q46 **Charlie Elphicke:** You are automatically rolling people over into a three-year locked in product that pays just 2.2%. How do you justify that?

Ian Ackerley: When a product matures, a lot of customers want to carry on saving, so we aim to offer them what we believe is the next best product for them. The product we offered as a default option was indeed effectively the same product, but with a lower interest rate of 2.2%. That 2.2% was a market-leading rate at the time it was first announced and still is a very competitive rate in that three-year fixed term market. It was a very good deal. It was an appropriate product to offer people given that they were coming out of a three-year fixed term product.

Q47 **Charlie Elphicke:** Say I am a little bit elderly, maybe perhaps a little bit forgetful and I forget to tick the box to say "send me a cheque". If I wake up one day to find that you have locked me into your 2.2% product, half



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as much as I had before, and I say, "I want my money back", what do you do?

Ian Ackerley: We have terms and conditions for the product and those are very clear. We will have communicated with the customer on several occasions about the upcoming maturity. We write to them ahead of it and we write to them at the time of maturity, so they will have had ample warning of the need to take action. Clearly, sometimes there are circumstances where something happens and, on a case-by-case basis, we would look at it. Again, it is about striking the right balance.

Q48 **Charlie Elphicke:** If you do not hear from them, is not the right balance and the right thing to do to cut a cheque and give them their money back, not lock them in to some appalling product that pays half the amount of interest that they had before? Most people would say that was the sort of sharp practice some financial institutions that get into lots of trouble with the regulator get up to. Why are you not doing the right thing and just handing the money back unless you hear from them?

Ian Ackerley: When you see the number of people who just roll over those term products time and time again, I think you would find that that was probably an undesirable outcome for a lot of those customers, who are quite used to the idea that in fact they will be just rolled into the next release of the product. I go back to the fact that 2.2% is a very competitive rate and, therefore, was not an unreasonable thing at all to move people to.

Q49 **Charlie Elphicke:** Personally, I think it is wrong for you to presume on that and unfair, given the rate is half of what it was, but let us move on. Let us talk about products for young people. What do you have to offer for young people?

Ian Ackerley: Last year, we launched a junior ISA, which pays 2.5%.

Q50 **Charlie Elphicke:** But there are a whole load of other ISAs and similar things, about eight of which offer better rates, so you are not really going for the young person saving thing to renew your whole offer. Why not?

Ian Ackerley: I do not think that is correct. We have recently increased the rate on the junior ISA in order to make it more attractive. It is a new product for us and we will continue to review the pricing of that product. As I said before, we are striking a balance here between the cost to the taxpayer and the return for the customer, and that is where we get to in that market. We do not, by and large, aim to be market-leading and, therefore, we positioned that in the market to make it, we believe, a competitive proposition.

Q51 **Charlie Elphicke:** Then I ask why not. Why do you not go for it? Why do you not try to create a new generation of savers and a new generation of people who see through premium bonds and want some new products for their time? For example, what about a bond for people to have monthly savings to save up for a house deposit? That is the sort of thing young



people need. Why are you not doing innovative stuff like that, or are you?

Ian Ackerley: I am delighted to hear that you are keen for us to grow the business and I will roll you out in front of the Treasury when I present my ideas. Absolutely, we are keen to do that. It is not necessarily just about product; it is a lot more than product. It is about providing the right tools, information and support for young people, and for parents and others, frankly, to support young people, to get them into the savings habit. One of the things I identified when I arrived was that we have an ageing customer base and we need to attract more younger people. In response to that, we will be growing the proposition for that age group. This is early days. The junior ISA was already in the machine when I arrived, but we will be doing more for young people.

Q52 **Charlie Elphicke:** I urge you to think about this. You have a great brand—a really great heritage brand, given the national treasure that NS&I is—and young people, who are inherently suspicious, understandably, of many of the institutions that have let them down, will look at your institution and think, “Well, these people might see me right”. You have a real opportunity to offer really interesting, innovative products and create a whole new generation of savers. This is my challenge to you: do this.

Ian Ackerley: I agree with you. I am passionate about it. I am a great believer that NS&I can play a huge role, just as it did when it was founded originally, in 1861, as the Post Office Savings Bank, in order to encourage people to save. We can do that. We could do a lot more to help those young people get on to the savings ladder and we will do that. You challenged premium bonds here. We launched a prize checker app fairly recently. Over half a million people have downloaded that, and that is all about trying to get a younger person to engage, as well as being useful for any age group.

