CTF Conference: Gavin Oldham OBE at 10 am

Sometimes people ask what caused me to get so stirred about inter-generational rebalancing – I mention this because, for me, it's what lies behind the Child Trust Fund scheme. My mind goes back to the 1970s when I was in my 20s. The first influence was being introduced to Antoine de Ste Exupèry's book 'Wind, Sand and Stars', which contains an extraordinary epilogue. It speaks of the amazing mix of potential that every human born into this world possesses, but which is, in so many cases, smothered and denied by deprivation in their early years. I'll talk more about this later this morning.

Sir Keith Joseph spoke of 'breaking the cycle of deprivation' in the 1970s, but we're still scratching the surface after these past fifty years: in the United Kingdom, the one great step forward was the Child Trust Fund, but now we're at risk of denying its benefits to a huge number of young people from disadvantaged/low income backgrounds if we don't take urgent action, because they simply don't know anything about their good fortune.

There is a direct link between ownership and responsibility. If someone owns a house, they usually keep it well maintained and very presentable, whereas if they rent, it's up to the landlord whose key motive is his or her financial return on the property.

If people feel that sense of ownership, whether in property or in a business or just being in control of their own finances, they will share a sense of responsibility for what goes on therein. That's why the provision of <u>individual</u> accounts mattered so much with the Child Trust Fund – entitlement to a welfare pool just doesn't cut the mustard.

So I wrote to Margaret Thatcher in 1986 while I was getting Barclayshare underway for Barclays Bank. My letter called for a system of popular inheritance, using the proceeds of inheritance tax to provide starter capital accounts for disadvantaged young people. She wrote me a detailed reply, but no action was taken by her government at the time.

After the 1997 election I wrote again, this time to Gordon Brown, renaming the proposal 'Youth Legacy'. I don't recall getting more than an acknowledgement in reply, but a few years later the Child Trust Fund was announced with Ruth Kelly as the Treasury Minister responsible for its introduction, and I recall thinking: this is as good as it gets – let's get to work with it.

So, because for the first time the scheme provided a focused channel identifying those most in need across the country as a whole – that is, children in care – I set up The Share Foundation in order to put additional contributions into the Child Trust Funds of as many of these young people as we could afford, channelling the money through the Official Solicitor who, at that time, carried out the administration of this part of the scheme — more about that later.

I also arranged for the retail investment company which I was then running, The Share Centre, to be an HMRC-allocated account provider: these accounts were opened by HMRC if the CTF voucher had not been lodged by the family concerned to open an account by the child's first birthday, and it applied to 28% of all accounts issued: 1.74 million in total.

Ruth has explained what was going on in Government at that time, and how the scheme was designed and rolled out — so I'll move ahead to 2010 and the arrival of the coalition government, in the wake of the 2009 financial crisis.

Child Trust Fund government contributions were initially scaled right back in 2010, and then stopped completely in January 2011: including for young people in care. The Share Foundation, Barnardos and Action for Children lobbied George Osborne to re-introduce a scheme for Looked-After children, and he agreed to introduce the Junior ISA scheme for young people in care. We put The Share Foundation forward to run the scheme for the Department for Education, and we were accepted. Operations started in autumn 2012, and we've been administering the scheme now for these past twelve years — last year, our contract was extended to 2027.

Then in 2017 we asked, and it was agreed, that the Child Trust Fund scheme for young people in care should also be transferred from the Official Solicitor to The Share Foundation to operate it alongside the Junior ISA scheme, in order to avoid confusion for Local Authorities throughout the United Kingdom. When we took on that responsibility, our first step was to ask each of the then 211 local authorities for the details of those young people in their care who should have a Child Trust Fund. The total number returned to us was about 19,000. The Official Solicitor passed over 12,000 records, but only 3,500 of them matched. It then took us two years to track down the missing 15,500 accounts, which was successfully completed.

However, it was as a result of that exercise that we began to realise that there might be some serious problems with the scheme as a whole.

So, in 2018 I analysed the 83,000 HMRC-allocated accounts under The Share Centre's administration: these were part of those 1.7 million accounts opened by HMRC because there had been no action taken by the family by the child's first birthday. Here's what the National Audit Office said last year, '*HMRC set up 28% of CTF accounts on children's behalf, a total of 1.7 million CTF accounts, because parents or guardians did not do so within the required 12-month time period. Parents of children from low-income families were less likely to open accounts* *compared with higher-income families. Of the accounts set up by HMRC, **just over half** were for children from low-income families, despite **36%** of all accounts belonging to such children'.*

As a result of my analysis of those 83,000 records, I discovered that at least 86% of these HMRC-allocated accounts had never been registered or acknowledged by the family concerned. So I knew there was a big problem looming, because of the large number of all Child Trust Funds which had been allocated this way. Recent analysis of the 51,000 accounts which have thus far been successfully linked through our 'findCTF.sharefound.org' search facility now confirms beyond doubt that this segment is the heart of the problem, because 98% of these accounts were administered by HMRC-allocated account providers – and 95% of these are with the three biggest account providers. Our facility has thus far enabled £100 million -worth of these accounts to be claimed.

