Dormant Bank and Building Society Accounts Bill: NCVO Briefing Commons Stage, March 2008

Introduction

The Dormant Accounts Bill was published last November. It will enable unclaimed assets from dormant bank accounts, where there has been no customer activity for 15 years, to be reinvested into the community. The Bill has passed through the Lords and received its first reading in the Commons in February.

NCVO fully supports the motivation behind the Bill. But we believe that it could be strengthened in a number of respects:

1. The ultimate priority must be to reunite owners with their unclaimed assets and it is vital that robust measures are in place to ensure this. Therefore, **we see merits in a mandatory register**, as suggested by the Unclaimed Assets Charity Coalition of which NCVO is a member.

2. At the moment the legislation is enabling, meaning that banks can choose whether or not to transfer money from dormant accounts. Ideally NCVO would like to see a mandatory scheme in operation but we can see merits in the suggested "light touch", voluntary approach. However, we believe that there **must be a reserve power** to enable the Government to make the scheme mandatory should the banks fail to co-operate.

3. **We support a triennial report** which would review the effectiveness of the scheme and examine how much money the banks have transferred for reinvestment. This would enable Parliament to judge whether or not a voluntary scheme was working and if a reserve power needed to be acted upon.

The Unclaimed Assets Charity Coalition has produced a separate briefing about the mandatory register. This briefing covers arguments for and against a voluntary scheme, a reserve power and the triennial review.

Arguments for and against a voluntary scheme

It is difficult to know exactly how much money currently lies in dormant accounts. The British Bankers' Association and the Building Societies Association have estimated that there is up to £500 million. The Commission on Unclaimed Assets' estimation far exceeds this at £3-5 billion.

This money does not belong to government or the banks. The ultimate priority must be to reunite it with its owners. However, where this does not prove possible, banks should not continue to benefit from these monies. It is essential that banks transfer the money so that the maximum amount can be reinvested into society.

The Treasury Select Committee conducted an inquiry into unclaimed assets last year. It raised a number of concerns about the effectiveness of a voluntary scheme, which are shared by NCVO.

a) The removal of unclaimed assets from a bank's balance sheets means that there is a weak incentive for them to participate.

b) There is no international precedent for a dormant accounts framework that has been run on a voluntary basis. In Ireland, Australia, New Zealand and Canada, participation by banks and building societies is mandatory.

c) Compulsion guarantees fairness and consistency between institutions.

One of the Committee's recommendations was that, if the Government went ahead with a voluntary scheme, reserve powers should be included. This was rejected by the Government.

Arguments for and against a reserve power

The Government has given a number of reasons why they do not support the inclusion of a reserve power to in the legislation. NCVO finds these unconvincing.

1. The Government does not expect a voluntary scheme to fail and therefore deems a reserve power unnecessary.

   NCVO's position: the Treasury Select Committee gave a number of valid reasons why a voluntary scheme might be ineffective, as outlined above. The inclusion of a reserve power would not mean that the Government had to make use of it, but would give that option should it prove necessary.

2. The inclusion of reserve powers would be a waste of Parliament's time.

   NCVO's position: the Government has included reserve powers in previous legislation, for example, reserve powers are included in the Charities Act 2006 in relation to the regulation of fundraising standards. This could actually save parliamentary time in the long run.

3. The Secretary of State would have a lot of control over the decision to draw on the reserve power and make the scheme mandatory.

   NCVO's position: a reserve power could specify the conditions under which a mandatory scheme is brought into force. For example, it could stipulate the period of time that has to have passed following the Act's enactment and set a minimum level of participation by the banks, below which the scheme would be made mandatory.

4. Extensive primary legislation would be required to make the scheme mandatory.

   NCVO's position: Even if the scheme was made mandatory now, much of the technical detail would be formulated via secondary legislation. The important point is that the principle of a reserve power is debated and agreed by the House.

Triennial Report

The Bill includes a triennial report to Parliament. This would consider the effectiveness of the scheme including how much money has been transferred from dormant accounts to the reclaim fund for reinvestment. NCVO supports this as it is essential that the Government is able to monitor the progress of the scheme. This does not remove the need for a reserve power in the legislation. Including such powers would simply enable Parliament to implement its intention, should a triennial report find that there is evidence that a mandatory scheme is necessary.

Next steps

1. NCVO is asking MPs to support a reserve power to enable the scheme to be made mandatory should it prove necessary.

2. NCVO is asking MPs to support the proposed triennial report to ensure that a review process remains on the face of the Bill.

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About NCVO:

The National Council for Voluntary Organisations (NCVO) www.ncvo-vol.org.uk is the umbrella body for the voluntary sector in England, with sister councils in Wales, Scotland and Northern Ireland. NCVO has over 5,450 members, ranging from large national bodies to community groups, volunteer centres, and development agencies working at a local level. With over 280,000 staff and over 13 million volunteers working for our members, we represent and support almost half the voluntary sector workforce.