Q53 **Charlie Elphicke:** Online, I seem to be able to get better rates than if I do not go online. For example, it seems you offer better rates if I go on the internet to invest rather than if I do not go on the internet to invest. Why is that?

Ian Ackerley: That should not be the case. There are different products with different rates, but if the product is available on multiple channels it will be priced the same.

Q54 **Charlie Elphicke:** Let me give you an example. The online-only guaranteed income bond and guaranteed growth bond are both available at a rate of 1.9% for three years, while the income bond, available by phone and post as well, only offers a variable 1%. Why?

Ian Ackerley: They are different products available through different channels.

Q55 **Charlie Elphicke:** You would say that, would you not? But you are really discriminating in favour of people who invest through the internet rather



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than phone you up or send you a letter. Why?

Ian Ackerley: The answer is that we have a range of products and it is up to people to find a product that is suitable for them. Yes, the rates are different, but the costs are different behind those different products too.

- Q56 **Charlie Elphicke:** The issue is, far from London, where everyone sits in these big financial institutions and thinks that the internet works fine everywhere, it does not work very well in parts of Scotland, parts of my constituency, all over the country, where we have to put up with not-spots. Older people are also more likely to be technologically deprived, as well as rural people, who are, frankly, wrongly abandoned by the phone company. They are discriminated against by these sorts of things. Why are you not making it so that everyone can have the same opportunity?

Ian Ackerley: I am glad you raise that point, because there is a really important distinction there around people who are unable to access the internet and, for those people, we make telephone channels and other channels available.

- Q57 **Charlie Elphicke:** At the same rate?

Ian Ackerley: At the same rate.

- Q58 **Charlie Elphicke:** With the same product, so I can get your online-only guaranteed income bond by post and telephone if I can say to you I do not really use the internet. Would you do that?

Ian Ackerley: If you do not have access to the internet, yes. Our call centres are trained to assess cases and, on a case-by-case basis, we will make the difference and we will do that. The reality is that 92% of our sales come through the internet and over the telephone. Most people do it that way. We recognise the fact, though, that there are vulnerable cohorts in the population for whom that is not an option and then we take appropriate action.

- Q59 **Charlie Elphicke:** In the same way that online only discriminates against people who are older or who have less good-quality internet, many of those people also find that their local post office is their lifeline. Why did you end your relationship with the Post Office?

Ian Ackerley: The Post Office relationship ended in the middle of 2015. The reality with the Post Office relationship is that it had become a diminishingly significant channel for us, as more of our customers decided that they wanted to buy direct from us. As a result of that, fewer and fewer of them went into the post office. The product range was progressively reduced until it was only premium bonds, so it became a less significant channel. On top of that, at the same time, the Post Office launched its own financial services products, which were effectively competing with what it was offering for us. Therefore, it made sense for us to go our separate ways.

- Q60 **Charlie Elphicke:** The reality is that they went into the savings market



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and you thought, "They are competing with us; we do not need to pay them the extra amount of money we have to pay them; we will do it ourselves". Is that really what is going on?

Ian Ackerley: There is a whole series of factors that go into that, but again, to be cost-effective, if most of our customers are reaching us directly, why would we continue to pay extra to go through a more expensive channel, which the customers are voting with their feet, literally, not to use?

Q61 **Stewart Hosie:** Is NS&I covered by the new general data protection regulation?

Ian Ackerley: We are.

Q62 **Stewart Hosie:** So you will be writing to or contacting all your savers and investors to confirm the information you hold on them.

Ian Ackerley: Correct.

Q63 **Stewart Hosie:** How are you going to do that?

Sarah Tebbutt: We have had an extensive project, as you can imagine, to make sure that we comply with the GDPR by this Friday. We have contacted customers by email; we have also included information in the annual statements that we would be sending them anyway; and we have updated our terms and conditions to make sure that they understand how we will process their data. One of our key values is to be secure and we want customers to know that they can trust us with their data.

Q64 **Stewart Hosie:** As a mission statement, that sounds fantastic. The problem I have is a constituent who got in touch with you, and you were unable to pair him up with his premium bonds. In 2017, I think the report was that 1.3 million people were due £55 million in prizes, unclaimed. The latest annual report identifies £2.35 billion of unclaimed assets in the residual account. Let me ask the question again. What steps are you taking to match up the assets—the savings products—with the people to whom they belong or their estates, given that many of these people may have passed away, and who are entitled to them?