We raised the issue with Helen Goodman MP, and she organised a [debate in Westminster Hall in 2019](). After it finished, I was leaving the building with then Treasury Minister John Glen who told me 'there are no lost Child Trust Funds'. Well, they may all be safe and sound under the administration of account providers, but there's huge numbers lost to the young people to whom they belong.

In September 2020, young Child Trust Fund owners started turning 18 and sure enough, those huge numbers unclaimed started appearing – the percentage initially being in the mid-50%, then settling down at just over 42%. For a brief moment, we thought the percentage might have dropped lower in summer last year, but it was reconfirmed at just over 42% in the autumn.

So that's a gallop through the past twenty years, and we're now in a situation where over 47% of all Child Trust Funds have reached 'maturity' – in other words, their young owners have reached adulthood. The crop which Gordon Brown and Ruth Kelly planted is now ready for harvesting – but masses of it is at risk of going to waste in the fields at present.

Let's put this quantum into perspective. It would take 70 years of the BBC's Children In Need appeals to raise the equivalent amount of money which is now awaiting claiming by over a million young adults from disadvantaged backgrounds. The value of the total linked so far through The Share Foundation's search facility is over £100 million, or just three years-worth of Children In Need appeals.

This is an issue of a magnitude much larger than the sub-postmasters' debacle: it may not contain the same legal undertones, but there are a number of fairly unpleasant things going on beyond studied indifference from His Majesty's Government: like, for example, a claims pursuit company charging 25% to young owners for finding their accounts, or some account providers who continue to draw fees of 1.5% notwithstanding the fact that they have hardly any costs to meet because they have no valid address, and are not committing a budget for reaching out to young adults unaware of their money.

Let's have a look at the unclaimed rates in a bit more detail. Here's a regional analysis of Child Trust Funds with the higher rates of HMRC-allocated and the higher government contribution rate as shown in a 2012 analysis from HMRC. Our estimate is that 86% of HMRC-allocated accounts are unclaimed, so applying that to the regional profile we find the highest unclaimed rates in Scotland, Northern Ireland and the north of England, with London, Wales and the Midlands being much in line with the average of 42%. But look at the analysis of those with additional payments – the north of England stands out with much higher rates, and the South-East stands out with the lowest rates for both unclaimed accounts and those additional payments for the poor, as you'd expect. So there is a clear correlation between higher unclaimed levels and the low-income demographics, as defined by these higher initial payments into the accounts.

The National Audit Office inquiry into Child Trust Funds in early 2023 was the first time we had a detailed, formal analysis of what was happening – and not happening – with Child Trust Funds. Their report identified the large proportion of unclaimed adult-owned accounts, and it pointed to a reluctance of account providers to take action. In this context, it drew attention to annual fee receipts totalling about £100 million as one of the contributory factors towards this reluctance.

They also drew attention to the unwillingness of Government to raise the profile of unclaimed Child Trust Funds, or to conduct any of the promised research into the scheme's effectiveness: you'll hear more about research undertaken by The Share Foundation later.

The National Audit Office report was followed by the Public Accounts Committee hearing in May last year, [a full recording of which is held on The Share Foundation's YouTube channel]. This one and a half hour session asked detailed questions of Jim Harra, HMRC's Chief Executive and myself, and there was a vibrant section in the discussion looking at the scheme's intended impact on financial awareness.

The full Public Accounts Committee report was published in late July, and these next slides contains its key recommendations. In a Treasury set of minutes published in September last year, HMRC 'agreed' to all except for one of these recommendations: but as yet there is not much evidence to show that this is happening. I won't read through all these now, but these slides will be available for downloading after the conference from sharefound.org/ctfconference.

So, during the autumn The Share Foundation drew up a new proposal for 'default withdrawal at 21 for HMRC-allocated accounts'. As I mentioned earlier, these accounts make up about 98% of the total according to the analysis of 51,000 users of findCTF.

This 'Default Withdrawal' process, which would allow three years for a young person to claim or manage their account at their own volition, would resolve the majority of the unclaimed accounts, particularly for the most disadvantaged. We estimate that it would release c. £20 million each month or £0.25 billion each year, thus significantly relieving cost of living pressures.

