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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:

- Changes to Government
- Treasury Select Committee hearing – unclaimed assets within the financial system
- Treasury Select Committee hearing – financial inclusion follow-up
- Building Societies (Funding) and Mutual Societies (Transfers) Bill
- Written Statement - Credit Unions
- Parliamentary Questions - various
- Early Day Motions – various
- Legislative Update
- Key Dates & Future Business

Changes to Government

On 27 June, Gordon Brown MP (*Lab, Kirkcaldy and Cowdenbeath*) became Prime Minister and made significant changes to his Government. Changes of interest to building societies are that Alistair Darling MP (*Lab, Edinburgh South West*) becomes Chancellor of the Exchequer, Kitty Ussher MP (*Lab, Burnley*) becomes Economic Secretary to the Treasury, taking over from Ed Balls MP (*Lab/Co-op, Normanton*) and Andy Burnham MP (*Lab, Leigh*) becomes Chief Secretary to the Treasury replacing Stephen Timms MP (*Lab, East Ham*). The Association has written to Kitty Ussher MP, congratulating the new Minister of her appointment and requesting a meeting.

Hazel Blears MP (*Lab, Salford*) becomes Secretary of State for Communities and Local Government, taking over from Ruth Kelly MP (*Lab, Bolton West*) and Yvette Cooper MP (*Lab, Pontefract and Castleford*) retains her role as Housing Minister and will attend Cabinet. Gordon Brown has stated that housing is one of the Government's key priorities.

The full Treasury and Communities & Local Government teams are below and the full Government can be viewed here

<http://www.number-10.gov.uk/output/Page2988.asp>

Treasury

Chancellor of the Exchequer: Alistair Darling MP (*Lab, Edinburgh South West*)

Chief Secretary to the Treasury: Andy Burnham MP (*Lab, Leigh*)

Financial Secretary to the Treasury: Jane Kennedy MP (*Lab, Liverpool Wavertree*)

Exchequer Secretary to the Treasury: Angela Eagle MP (*Lab, Wallasey*)

Economic Secretary to the Treasury: Kitty Ussher MP (*Lab, Burnley*)

DCLG

Communities and Local Government Secretary: Hazel Blears MP (*Lab, Salford*)

Minister of State for Housing: Yvette Cooper MP (*Lab, Pontefract and Castleford*)

Minister of State: John Healey MP (*Lab, Wentworth*)

Parliamentary Under-Secretary of State: Baroness Andrews

Parliamentary Under-Secretary of State: Parmjit Dhanda MP (*Lab, Gloucester*)

Parliamentary Under-Secretary Of State: Iain Wright MP (*Lab, Hartlepool*)

As a result, both the Conservative and Liberal Democrat parties subsequently reshuffled their frontbenches. The new Shadow Government teams can be viewed here

Conservative - <http://www.conservatives.com/tile.do?def=people.home.page>

Liberal Democrat - <http://www.libdems.org.uk/party/people/index.html>

Treasury Select Committee (TSC) hearings – unclaimed assets within the financial system

On the 5 June, the Director-General and Chairman of the BSA gave evidence to the TSC as part of its Inquiry into unclaimed assets within the financial system. Representatives from the BBA and the Unclaimed Assets Commission also gave evidence.

MPs questioned whether the proposed scheme could be successful on a voluntary basis. The BSA noted that The Banking Code Standards Board had a good record and expressed confidence that it would continue to operate in the same manner in the future. The BBA pointed out that there would be a statutory framework in place and argued that the Banking Code would ensure consistency in the future.

The Committee was also keen to see early action by the industry in reuniting lost account holders with their money.

A full, uncorrected oral transcript of the session can be viewed here

<http://www.publications.parliament.uk/pa/cm200607/cmselect/cmtreasy/uc533-ii/uc53302.htm>

On 19 June, Economic Secretary, Ed Balls MP (*Lab/Co-op, Normanton*) gave evidence to the TSC as part of the same Inquiry. He defended the decision not to include National Savings and Investments accounts in the proposed unclaimed assets scheme arguing that if unclaimed money in such accounts was transferred to the reclaim fund, there would be an adverse effect on the level of national debt.

John McFall MP (*Lab/Co-op, West Dunbartonshire*) also questioned whether the Treasury should enforce a scheme if self regulation failed. The Minister said that there was no evidence that the banks and building societies were 'dragging their feet'. They were working closely with the Government and were not reluctant to make it work, he added.

Michael Fallon MP (*Con, Sevenoaks*) went on to suggest that the Government was looking to use unclaimed assets to fund the social investment bank because lottery funding had been diverted to the Olympics. At no point had the Government made such an indication, Mr Balls countered. There should be two priorities, those of youth services and financial inclusion, he said.

The Minister also said that the Government was keen to ensure that building societies could continue to divert money to the community through local charities.

The full, uncorrected oral transcript of the session can be viewed here

<http://www.publications.parliament.uk/pa/cm200607/cmselect/cmtreasy/uc533-iii/uc53302.htm>

The Committee is due to publish its report before Parliament rises in late July.