Sarah Tebbutt: Where we know that we have up-to-date details, for example, we emailed 4.5 million people last week to make sure that we were in touch with them about their data. We also have a programme to trace people whose contact details we have lost, because it is important for us to reunite people with their funds.

Ian Ackerley: We are part of the Mylostaccount scheme. That is a tracing scheme that customers can go to where they can track down assets that might belong to them. We go through periodic exercises where we look at the holdings we have and try to see if there is a link between them. You have to appreciate we need a perfect match before we start sending cheques or notifications to people.



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Q65 Stewart Hosie: You are not going to get a perfect match, because many of these people may have moved house on a number of occasions. If it is an estate, they may not know the postcode for the house they lived in 30 years ago. They may not know their great granny's national insurance number. You are not going to get a perfect match. Does that explain why you are holding £2.35 billion of unclaimed assets, which rightly belongs to other people?

Ian Ackerley: It is worth saying that, when we try to do it automatically on behalf of customers, we have to get a perfect match, because otherwise we would start giving money to the wrong people. We are open to take whatever information people can bring to us when they think they have stuff. I have seen letters from people who have come to us and said, "We think there is a bond here that was made out to one of us, me or one of my siblings. Can you find it?" We work with people to find out which sibling it was the bond was made out to and, therefore, we can make the funds available to them.

Q66 Stewart Hosie: How much was successfully reclaimed by consumers from the residual account in the last year?

Ian Ackerley: I think it was about £600 million.

Chloe Bowes: In what period, sorry?

Ian Ackerley: In the reporting period in the annual report.

Chloe Bowes: It is about £57 million in the last year.

Ian Ackerley: Oh, was it £57 million?

Chloe Bowes: Yes. If I could clarify the unclaimed assets figure, the £2.3 billion includes almost £1 billion where we do have contact information for the individual holders of those products, but it is to do with other matters such as changes of address or transactions with other products. The definition of unclaimed assets includes open products where we have not had any direct financial transactions in the last 15 years. We have products, for example savings certificates, with a five-year term, which would only be an initial purchase and two rollovers, at which point that would be classed as unclaimed. In fact, half of that balance is made up of savings certificates and, for almost £1 billion of that £2.3 billion, we do have contact with those individuals.

It is a mixture. There are people we have genuinely lost touch with, where we offer our tracing service internally, and if anybody wrote to us we would take as much information as we could and take extensive action to try to join people together with their funds. There are also some historic holdings where customers are choosing to leave their holdings with us for an extended period within that balance.

Ian Ackerley: There is no advantage for us to hang on to them. We would love to give them all back. If there was a way of giving all that



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money back to customers who had lost touch with their money and wanted it back, I would love to do it. There is no reason for me to want to hang on to it. I do not get rewarded for it. It does not appear in our bonus pot or some other scheme. It just sits there.

Q67 Stewart Hosie: If someone gets in touch and says, "I bought some premium bonds 25 years ago. Here is my name; here is the approximate address I stayed at, at the time", why are you unable to match them up with their money?

Ian Ackerley: If you have a specific case in mind, I am happy to go and have a look at that and find out why there was an issue with it. So long as we have enough information to identify the individual, if we can, we will unite them with it. Clearly, sometimes there can be glitches. Part of the challenge we face, particularly with things like premium bonds, is that date of birth was not captured before 2005 and, therefore, for that reason, it is hard to gather the evidence to prove and match people with individual products.

Q68 Stewart Hosie: A huge effort is required on behalf of the customer to turn up with everything in shiny order, polished, with the correct matching information. You have just spent £27 million on a new IT system. Is this a relational database? Can you do an electronic, computerised search of your premium bonds and other products to match up a name?

Ian Ackerley: Yes, I imagine we could.

Stewart Hosie: Can you?

Chloe Bowes: Yes.

Ian Ackerley: Yes.

Q69 Stewart Hosie: Can you write to the Committee and confirm what information you need in order to match a product with a name, an address or a postcode? I am slightly suspicious that that is not necessarily the case.