Here are its key points:

1. CTF account providers with unclaimed HMRC-allocated account owners who had reached their 21st birthday would identify these accounts and notify HMRC of their identity, including their National Insurance number.

2. HMRC would establish whether these individuals feature as benefit recipients, via a company payroll or in the student loan system, or through any other current relationship involving receipt from or payment to government. HMRC would then confirm to the account provider that these accounts should be closed and the proceeds paid to an HMRC transfer account for onwards payment as appropriate. HMRC would, if at all possible, notify the young adults of their impending receipt.

3. All identified accounts for which HMRC have no current links would be informed as such to the account provider, who would re-test on a quarterly basis going forwards.

The Share Foundation has volunteered to run the operations for this process, but I received a letter from the Economic Secretary to the Treasury in January this year to say that HM Treasury had 'no plans to introduce 'a default withdrawal at 21' process.

Why not? Surely the key Child Trust Fund identification factor of the National Insurance number, which has accompanied each account since inception as its official account reference, is the ideal basis for releasing this money to young people — through the payroll, benefits and student loan systems? And HM Treasury cannot fall back on 'lack of resources', since we have volunteered to run the process for them on the same high security basis as we operate the Junior ISA and Child Trust Fund schemes for young people in care.

So, when Baroness Lister responded to receiving our annual report by offering to lodge written questions in the House of Lords, we drafted three questions as follows:

- **What** is the total number of unique search requests for Child Trust Funds which have been made to date by young people aged 16 to 21 into the Government Gateway and which have resulted in successful linkage to their accounts?

- What steps they are taking to inform young adults with unclaimed Child Trust Funds, particularly those from low-income backgrounds, how to access their accounts? and
- Further to the letter from the Economic Secretary to the Treasury to The Share Foundation on 23 January where he stated that "the government currently has no plans to introduce a 'Default Withdrawal at 21' process" for unclaimed and unregistered HMRC-allocated child trust funds, what are their reasons for declining this proposal?

As a result of the first question we have received a single figure of 157,000 for the total number of requests which have been made through the Government Gateway. There is no age breakdown in the HM Treasury answer of this number, so let us assume that 50% were input by parents/guardians and 50% by young people aged 16-21: this would suggest that 78,500 were submitted by young people.

Using The Share Foundation's own experience with findCTF, 17% of requests are duplicates (we suspect this percentage is higher for the Government Gateway as they take longer to respond). However, using this same ratio, it would suggest that 65,170 unique requests were submitted by young people into the Government Gateway.

Again, based on our own experience with findCTF, 88.4% of unique requests were successful. Using this ratio, you could conclude that the Government Gateway has successfully linked 57,623 accounts for 16-21 year-olds.

However the Government Gateway has to rely on original account set-up records for finding accounts, which we know gives rise to a substantial number of failures to connect: see this survey question indicating that 55% of findCTF users had previously tried to locate their account through the Government Gateway. In contrast, two-thirds of requests into findCTF are successfully linked within 24 hours using the CTF Register, which uses NI number and date of birth to match with current unclaimed account details, without reference to HMRC records. More about this later.

We would therefore suggest that the success ratio of the Government Gateway is more likely to be in the region of 2/3rds, which would indicate successful linkage of 43,446 accounts for 16-21 year-olds — not that different to the findCTF outcome.

Whatever these estimates, however, it still leaves over 90% of unclaimed adult accounts needing to have their owners to be made aware of their accounts and to be linked thereto.

So, I was interested to see the answer to that third question, to ask what are HM Treasury's reasons for declining the 'Default Withdrawal at 21' proposal'. The substantive part of this was 'The Share Foundation have proposed a complex scheme which would require the co-operation of ISA and Child Trust Fund (CTF) managers, other Government Departments and banks and building societies to identify the relevant young people (and whether they are in receipt of benefits or government payments) and to facilitate the transfer of information and funds between those agencies. 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 is hard to accept that 'interference with an individual's right to manage their own financial affairs' can apply when that individual has no knowledge of the existence of their account. Also, 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 act 'in loco registered contact' in delivering the value to the beneficiary.

In recent discussions with HMRC, it was accepted that The Share Foundation would seek legal advice to explore the viability of the proposal: this is certainly worth pursuing as it could release up to that £0.25 billion each year, up till 2031. The journey continues.

These huge amounts being held back from low-income/disadvantaged young people are why today's conference is so important, and I hope as we move through the next few sessions you will feel enthused to join us in proving that inter-generational rebalancing really can work.

Thank you ..