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This political digest covers parliamentary issues relevant to the building society sector.

Your feedback on this edition is most welcome. Please email Rachel Le Brocq with your comments at rachel.lebrocq@bsa.org.uk . Also email Rachel with any issues you have a particular interest in, and would like her to track.

Update includes:

- Building Societies (Funding) and Mutual Societies (Transfers) Act
- Pre-Budget Report 2007
- Party Conference Update
- Treasury Select Committee (TSC) – Various Reports Published
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Building Societies (Funding) and Mutual Societies (Transfers) Act

Sir John Butterfill's Private Member's Bill, *Building Societies (Funding) and Mutual Societies (Transfers) Bill*, has been approved by both Houses of Parliament and received Royal Assent on 23 October 2007.

The Act, and other various Parliamentary papers on the Bill, can be viewed here http://www.publications.parliament.uk/pa/pabills/200607/building_societies_funding.htm

Pre-Budget Report 2007

On 9 October, the Chancellor delivered the 2007 Pre Budget Report and Comprehensive Spending Review to the House of Commons. Areas of interest to building societies include:

- **Saving Gateway**

The Chancellor announced that the Government is initiating research into the system requirements necessary to roll out the Saving Gateway scheme, with a further announcement being made in the Budget next year.

- **Capital Gains Tax**

From April 2008 there will be a single rate of capital gains tax paid by individuals of 18%, but taper relief and indexation allowance will be withdrawn.

- **Affordable housing**

The Government announced a number of initiatives to try to alleviate longer-term problems of undersupply of housing. These include grants to local authorities for planning and building more houses in their area, further proposals to promote the use of empty properties and funding support for infrastructure development in designated Growth Areas.

Aimed at supporting homebuyers, the Government is looking at reforming the stamp duty treatment of initiatives such as the First Time Buyers Initiative and making longer-term fixed rate mortgages more affordable. In his speech the Chancellor stated his desire that the supply of fixed rate mortgages of ten years or more be increased. He will make a further announcement in the Budget.

- **Unclaimed assets**

The report also notes the contribution of the building society sector to the development of work relating to unclaimed assets.

The full report can be viewed here http://www.hm-treasury.gov.uk/pbr_csr/pbr_csr07_index.cfm

Party Conference Update

Housing issues were the topic of lively debate on the fringe of all three party conferences this year.

The Prime Minister lead the way at the Labour event. In his speech to the faithful he extolled the Government's record in building not just more new homes, but ensuring that they were built in an environmentally friendly way,

However, it was housing minister Yvette Cooper MP (*Lab, Pontefract and Castleford*) who toured the conference fringe imploring delegates to ensure that they are able to overcome local pressure to prevent new housing taking place. She said that new housing is desperately needed, and if new homes are not built now, it will be future generations that pay the price. She also defended the Government's record on the delivery of new housing, claiming that housebuilding is currently at its highest level since 1990. A full article on the party conferences can be found in the October edition of *Newsbite* here <http://www.bsa.org.uk/feature/conference2007.htm>

Treasury Select Committee (TSC) Inquiry into Financial Stability and Transparency

As part of the TSC's Inquiry into Financial Stability and Transparency, a number of oral evidence sessions have taken place. On the 16 October, the Committee heard from the board of Northern Rock plc (Dr Matt Ridley, Chairman; Adam Applegarth, Chief Executive; Sir Ian Gibson, Non-Executive Director and Sir Derek Wanless, Non-Executive Director). Andy Love MP (*Lab/Co-op, Edmonton*) accused the board of Northern Rock of causing reputational damage to the entire banking system in the UK. John McFall MP (*Lab/Co-op, West Dunbartonshire*) quizzed the Board on its aggressive growth strategy, however Dr Ridley replied by saying "we did not increase the rate of mortgage lending in the first half of 2007. It was at exactly the same growth rate as the average had been over the ten years since we converted from a building society."

On the 9 October, Sir Callum McCarthy and Hector Sants of the FSA gave oral evidence and on 25 October the Chancellor, Alistair Darling MP (*Lab, Edinburgh South West*), went before the Committee.

The transcripts of the oral evidence sessions can be viewed below.

Northern Rock plc

<http://www.publications.parliament.uk/pa/cm200607/cmselect/cmtreasy/c999-iii/c99902.htm>

FSA (uncorrected)

<http://www.publications.parliament.uk/pa/cm200607/cmselect/cmtreasy/uc999-ii/uc99902.htm>

The Chancellor (uncorrected)

<http://www.publications.parliament.uk/pa/cm200607/cmselect/cmtreasy/uc999-iv/uc99902.htm>

The TSC has also called for written evidence as part of this Inquiry. In particular, they have asked for information relating to Northern Rock, Depositor Protection and the overall functioning of financial markets. The deadline for the submission of evidence is 7 November 2007 at 12.00 noon. The BSA will be submitting written evidence. The TSC press notice can be viewed here http://www.parliament.uk/parliamentary_committees/treasury_committee/tc161007pn88.cfm

Discussion Paper on Banking Reform

On 11 October, HM Treasury, the Financial Services Authority and the Bank of England, jointly launched a discussion paper, *Banking Reform - Protecting Depositors*, which seeks views on reforms to the framework for depositor protection (the FSCS) and for resolution of banks in distress. The paper asks whether the level of coverage for deposits should be increased from £35,000 and, if so, to what level and what are the benefits and costs of doing so. The deadline for comments is 5 December. The BSA will be submitting a response.