Ian Ackerley: Let us be really clear on that. That is not enough to give somebody their money back. You can have two John Browns living in the same house, father and son, so if you match name and address that does not give you a unique ownership. That just tells you that either the father or the son owns the product. It does not tell you which of the two owns the product. This is why you have to be very careful about your matching criteria. If you want to give it to exactly the right customer, you need to know more information.

Q70 Stewart Hosie: If two John Browns live at the same address, a father and a son, and they both write to you and one says, "I am the father" and one says, "I am the son", according to what you have just said neither of them can ever get their money, because it is not sufficient.



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Ian Ackerley: No, they can. We would then look for further evidence to say which one this money belongs to. I am saying you cannot just rely on saying, "Oh, look, we have found two products here; they both have the same name on them. Therefore they must be this person's", because there could be more than one person.

Q71 **Stewart Hosie:** What interest rate do you apply to unclaimed assets in the residual account?

Ian Ackerley: The residual account pays 0.1%.

Q72 **Stewart Hosie:** Do you think that is sufficient or adequate?

Ian Ackerley: We have reviewed it. We have set it at that rate partly because we are keen for people to claim those assets and to move them away.

Q73 **Stewart Hosie:** I presume that you are not holding that money in cash terms and you are investing it.

Ian Ackerley: We do not invest it. All the money that we raise goes to the Government. It all goes to the Treasury and, therefore, is spent by the Government on providing services and fulfilling Government expenditure. It does not get invested in that sense, other than through the Government.

Chloe Bowes: Yes, every pound is passed through to the Exchequer to use on public services, but at any point that a customer requested the return of their money it would be available to them immediately. It is not locked into any service in that regard.

Q74 **Stewart Hosie:** The Government recently rejected calls for NS&I to be part of the dormant assets scheme. What is your view on whether the organisation should or should not be included in the dormant assets scheme?

Ian Ackerley: I do not see the purpose of doing that, because the money is already with the Government. It is not sitting somewhere in a bank accruing interest, making money for the bank or whatever. It is literally all with the Government, so I do not see any particular benefit in feeding it through that scheme in itself. The taxpayer benefits from that money every day.

Q75 **Chair:** Just to follow up with one question. Say someone dies with £100 or £500 of premium bonds, but the family does not know they exist. There must be plenty of those cases. How much of that £1.3 billion—that is £2.3 billion minus the £1 billion—would you estimate is that kind of situation, where someone bought a product and then died, and their family did not realise they had it?

Chloe Bowes: It is very difficult to estimate that figure, because if we are not notified that somebody is deceased—

Q76 **Chair:** No, but you are a top person, so you have a feel for it. Are we



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talking less than 5% or are we talking a reasonable amount of it?

Ian Ackerley: It is impossible to say. It really is impossible to say. If you think about all the factors that would feed into that, it is to do with what percentage of people you believe notified—

Q77 **Chair:** Well, take me as an example, then. I recall that my mother had some premium bonds. I have no idea, when she died, whether they were cashed in and put into the estate or not. I do not have a clue. How would I find that out?

Ian Ackerley: Contact us. Go to the website. You will see there is an address; it will feature in our leaflets as well. Contact us and we will look.

Q78 **Chair:** How reliable would that be? What more would be needed?

Ian Ackerley: Obviously, the more information you provide, the easier it is for us to do it, but her name, approximately when it was bought, ideally her address.

Q79 **Chair:** This might be theoretical, or it might not be. It might be a good test—I have no idea. Then what would happen? If I could prove with a death certificate that my mother had died and had £500 or whatever in premium bonds, what would you do with that piece of information?

Chloe Bowes: The money would be returned to the executors of the estate of the deceased person, if we could match them sufficiently to identify them.

Q80 **Chair:** It is a very complex process to find the executors of the estate, because she died 20 or 30 years ago.

Ian Ackerley: In a situation like that, you have to deal with it on a case-by-case basis.

Q81 **Chair:** I am asking how you deal with it. That is the question.

Ian Ackerley: It would be dealt with on a case-by-case basis.

Q82 **Chair:** What does that mean?

Ian Ackerley: Do we have the evidence for it? Can you provide a sufficient audit trail to demonstrate that you are a reasonable person to be receiving the money?

Q83 **Chair:** You must have some policy on that. You must have some guidance internally on that.

Ian Ackerley: Yes, there is. There is a policy.

Q84 **Chair:** This must be a common problem.