Treasury Select Committee (TSC) hearing – financial inclusion follow-up

On 19 June, Economic Secretary, Ed Balls MP (*Lab/Co-op, Normanton*) also gave evidence to the TSC as part of its Inquiry into financial inclusion follow-up. He outlined the progress made towards providing an additional 600 free cash machines in low income areas in the UK, revealing that he had issued a written ministerial statement to announce that sites for 471 ATMs had already been found, with 127 machines already issuing cash to the public.

John McFall MP (*Lab/Co-op, West Dunbartonshire*) asked if he agreed that savings needed to be given more priority in the Government's strategy. The Minister stated that savings had been an important priority, noting that they had been included in the financial inclusion strategy document. He went on to say that issues around savings and learning the lessons from Farepak had been a central part of the Government's work on financial inclusion. The new remit for the Financial Inclusion Taskforce would include savings, he assured the Committee.

Angela Eagle MP (*Lab, Wallasey*) asked why it had taken so long to launch the Savings Gateway. In response, the Minister said that the evidence that had emerged from the pilots was very strong, but there were public spending implications for moving to a national scheme, he noted.

Pressed on whether there should be a single provider or many providers as part of the Savings Gateway, he said that credit unions had a bigger role to play in providing opportunities for low income families to save.

The full, uncorrected oral transcript of the session can be viewed here <http://www.publications.parliament.uk/pa/cm200607/cmselect/cmtreasy/uc504-iii/uc50402.htm>

Building Societies (Funding) and Mutual Societies (Transfers) Bill

Sir John Butterfill's Private Member's Bill, *Building Societies (Funding) and Mutual Societies (Transfers) Bill* received its second reading in the House of Lords on 14 June. Both Government and Opposition Peers supported the Bill. The next stage of the Bill will be the Lords Committee Stage which is due to take place on 10 July.

Written Statement - Credit Unions

On 21 June, the Economic Secretary, Ed Balls MP (*Lab/Co-op, Normanton*) issued the following written statement on Child Trust Fund accounts and the role

credit unions should play in their delivery. *There are currently over 2.6 million Child Trust Fund accounts open of which around three-quarters have been actively opened by parents. The Government are committed to ensuring that all families, including lower income families, get the most from the scheme.*

The Government believe that credit unions have an important role to play in delivering the Child Trust Fund. Credit unions offer a community-based, alternative for people who may lack financial confidence, and be initially wary of large, commercial banks and building societies.

Where credit unions serve communities in low-income areas, they can be vital in targeting those encountering exclusion from mainstream financial services, helping clients obtain money advice in the course of providing a loan, and connecting people to other mainstream opportunities. The Government hope that credit unions will take full advantage of the opportunities offered by the Child Trust Fund to build on this success.

Child Trust Fund rules allow credit unions to offer both cash and Stakeholder accounts. The Government are encouraged that several credit unions have already chosen to provide these accounts: Leeds City Credit Union, Clwyd Coast Credit Union, Leicester Credit Union, Dragonsavers, Loans and Savings Abertawe and Bristol Credit Union, and are keen to see more do so in the future.

All MPs with credit unions in their Constituencies have a role to play in encouraging their participation in the Child Trust Fund scheme so that we can achieve our goal of giving every child the best start in life. Credit unions interested in becoming a provider can find more information at <http://www.hmrc.gov.uk/ctf/providers.htm>

PARLIAMENTARY QUESTIONS - VARIOUS

House of Commons Written Question – 14 June 2007 - Saving Gateway Pilot

Kerry McCarthy MP (*Lab, Bristol East*): To ask the Chancellor of the Exchequer what evaluation he has made of the outcome of the second Saving Gateway pilot.

Ed Balls MP (*Lab/Co-op, Normanton*): The final evaluation of the second Saving Gateway pilot was published on 25 May.

Overall the evaluation found that the pilots were very successful in generating savings and that the Saving Gateway encouraged some lower income participants, in particular, to save and to reduce their expenditure in order to save.

There was a positive impact on participants' attitudes to saving which was most marked among those who had little or no prior experience of saving. The findings also point overwhelmingly to the success of matching as a targeted incentive for lower income savers.

The pilots have provided a wealth of evidence for future policy development. The Government will need time to analyse this information and will make further announcements on next steps for the roll-out of the Saving Gateway in the pre-Budget report.

House of Commons Written Question – 14 June 2007 - Child Trust Funds

Ben Wallace MP (*Con, Lancaster and Wyre*): What proportion of child trust funds have been opened by low-income families since their inception.

Ed Balls MP (*Lab/Co-op, Normanton*): The child trust fund is available to all families in our country. So far, we have opened 2.6 million accounts, of which 75 per cent. have been opened directly by parents. We published constituency information in January and will be able to publish information on low-income families later in the year.

Ben Wallace: Given that it is more than two years since the child trust fund was launched, and that it is vital that the children of low-income families are the first to benefit from them, is it not disappointing that the Treasury still has no idea whether children from low-income families are indeed benefiting, and that the only general figures available to the Treasury indicate that one in four children do not take up that child trust fund? The Treasury should be doing more to ensure that those funds benefit low-income families.