The discussion paper can be viewed here

http://www.fsa.gov.uk/pubs/discussion/banking_reform.pdf

And the joint press release here - http://www.hm-treasury.gov.uk/consultations_and_legislation/bankingreform/consult_banking_reform.cfm

Treasury Select Committee (TSC) – various reports published

The TSC have published a number of reports of interest over the summer period. These include;

- **Financial inclusion follow-up: saving for all and shorter term saving products – 9 October**

In this report, the TSC recommends that the Saving Gateway scheme is launched at the earliest possible opportunity. The Committee proposes that it is targeted at

those with household incomes of less than £15,000 or those on benefits to try to ensure that the scheme generates new saving.

However, the Committee is concerned that allowing multiple product providers could cause complexity that deters potential savers. The Committee states that the potential confusion caused by allowing a number of competing providers should be balanced against the wider access and promotion that a broad range of financial institutions offering the product would bring.

The Select Committee also recommends that new legislation on Credit Unions is introduced to allow them to be much more flexible in their operations and attract a greater number of members, and also be permitted to pay interest on savings.

The report acknowledges that several building societies responded to the collapse of Farepak in 2006 by offering festive saving accounts.

The report can be viewed here

<http://www.publications.parliament.uk/pa/cm200607/cmselect/cmtreasy/504/504.pdf>

- **Unclaimed assets within the financial system: Government Response to the Committee's Eleventh Report of Session 2006–07 - 15 October**

The Government responded to the TSC's report on unclaimed assets. The Government chose not to accept the recommendation of the TSC to make the unclaimed assets scheme compulsory. A voluntary scheme will remain with a definition of 15 years of no customer initiated activity. The full report can be viewed here

<http://www.publications.parliament.uk/pa/cm200607/cmselect/cmtreasy/1028/1028.pdf>

Liberal Democrat leadership

On the 15 October, Sir Menzies Campbell MP (*Lib Dem, North East Fife*) stepped down as leader of the Liberal Democrats. Vince Cable MP (*Lib Dem, Twickenham*) is currently acting leader. So far Chris Huhne MP (*Lib Dem, Eastleigh*) and Nick Clegg MP (*Lib Dem, Sheffield Hallam*) are the sole contenders with nominations closing on October 31. The successful leader will be announced the week beginning December 16.

Kitty Ussher calls on families to contribute to the Child Trust Fund

On October 24, the Economic Secretary, Kitty Ussher MP (*Lab, Burnley*), published the second annual Child Trust Fund statistical report. The Minister also announced three new initiatives:

- Voluntary and community sector organisations are being trained to help to provide face-to-face support to less financially-confident parents to help them engage with the CTF, following a successful pilot;
- Reminder letters to be sent to parents who have not used their child's voucher to open an account after eight months, and
- HM Revenue Customs (HMRC) to consult with account providers to see whether the requirement for parents to send in their CTF vouchers, in order to open an account could be removed, therefore making the account opening process easier.

The Treasury press release [http://www.hm-treasury.gov.uk/newsroom and speeches/press/2007/press_113_07.cfm](http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/2007/press_113_07.cfm)

Thoresen Review of Generic Financial Advice – Interim Report

The interim report of the Thoresen Review was published on 22 October, setting out the current thinking and direction of the Review. The final recommendations will be published early in 2008.

The interim reports “the Review therefore believes that the funding should be shared between government and industry, taking the definition of “the industry” in its broadest sense. The Review is keen to adopt a partnership-based approach, but believes that a compulsory levy would provide the most secure and equitable funding mechanism for the industry contribution. This could be a new levy, or perhaps raised through the existing FSA levy, and we invite views on these options”

The interim report can be viewed here http://www.hm-treasury.gov.uk/independent_reviews/thoresen_review/thoresenreview_index.cfm

PARLIAMENTARY QUESTIONS - VARIOUS

House of Commons Written Question – 22 October - Unclaimed assets in dormant bank and building society accounts

Dawn Butler MP (*Lab, Brent South*): To ask the Chancellor of the Exchequer what plans he has for unclaimed assets in dormant bank and building society accounts.

Kitty Ussher MP (*Lab, Burnley*): The Government's proposals for unclaimed assets in dormant bank and building society accounts were set out in consultation documents released in March and May of this year. In July, the Prime Minister made a statement setting out the Government's draft legislative programme for the next session. This included plans for an unclaimed assets Bill. The Government will set out their responses to consultation shortly

House of Commons Written Question – 22 October - Transfers from equity into cash individual savings accounts

Philip Davies MP (*Con, Shipley*): To ask the Chancellor of the Exchequer if he will allow transfers from equity into cash individual savings accounts.