Ian Ackerley: A 30-year gap is not a particularly common problem, but obviously these things happen. That is why I say, on a case-by-case basis, we would pick it up.



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Q85 **Chair:** Sorry, is it not a common problem in terms of people raising it with you, or not a common problem in terms of the make-up of that £1.3 billion?

Chloe Bowes: If I can clarify in terms of the make-up of the £1.3 billion, £18 million of that is unclaimed premium bond prizes. It is a relatively small proportion, partly because we do a lot of PR campaigns and things to try to reunite people with premium bond prizes that they have not claimed.

Q86 **Chair:** What about the premium bonds themselves?

Chloe Bowes: I do not have those figures in front on me. We would have to confirm those back to you.

Q87 **Chair:** Again, it would be useful to get this in mind; it might get people contemplating or looking and seeing.

Ian Ackerley: We would encourage everybody to look through and find anything you can. A few months ago, a friend of mine handed me a little scrappy voucher from a product in the 1940s, which was an old national savings product, which we processed. It had written on the back of it a series of transactions, which he believed to be national savings transactions, so we investigated, just to see if anything was still there. All we had was a name and address, which was about 80 years old or something. We searched, we looked and, unfortunately for him, found out that in fact all the products had been cashed and, therefore, the money was not there. But we went through that; it was a little cardboard voucher with pencil on the back of it.

Q88 **Chair:** Anyone listening in who thinks there is a reasonable possibility—

Ian Ackerley: If they think there is any possibility.

Chair: If they think there is any possibility that one of their parents had your products, which is the most likely scenario—say the last of their parents has died—they ought to contact you direct, and you have a system for dealing with that.

Chloe Bowes: Absolutely.

Ian Ackerley: Absolutely.

Q89 **Chair:** That is useful for people to know.

Ian Ackerley: We make a point in communications here around premium bond prize winners and things like that. There is a note at the bottom that says, "By the way, we have this scheme to reunite people". We are very keen to get people back in touch with their assets. Frankly, where possible, we would like to rekindle the relationship. That is not possible in all cases.

Q90 **Chair:** Presumably you have a breakdown, though, of what that £1.3 billion is.



Chloe Bowes: Yes.

Q91 **Chair:** Could we get that?

Chloe Bowes: The breakdown is included within our annual report and accounts, so absolutely we can provide that.

Q92 **Wes Streeting:** Good afternoon. You are half way through your contract with Atos, which you said would save the taxpayer £400 million by 2021. How much has the partnership saved so far?

Ian Ackerley: We are on track. Costs are down 20% and the total value of assets we have in the business has gone up 50%, so I think that sounds pretty good.

Q93 **Wes Streeting:** You think you are on course to meet that commitment?

Ian Ackerley: Yes.

Q94 **Wes Streeting:** Great. In your annual report, you state that Atos has performance standards to meet. What are the performance standards that you hold them to?

Ian Ackerley: There are a lot of different standards. There is a whole suite of different performance measures, from how long it takes to answer a call to how long it takes to process transactions. There is a whole raft of them.

Q95 **Wes Streeting:** What sanctions do you have in place if Atos fails to meet those standards?

Ian Ackerley: Again, within the contract, we have the ability to impose sanctions when they fail to meet those standards, and we do that where we feel it is appropriate.

Q96 **Wes Streeting:** Implied in your answer is that there have been occasions when they have failed to meet performance standards.

Ian Ackerley: Correct, absolutely.

Q97 **Wes Streeting:** Sanctions have been applied.

Ian Ackerley: Yes.

Q98 **Wes Streeting:** What does that look like in practice? What financial penalty did they face, or have they faced on multiple occasions?

Ian Ackerley: It depends on the scale of the issue. Inevitably when you are running a big, complex business like the one they are running for us, you will occasionally miss some of those targets. They deliver a fantastic quality of service almost all the time—you see that in our customer satisfaction scores and in the ability to hit almost all those SDMs. But inevitably, from time to time, things will go amiss in certain areas, even just for short periods of time. In that case, we will level a sanction.

Q99 **Wes Streeting:** Give me an example of where something has gone



wrong and the sanction applied.

Ian Ackerley: I am trying to think of a couple that I have seen recently. Can you remember those ones we had last week? I can provide you with some details. I am happy to write to you with the details, but we have done some recently.

