

**EXPLANATORY MEMORANDUM TO**  
**THE NATIONAL SAVINGS BANK (AMENDMENT) (No. 3) REGULATIONS**  
**2008**

**2008 No. 1164**

1. This explanatory memorandum has been prepared by the Treasury and is laid before Parliament by Command of Her Majesty.

**2. Description**

2.1 These Regulations amend the National Savings Bank Regulations 1972 (“the 1972 Regulations”) and the National Savings Bank (Investment Deposits) (Limits) Order 1977 (“the 1977 Order”) to allow the Director of Savings to make the following changes to the Terms and Conditions of National Savings and Investments (“NS&I”) Investment Accounts.

2.2 First, the Regulations provide for the possibility of making payments to customers by electronic credit transfer (at present, depositors may withdraw moneys from Investment Accounts by requesting payment in cash or by crossed warrant only). Secondly, these Regulations make provision for interest payable on moneys held in an Investment Account to be calculated on pounds and pence held in that account (rather than on whole pounds). Thirdly, provision is made so as to allow the Director to accept deposits by telephone, so long as those deposits are initial deposits to an investment account. Finally, these Regulations provide that the Director of Savings may accept deposits to Investment Accounts to a maximum of £1,000,000.

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

3.1 None.

**4. Legislative Background**

4.1 The 1972 Regulations provide the principal legislative framework within which the Director of Savings carries on the business of the National Savings Bank in relation to Investment Accounts (and other ordinary and investment deposits).

4.2 The minimum and maximum deposit limits for the Investment Account are prescribed by the Treasury in the National Savings Bank (Investment Deposits) (Limits) Order 1977. At present, the maximum amount which may be invested in an Investment Account is £100,000.

4.3 The changes proposed now by NS&I, and described at paragraph 2.2 above, require the amendment of the 1972 Regulations and the 1977 Order.

## **5. Territorial Extent and Application**

5.1 This instrument applies to all of the United Kingdom.

## **6. European Convention on Human Rights**

6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## **7. Policy Background**

7.1 Launched in 1966, the NS&I Investment Account is a passbook based account which is mainly transacted through post office branches. Passbooks are generally favoured by the elderly or by parents on behalf of children: these customers prefer to have a single record of their savings, and, in the case of children in particular, to see their savings grow.

7.2 The Investment Account is the last product residing on NS&I's legacy IT systems. However, on 19 May 2008 it will transfer to the modern IT platform. Although the scope for modernisation of a passbook account is limited, the move to the new IT platform will allow NS&I to introduce certain minor improvements (described in paragraph 2.2 above) in customer service at no real additional cost. The functionality to support repayments by electronic credit transfer, telephone sales and for interest to be calculated on pounds and pence is common to all NS&I products on the new IT platform. The increase in maximum holding limit brings the Investment Account into line with its competitors where £1 million is the industry standard for this type of account.

## **8. Impact**

8.1 A Regulatory Impact Assessment has not been prepared for this instrument, as it has no impact on business, charities, or voluntary bodies.

8.2 The impact on the public sector is insignificant. The changes are designed to improve the Investment Account conditions for customers. Revised Terms and Conditions covering all the changes will be issued to customers at the same time as a scheduled annual mailing to reduce mailing costs.

## **8. Contact**

Alan Lamond at the National Savings and Investments Tel: 0207 348 9409 or e-mail: alan.lamond@nsandi.com can answer any queries regarding the instrument.