



The Association of
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Help to Save Consultation
Pensions and Savings Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

By email: HelptoSaveConsultation@hmtreasury.gsi.gov.uk

Dear Sir, Madam

Help to Save: consultation on implementation

The Association of Accounting Technicians (AAT) is pleased to comment on the HM Treasury consultation (HMT) "Help to Save: consultation on implementation" (the condoc) published 26 May 2016.

AAT is submitting this response on behalf of our membership and from a wider public benefit perspective. It is not expected that the majority of AAT members' clients will be in the target group for this initiative, as it is aimed at those eligible for Universal Credit or Working Tax Credit. AAT has only responded to those questions where it is felt that value can be added.

AAT strongly supports the goal of improving the financial capability of UK citizens as such action benefits the UK economy, our members, their clients and the population as a whole.

Encouraging the 3.5 million¹ people targeted by Help to Save to develop savings habits is a laudable goal. The extent, however, to which they have funds to commit to saving is not clear. The low level of financial capability and resilience of many UK adults is well documented. This is evidenced by the fact that 21 million adults do not have a £500 savings buffer, which would enable them to replace a fridge or repair their car² on an as-and-when basis.

AAT is concerned that some of those in the target group and who are in debt may participate in the scheme rather than using their surplus to reduce their indebtedness. A report for the Financial Conduct Authority³ shows that 37% of households with an income of £13,500 or less relied on overdrafts or loans. Prioritising saving at the expense of reducing debt can be counter-productive. More often than not the rate of interest charged on outstanding borrowings is significantly higher than that offered to savers.

For this reason AAT believes there is a clear need for guidance to be published and given to individuals who might be considering participating in the scheme.

¹ Help to Save consultation on implementation

² [Financial Capability Strategy for the UK: evidence and analysis](#)

³ <https://www.fca.org.uk/static/documents/research-papers/consumer-credit-customers-vulnerable-circumstances.pdf>

Question 5: Do stakeholders agree with the government's assessment of the options to deliver Help to Save accounts through either a single in-house provider or a single private sector provider? Please provide additional comments as appropriate.

AAT agrees with the government's assessment of the relative merits of single versus multiple provider and supports the case for a single provider⁴, on the basis that it reduces choice and therefore complexity for the consumer.

Complexity and choice is understood to lead to increased levels of paralysis in decision-making by consumers, often leading to no action being taken. Behavioural economists have identified that choice overload can lead to avoidance of making a decision, such as not buying a product⁵. A single-provider-solution also reduces compliance-cost that would be otherwise incurred in monitoring individuals to ensure that they do not gain access to a greater level of bonus payments than they are entitled to through holding multiple accounts with different product providers.

Question 6: The government welcomes stakeholders' views on the detailed policy design issues set out in this section, including how best to:

- calculate the government bonus
- deliver second term Help to Save accounts
- ensure an appropriate rollover of funds to successor accounts
- permit saving above the monthly limit
- target eligibility on people who do not already have significant savings.

In relation to the first of the points (above), AAT considers option c. (5.1, condoc) to be the most suitable approach for the calculation of interest. It does not create an unnecessary penalty for withdrawal in the event the individual needs the money urgently.

Question 7: The government welcomes stakeholders' views on options to promote take-up and awareness of Help to Save accounts, including on the role of intermediaries and opportunities to harness insights from behavioural science.

In response to the question posed in the condoc in respect of whether employers should act as intermediaries for Help to Save accounts (Chapter 6.1), it is likely that employers will be opposed or at the very least cautious about becoming involved in the promotion of Help to Save.

On the basis that it is likely that a significant proportion of those in the target group will have precarious debt liabilities the government should not be putting them under any pressure to enter Help to Save, unless any such move is supported with an ongoing well-resourced communication programme.

Given that employers already face considerable complexity explaining pensions auto-enrolment to their employees, the Help to Buy and the impending Lifetime Isas are only going to add to this burden, through the addition of another the complexity of communication and guidance in respect of long term saving.

AAT is of the view that asking employers to communicate and engage with its employees in respect of Help to Save is only appropriate where they have the resources to do so in a clear and thorough manner.

To conclude; for the reasons given above, AAT is concerned that there is a significant risk that those faced with low income and who are in debt may be encouraged to participate in the scheme when, in reality, they would be better off not saving and instead reducing their debt. For this reason, while AAT is supportive of the proposals, our support is given on the basis that Help to Save should only be promoted alongside clear guidance in respect of reducing debt before commencing to save.

⁴ Chapter 4, condoc

⁵ Iyengar, S., & Lepper, M. (2000). When choice is demotivating: Can one desire too much of a good thing? *Journal of Personality and Social Psychology*, 79, 995-1006.

About AAT

AAT is a professional accountancy body with over 49,200 full and fellow members⁶ and 74,000 student and affiliate members worldwide. Of the full and fellow members, there are over 4,200 members who are licensed to provide accountancy and taxation services to individuals, not-for-profit organisations and the full range of business types.

AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

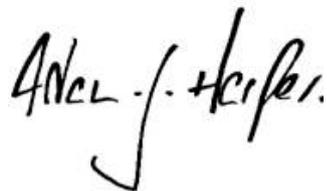
Further engagement

If you have any questions or would like to discuss any of the points in more detail then please contact the AAT at:

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Yours faithfully



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⁶ Figures correct as at 30 June 2016

