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Press Release, Tuesday 16th April 2024

Action required for Default CTF Pay-out

Why would you shrink from distributing £1/4 billion p.a. to disadvantaged young adults at no cost to the public purse?

The Share Foundation has already linked over £100 million worth of unclaimed, adult-owned Child Trust Funds (CTFs) for over 50,000 young adults, but this still only represents about 5% of the total value outstanding: and that £2 billion quantum is increasing at c. £40 million each month. So in this release, and in anticipation of a major ITV News programme on Thursday 18th April (8:30 pm: 'Claim Your Cash? Britain's Hidden Fortunes: Tonight'), we are focusing on the core of the unclaimed, adult-owned CTF problem: how to deal with unclaimed HMRC-allocated accounts.

The UK Government provided funds for opening a CTF account for every child born in the United Kingdom between 1st September 2002 and 2nd January 2011. If the child's parents or guardian had taken no action by their first birthday, HM Revenue & Customs automatically opened the account for them — 28% (1.7 million) were opened this way. In most of these cases, there was no further contact.

When I analysed 83,000 HMRC-allocated account base in 2018, I discovered that 86% were either never registered with the family or 'addressee gone away'. Sure enough, when those young people started turning 18 in 2020, all HMRC-allocated account providers confirmed a high rate of unclaimed accounts. The Share Foundation's search facility **findCTF.sharefound.org** has reported that 98% of all its successful linkages are with account providers who administer these HMRC-allocated accounts.

Meanwhile, the National Audit Office confirmed last year that over half of these accounts belong to young people from the lowest-income families. Urgent action is therefore required to enable a default CTF pay-out process to be established for these matured accounts; this is where we are on that journey:

On 24th November last year, The Share Foundation wrote to HM Treasury asking for introduction of a 'default withdrawal at 21' process to be introduced for HMRC-allocated account owners who had not claimed their account during the preceding three years. This pay-out process would link their National Insurance number, the key identifier for Child Trust Funds, with PAYE payroll records, benefit and student loan channels in order to deliver the money to the young adults to whom the accounts belong, and this should be accompanied by financial awareness guidance.

In January 2024, we were informed that 'the government currently has no plans to introduce such a process' (but they did say that the situation would continue to be monitored).

Baroness Lister kindly tabled a question in the House of Lords in February asking for their reasons for declining this proposal. The first part of HM Treasury's answer addressed operational issues, which The Share Foundation has volunteered to handle on its behalf. However, the substantive part of their answer commented: 'Such a scheme is likely to engage with data protection issues and interfere with an individual's right to manage their own financial affairs'.

But by definition it's hard to accept that interference with the right to manage an individual's affairs can apply when that individual has no knowledge of the existence of their account. In addition, since in almost all cases there has never been any contact for these accounts apart from HMRC, it would be fair to conclude that HMRC should take a pro-active role as proxy in order to deliver the value to the beneficiary.

On Tuesday 5th March, The Share Foundation hosted a major CTF conference in Westminster sponsored by NatWest and The Tracing Group. We took the opportunity to focus on this key issue of HMRC-allocated accounts and explained our proposal for default withdrawal at 21. The slides, videos and text for the presentations are available at **www.sharefound.org/ctfconference**.

'I echo the point made by campaigners including Gavin Oldham of The Share Foundation for a system of a default withdrawal policy whereby young people who are registered with HMRC .... could simply be given the money.'

Danny Kruger MP, speaking in a Westminster Hall CTF debate on 19th March

We were fortunate to be able to welcome Danny Kruger MP to the conference; he fully understands the challenge and supports The Share Foundation's proposal for a default withdrawal at 21 process for these unclaimed accounts. His quote above is drawn from a **Westminster Hall debate** just two weeks after the CTF conference. I look forward to exploring whether the Treasury Select Committee, of which he is a member, might take an interest in moving the proposal forward.

This issue is important because it would deliver over £250 million each year to help young people from very disadvantaged backgrounds to make a good start to adult life: helping towards their transport, accommodation and other living costs. It's highly unlikely that any of these young people would challenge the pay-out as 'interference with their right to manage their own financial affairs'; in any case, the scheme could be accompanied with a very low-cost insurance safeguard in the highly unlikely event that such a challenge were to be made.

Meanwhile **survey work undertaken by The Share Foundation** shows that the benefit of receiving these funds is very much appreciated by their young owners.

This is no time for the Government to be sitting on its hands when a solution to such a significant problem has been proposed, carrying no cost to the public purse. We just need legislation to be approved which will enable the default CTF payments to be set in motion for these HMRC-allocated accounts, and to deliver the real benefits of one of the most comprehensive inter-generational rebalancing schemes that the world has seen to date.

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