These notes refer to the Finance Act 2009 (c.10) which received Royal Assent on 21 July 2009

FINANCE ACT 2009

EXPLANATORY NOTES

INTRODUCTION

Section 125: National Savings: Surplus Funds

Background Note

15. The National Savings Bank Ordinary Account was launched in 1861. In accordance with the provisions of sections 17 to 20 of the 1971 Act, the balance of ordinary accounts in the National Savings Bank was transferred to the Commissioners who, in turn, were required to invest the funds transferred to them in accordance with those provisions. Interest on the investments held by the Commissioners met the operational running costs of the ordinary account as well as the interest paid to depositors.

16. When the ordinary account was closed to transactions in 2004, moneys remained unclaimed in some accounts. In 2008, for security and operational reasons, any balances remaining were transferred to a new 'NS&I Residual Account'. The associated funds in respect of these accounts were transferred to the National Loans Fund.

17. All that now remains in the management of the Commissioners in respect of ordinary accounts is a surplus of moneys which represent sums set aside in the past to offset possible depreciation in the value of investments held by them (in accordance with section 20 of the 1971 Act) or sums which represent an increase in the capital value of their investments. The increase in the capital value occurred because the market value of gilt-edged investments held by the Commissioners rose as yields reduced in the 1990s and early 2000s, thereby increasing the value of older gilts. The 1971 Act makes no provision for how such a surplus must be managed.

18. This section requires the Commissioners to pay to the Consolidated Fund surplus sums held by them by virtue of their investments under section 17 of the 1971 Act and makes provision for the manner in which such a surplus must be calculated, transferred and accounted for

19. The section also allows the Treasury to repeal or amend, by order, statutory provisions relating to ordinary accounts which are no longer necessary.