Q100 **Wes Streeting:** Yes, that would be good. How regularly does the senior leadership of NS&I review the performance of Atos?

Ian Ackerley: Every month, as a senior leadership team. It is a standing item at our executive committee meeting. There are also regular meetings further down the organisation with Atos, where we review its performance on a more detailed basis.

Q101 **Wes Streeting:** One of the issues that already arose in the context of our inquiry into childcare was the rollout of Tax-Free Childcare. NS&I and Atos were both involved in that rollout. What did you learn from the problems with that rollout?

Ian Ackerley: We learned an awful lot from that and we are really sorry to all the customers—all the parents—who did not have a satisfactory experience. Nobody likes to deliver a service or be associated with a service that has not hit its targets. That was a really important moment for us and an important learning curve. Very soon after it happened, we brought in externals to review what had happened and the solutions have been implemented.

We have applied those learnings to subsequent products. The next project coming down the line was also an HMRC project, which was Help to Save, and we made some quite significant differences in the way that Help to Save works from the way that Tax-Free Childcare works. There were some really important lessons to do with the structure of the solution and the way the solution has been implemented, tested and piloted. To give you some idea of the scale of that, in terms of piloting Help to Save, we have already had approximately five times more customers through that pilot than we had through the whole of the Tax-Free Childcare pilot.

Q102 **Wes Streeting:** In her evidence to the Committee, the Chief Secretary described some of the challenges of rolling out a project like Tax-Free Childcare where you have a range of agencies involved, in this case HMRC, NS&I and Atos. In terms of your review of the problem, where do you think responsibility for the failures rested?

Ian Ackerley: As was said by the Minister, Tax-Free Childcare is a very complex system that involves both the NS&I estate and the HMRC estate, with a lot of interfaces, a lot of different elements and, critically, several players. As a consequence of that, I do not think any one organisation is responsible for what went on and what happened. What was critical was that everybody pulled together and, the moment issues were identified, both HMRC and we stepped forward and worked very consistently and



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very thoroughly to fix those problems, the system and the service. When you look at the result and the performance of the service now compared to how it was in August last year, call wait times were up at six minutes. They are three seconds today. We have made some very major changes to try to get that performance where it should have been in the first place. As I say, I am very sorry for what happened, but I do not think you can lay all the liability on one particular party.

Q103 Wes Streeting: No. Is it fair to say that the problems were inevitable from the point of design of the scheme, given the range of partners involved? Do you think these sorts of problems were inevitable and could have been offset with better design of the scheme from the outset?

Ian Ackerley: Help to Save is designed very differently. It is a much simpler structure. We are responsible for running the payments system in the background, whereas on Tax-Free Childcare we are running the front-end website as well as the payments services in the background. That involves lots of interactions between systems as customers go through the journey, and that is where the complexity arises. Structurally, simplifying it definitely makes it much less likely to have problems.

Q104 Wes Streeting: Do you think that those kinds of challenges are properly understood in Whitehall when these policies are formulated?

Ian Ackerley: I cannot say to be honest, because I was not here when that went on, so I do not know what discussions were had at the time around the structure of it and whether it was appreciated that it was such a complex thing. Integrating systems is really complicated. It is not trivial. To be the systems integrator for a big project like that is a really tough challenge, and getting the design right on those things is a complex task.

Q105 Wes Streeting: In terms of Atos involvement, how did you hold it to account for its responsibility in all this?

Ian Ackerley: It has cost them a lot of money. They have spent a lot of money in addressing the challenges and issues that have arisen to date, and we are in ongoing discussions with them, because we are still in the process of implementing some of the changes we need to make around long-term liabilities.

Q106 Wes Streeting: When you say it cost them a lot of money, what are we talking about?

Ian Ackerley: Millions.

Q107 Wes Streeting: Turning to another aspect of your partnership, in 2013, NS&I said it would enable the delivery of webchat facilities. Has this been delivered?

Ian Ackerley: Not yet, but very soon. We have run a pilot. The permanent implementation has not been launched quite yet, but it will be around soon.



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Q108 Wes Streeting: It has been five years since the contract was agreed and this is not exactly ground-breaking technology. What has taken so long?

Ian Ackerley: We have a lot of priorities, so some things have to wait. We have done other stuff. We have done a major restructure of the architecture of the business to enable us to be fleeter of foot in future. The webchat solution has not been a priority to date. It is now on the build list and, therefore, is due to arrive.