Ed Balls: The hon. Gentleman should know that every child is benefiting. Even in a minority of cases when an account is not opened by the parent, an account is opened by HMRC within the year to ensure that nobody loses out. We published

the constituency information in January. I can tell him, as I am sure he knows, that 76 per cent. of families in his constituency actively opened the account. He is right to say that the take-up rate is higher in higher-income constituencies, and that the take-up rate is lower in lower-income constituencies. We need to redouble our efforts to increase take-up. As part of that, we have collected the information, which we will publish as soon as we can, to show exactly what the figures are. The reason we had a child trust fund week at the beginning of the year was to ensure that we raised awareness of the child trust fund among all families, including those on lower incomes.

House of Commons Oral Question – 14 June 2007 – Child Trust Fund

Julia Goldsworthy MP (*Lib Dem, Falmouth and Camborne*) Will it be possible to make time for a ministerial statement on the effectiveness of the child trust fund? Today, a Treasury Minister said that information would be made available about participation in the scheme by different socio-economic groups, but a Freedom of Information Act request shows that research already carried out states that “those who open an account are considerably more likely than those who haven't to be older (30+) and from higher social classes”.

Given that the research has already been undertaken, will the Leader of the House ask the Treasury to make a statement as soon as possible so that we can discuss the value for money and effectiveness of the policy?

Jack Straw MP (*Lab, Blackburn*): I will certainly take that up with Treasury Ministers. There is always a problem in that the more articulate are readier to take up benefits, but that does not undermine the principle behind them. We have to ensure that everybody understands they are available and makes use of them.

House of Commons Written Question – 27 June 2007 - Direct Payments

Vince Cable MP (*Lib Dem, Twickenham*): To ask the Chancellor of the Exchequer (1) what discussions he has had with the British Bankers' Association on the Direct Payments scheme since 2003; and if he will make a statement;

(2) what discussions he has had with the Building Societies' Association on the Direct Payments scheme since 2003; and if he will make a statement.

Stephen Timms MP (*Lab, East Ham*): The Chancellor has not met with either of these groups since 2003 to discuss the Direct Payments scheme.

EARLY DAY MOTIONS – VARIOUS

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

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	92
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	2
Financial Services and Charges	1363	26/04/07	Diane Abbott MP	45

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

LEGISLATIVE UPDATE

Government Bills	
<u>Consumers, Estate Agents and Redress Bill</u>	<p>Introduced to the Lords - 16 November Second Reading - 4 December Grand Committee - 18 December, 9, 10 January Report Stage - 30 January Third Reading - 6 February Introduced to the Commons - 7 February Second Reading - 19 March Public Bill Committee - 17, 19, 24 April Remaining Stages - 5 July</p>
<u>Fraud (Trials without jury) Bill</u>	<p>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</p>
<u>Legal Services Bill</u>	<p>Introduced to the Lords - 23 November Second Reading - 6 December Committee of the Whole House - 9, 22, 23 January 6, 21 February, 6 March Report Stage - 16, 18 April, 8 May Third Reading - 15 May Introduced to the Commons - 16 May Second Reading - 4 June Public Bill Committee - 12, 14, 19, 21, 26 June</p>
<u>Mental Health Bill</u>	<p>Introduced to the Lords - 16 November Second Reading - 28 November Committee of the Whole House - 8, 10, 15, 17, 29 January Report Stage - 19, 26, 27 February Third Reading - 6 March Introduced to the Commons - 7 March Second Reading - 16 April Public Bill Committee - 24, 26 April, 1, 8, 10, 15 May Lords consideration of Commons amendments - 2 July Commons consideration of Lords amendments - 4 July</p>
<u>Pensions Bill</u>	<p>Introduced to the Commons - 28 November Second Reading - 16 January Public Bill Committee - 23, 25, 30 January, 1, 6, 8 February Remaining Stages - 18 April Introduced to the Lords - 19 April Second Reading - 14 May</p>

	Committee of the Whole House - 4, 6, 11 June Report stage - 4 July Third Reading - 11 July
<u>Serious Crime Bill</u>	Introduced to the Lords - 16 January Second Reading - 7 February Committee Stage - 7, 14, 21, 26, 27 March Report stage - 25 April, 30 April Third Reading - 9 May 2007 Introduced to the Commons on 10 May Second Reading - 12 June Public Bill Committee - 26, 28 June, 3, 5 July
Private Members' Bills	
<u>Building Societies (Funding) and Mutual Societies (Transfers) Bill</u>	Introduced to the Commons - 13 December Second Reading - 23 March Committee Stage - 25 April Report Stage - 27 April Introduced to the Lords - 30 April Second Reading - 14 June Committee of the Whole House - 10 July
<u>Pensions (Unclaimed Assets)</u>	Introduced to the Commons - 7 March Second Reading - 19 October

KEY DATES & FUTURE BUSINESS

Houses of Parliament Recess Dates

Summer - 26 July 2007 - 8 October 2007

Liberal Democrat Party Conference, 15 - 20 Sept - Brighton

Labour Party Conference, 23 - 27 Sept - Bournemouth

Conservative Party Conference, 30 Sept - 3 Oct - Blackpool

