

**EXPLANATORY MEMORANDUM TO**  
**THE NATIONAL SAVINGS (AMENDMENT) REGULATIONS 2023**  
**2023 No. 605**

**1. Introduction**

- 1.1 This explanatory memorandum has been prepared by HM Treasury and is laid before Parliament by Command of His Majesty.

**2. Purpose of the instrument**

- 2.1 This instrument amends the National Savings (No. 2) Regulations (S.I. 2015/624) (the “NS&I Regulations”). The purpose is to enable National Savings and Investments (“NS&I”) to issue or renew Index-Linked Savings Certificates and Fixed Rate Savings Certificates (together the “Savings Certificates”) with different access rights to the investment during the fixed investment term. Under the new instrument, for Savings Certificates purchased or renewed after 22 July 2023, penalty clauses for early repayments will be removed and access to the money during the fixed term prohibited. Instead, for certificates purchased or renewed after 22 July 2023, customers can cancel their Savings Certificates within 30 days beginning on the date notice is issued to the customer confirming their purchase or renewal.

**3. Matters of special interest to Parliament**

*Matters of special interest to the Joint Committee on Statutory Instruments*

- 3.1 None.

**4. Extent and Territorial Application**

- 4.1 The territorial extent of this instrument is the United Kingdom, the Isle of Man and the Channel Islands.
- 4.2 The territorial application of this instrument is the United Kingdom, the Isle of Man and the Channel Islands.

**5. European Convention on Human Rights**

- 5.1 As the instrument does not amend primary legislation, no statement is required.

**6. Legislative Context**

- 6.1 The Treasury raises money under section 12 of the National Loans Act 1968 (c. 13) by issuing securities under the auspices of the Director of Savings (“the Director”), who is a statutory officeholder and the Chief Executive of NS&I.
- 6.2 Savings Certificates are governed by the NS&I Regulations. Early withdrawal is currently permitted before maturity with penalties incurred. The Treasury wish to allow Savings Certificates to be issued and renewed by the Director without having the option for early withdrawal. This will be done using the powers conferred on them by section 11 of the National Debt Act 1972.

## **7. Policy background**

### *What is being done and why?*

- 7.1 Following a review of the Financial Conduct Authority's ("FCA") unfair consumer contract terms guidance ("UNFCOG"), NS&I has deemed it unfair to impose disproportionate sanctions for the breach of contract for Savings Certificates. More specifically, a disproportionate sanction is considered a penalty that costs the consumer more than it would cost NS&I to repay the consumer's money.

### Why is it being changed and what will it now do?

- 7.2 This amendment will enable the Director to align the terms and conditions ("T&Cs") of Savings Certificates with the outcomes of the UNFCOG review and the T&Cs applied to NS&I's other fixed term products. Under the current T&Cs, customers may withdraw funds from Savings Certificates before the maturity date, with a penalty loss equivalent to 90 days of interest for the sum of money being withdrawn. For Index-Linked Savings Certificates, customers also lose any index linking benefit within the investment year for the whole Index-Linked Savings Certificate.
- 7.3 This amendment will replace the early withdrawal penalties for Saving Certificates purchased or renewed after 22 July 2023 with a 30 day cooling off period – allowing customers to cancel their Savings Certificates within 30 days beginning on the date on the notice issued to the customer confirming renewal or purchase. After this period, early access to funds will be prohibited except where the Director considers it unjust not to make a payment. These applications will be reviewed on a case-by-case basis, and if the Director considers it unjust not to permit early access to funds, early access will be permitted. This is an approach already taken across most of NS&I's fixed term savings products.
- 7.4 The changes also align to practice increasingly adopted by other financial providers.
- 7.5 Customers with existing Savings Certificates will continue on their current terms until maturity. They will be given notice of the changes in their usual maturity communications and will be able to withdraw their money on maturity or within the 30 day cooling off period.
- 7.6 Regulation 46 of the NS&I Regulations permits Savings Certificates to be withdrawn before maturity, but with penalties. This amendment will only apply to Savings Certificates renewed or purchased after 22 July 2023.

## **8. European Union Withdrawal and Future Relationship**

- 8.1 This instrument does not relate to withdrawal from the European Union.

## **9. Consolidation**

- 9.1 The NS&I Regulations are themselves a consolidation of numerous regulations and no further consolidation is considered necessary at this time.

## **10. Consultation outcome**

- 10.1 These are minor technical changes and so no consultation was conducted in relation to these Regulations. The changes are compliant with FCA guidance on unfair contract terms.

## **11. Guidance**

- 11.1 No guidance has been produced for this legislative change. However, NS&I will provide information and guidance to customers when they are impacted by the changes, including personal communications where this is appropriate. Customers will be able to contact NS&I online, by phone on 08085 007 007, or by post to NS&I, Sunderland, SR43 2SB, to resolve any queries. Terms and conditions will be published on NS&I's website ([www.nsandi.com](http://www.nsandi.com)).

## **12. Impact**

- 12.1 There is no significant impact on business, charities or voluntary bodies.
- 12.2 There is no significant impact on the public sector
- 12.3 An Impact Assessment has not been prepared for this instrument because of the low level of impact expected.

## **13. Regulating small business**

- 13.1 The legislation does not apply to activities that are undertaken by small businesses.

## **14. Monitoring & review**

- 14.1 While no specific review of these amendments is planned, the Treasury keeps all legislation governing NS&I under review, to ensure that NS&I is able to conduct its functions effectively.

## **15. Contact**

- 15.1 Aleksa Portic at HM Treasury (email: [aleksa.portic@hmtreasury.gov.uk](mailto:aleksa.portic@hmtreasury.gov.uk)) can be contacted with any queries regarding the instrument.
- 15.2 Kunal Patel, Deputy Director for the Debt and Reserves Management Team at HM Treasury can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 The Economic Secretary to the Treasury at HM Treasury can confirm that this Explanatory Memorandum meets the required standard.