Q109 Wes Streeting: Have any other services not been delivered that were part of your original contract? If so, what are they and when will they be delivered?

Ian Ackerley: Yes, there are more deliverables. I do not have a full list of them. I am happy to share a full list of them if you want to see. Some of them are in build. For example, a new data warehouse is one of the deliverables—that project is ongoing at the moment. The contract has to run until 2021, potentially all the way to 2024. Therefore, it is not surprising that some deliverables are still outstanding, because we are not through the contract yet.

Q110 Wes Streeting: One issue that frequently arises around this Committee is sensitivities around supporting the regions. As part of your partnership, you announced a continued commitment to three regional office locations. How has the regional distribution of staff changed since 2014?

Ian Ackerley: I do not have that data to hand, but we can share that.

Sarah Tebbutt: We still have an office in Durham. We have staff based in Glasgow. We still have staff based in Blackpool and, since the contract began, we have opened an office in Preston. We are committed to those four locations.

Q111 Wes Streeting: Finally, I have a couple of questions around your regulatory framework. Although you are not regulated by the FCA, you say you comply fully with the FCA's requirements where applicable and appropriate. Would you prefer formal regulation?

Sarah Tebbutt: NS&I is accountable to Parliament and the Treasury, and that has been a long-standing situation for us. We also comply with the financial conduct rules when they apply to our business model, because we want to treat customers fairly.

Q112 Wes Streeting: Yes, I just wondered whether you are satisfied with the status quo or whether you would prefer to be formally regulated by the FCA.

Sarah Tebbutt: It is not a request that we have made, but I meet the FCA twice a year to discuss how we are complying. The meeting is on an informal basis.

Q113 Wes Streeting: Are there any areas where you diverge from the regulatory requirements imposed on your private sector competitors?



Sarah Tebbutt: Yes, if it does not apply to our business model. To take a very simple example, we do not write mortgages, so obviously there is a whole rulebook about mortgages that would not apply to us. If you take something like the payment services directive, where formally we are exempt, we have chosen to comply with the conduct of business rules. We will notify customers of changes. We have changed our complaints process and our incident management process in order to comply, because we want customers to know that we are treating them fairly.

Q114 **Wes Streeting:** Your compliance with the FCA rules applies across your range of activities. You do not diverge at all.

Sarah Tebbutt: We look at each product and service. We do horizon-scanning and gap analysis of each regulatory requirement as it comes along. For example, we have applied the FCA cash savings remedies where they apply to our products.

Q115 **Wes Streeting:** If for whatever reason in the future you chose to diverge, would you feel obliged to notify the Treasury or the FCA?

Sarah Tebbutt: Yes.

Q116 **Wes Streeting:** Finally, have you implemented the senior managers and conduct regime at NS&I?

Sarah Tebbutt: On a voluntary basis, yes, we have.

Q117 **Wes Streeting:** Do the FCA and the PRA approve the appointment of your senior management?

Sarah Tebbutt: No, the appointment is approved by the appointments and remuneration committee or by our Minister, depending on the seniority of the person.

Q118 **Wes Streeting:** Okay. Did you create a management responsibility map as part of that?

Sarah Tebbutt: Yes. We have a responsibilities map and matrix. We make sure all the prescribed responsibilities and functions are allocated between us, and our conduct committee reviews and updates that regularly.

Q119 **Wes Streeting:** Have the Treasury or the FCA ever asked to see it?

Sarah Tebbutt: The Treasury sees it and, yes, the FCA has seen it.

Q120 **Wes Streeting:** Did they ask to see it or did you choose to share it?

Sarah Tebbutt: They do not request information from us, because they do not regulate us, so it is a voluntary situation, where we go to meet them every six months and share with them how we are complying.

Chair: Thank you very much for appearing before us. As you pointed out, you are accountable to Parliament. If anything major occurs that you need to tell Treasury or FCA about, we would want to be kept abreast of



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it as well. We will look forward to receiving your various pieces of information, as requested. I will finish by making this point, which I have made to a number of Treasury organisations. Some of the questions related to the contract you have with Atos. We anticipate that you would make sure if there are contracts with outside bodies like that that they are as good as you on things such as gender pay gaps or living wage. We look forward to the information and to seeing you again. Thank you very much for coming in front of the Committee.