Kitty Ussher MP (*Lab, Burnley*): The Government's objective in allowing transfers of money held in cash ISAs to stocks and shares ISAs from April 2008 is to further promote share ownership by encouraging savers to diversify their assets and benefit from the potentially higher returns offered by stocks and shares over the medium to long term. Allowing transfers from stocks and shares to cash would not meet this objective.

EARLY DAY MOTIONS – VARIOUS

(Early Day Motion (EDM) = A motion which is laid to bring attention to an issue, but not debated)

New EDMS

EDM 2090 - *Northern Rock In The North East* is sponsored by Dr Roberta Blackman-Woods MP (*Lab, City of Durham*)

That this House notes with concern the recent financial situation of the Northern Rock bank; calls on the company to do all it can to keep and secure jobs in the North East, in particular with respect of their offices in Sunderland, Gateshead and their new office development at Rainton Bridge, near Durham, as well as branches across the region; and calls on Northern Rock to provide assurances to

the Northern Rock Foundation, the company's charitable foundation, that its future is safe and secure.

The EDM, laid on 10 October, has 27 signatures to date and can be viewed here <http://edmi.parliament.uk/EDMi/EDMDetails.aspx?EDMID=33963&SESSION=885>

EDM 2031 - *Fees and Handling Charges* is sponsored by George Howarth MP (*Lab, Knowsley North and Sefton East*)

That this House welcomes the Office of Fair Trading investigation into bank charges; notes that this will lead to a test case to establish whether overdraft penalty charges are, in fact, illegal as well as unfair; further notes that other billers such as utility companies, telephone and cable companies frequently adopt similar practices; welcomes the involvement of the Financial Inclusion Taskforce; and expresses its strong hope that such approaches will lead to fair treatment for people on low incomes.

The EDM, laid on 8 October, has 52 signatures to date and can be viewed here <http://edmi.parliament.uk/EDMi/EDMDetails.aspx?EDMID=33904&SESSION=885>

Existing EDMs

EDM Title	EDM Number	Date Laid	Primary Sponsor	No. of MPs who have signed EDM
Bank Charges	105	15/11/06	Mike Hancock MP	39
Campaign to Protect Rural England against Land Banking	494	13/12/06	Greg Mulholland MP	56
Bank Charges No.2	500	13/12/06	Jim Sheridan MP	92
Green Mortgages	556	8/1/07	Colin Challen MP	69
New Business for Post Offices	660	17/1/07	Albert Owen MP	91
Bank Profits and Charges	909	20/2/07	Mike Weir MP	44
Mortgage Arrangement Fees	915	20/2/07	Steve Webb MP	54
Excessive Bank Profits	940	21/2/07	John McDonnell MP	32
Bank Accounts	956	22/2/07	Colin Breed MP	54
First Direct Bank Charges	960	22/2/07	Alan Meale MP	48
Barclaycard Job Losses in Manchester	1063	07/03/07	John Leech MP	5
Barclaycard Job Losses in Manchester No 2	1071	07/03/07	Tony Lloyd MP	26

Windfall Tax on High Bank Profits	1116	13/03/07	Hywel Williams MP	27
Shared Equity Mortgages	1163	19/03/07	Alan Meale MP	33
Building and Buildings (S.I., 2007, No. 991)	1264	16/04/07	David Cameron MP	14
Housing (S.I., 2007, No. 992) (No. 2)	1322	23/03/07	Frank Field MP	3
Financial Services and Charges	1363	26/04/07	Diane Abbott MP	48
Dormant Bank Accounts	1887	10/07/07	Chris McCafferty MP	69
Reform and Expansion of Co-operatives and Credit Unions	1920	16/07/07	Andrew Love MP	93

All EDMs can be viewed here <http://edmi.parliament.uk>

LEGISLATIVE UPDATE

Government Bills	
Consumers, Estate Agents and Redress Act	Royal Assent - 19 July 2007
Fraud (Trials without jury) Bill	Introduced to the Commons - 16 November Second Reading - 29 November Public Bill Committee - 12 December Report and Third Reading - 25 January Introduced to the Lords - 26 January Second Reading - 20 March
Legal Services Act	Royal Assent - 30 October 2007
Mental Health Act	Royal Assent - 19 July 2007
Pensions Act	Royal Assent - 26 July 2007
Serious Crime Act	Royal Assent - 30 October 2007
Private Members' Bills	
Building Societies (Funding) and Mutual Societies (Transfers) Act	Royal Assent - 23 October 2007
Pensions (Unclaimed Assets)	Introduced to the Commons - 7 March

KEY DATES & FUTURE BUSINESS

Prorogation date - 30 October

Queen's Speech - 6 November

Houses of Parliament Recess Dates

Christmas recess - 18 December - 7 January 2008

Constituency recess - 7 February 2008 - 18 February 2008

Easter recess - 3 April 2008 - 21 April 2008

Whitsun recess - 22 May 2008 - 2 June 2008

Summer recess - 22 July 2008 - 6 October 2008