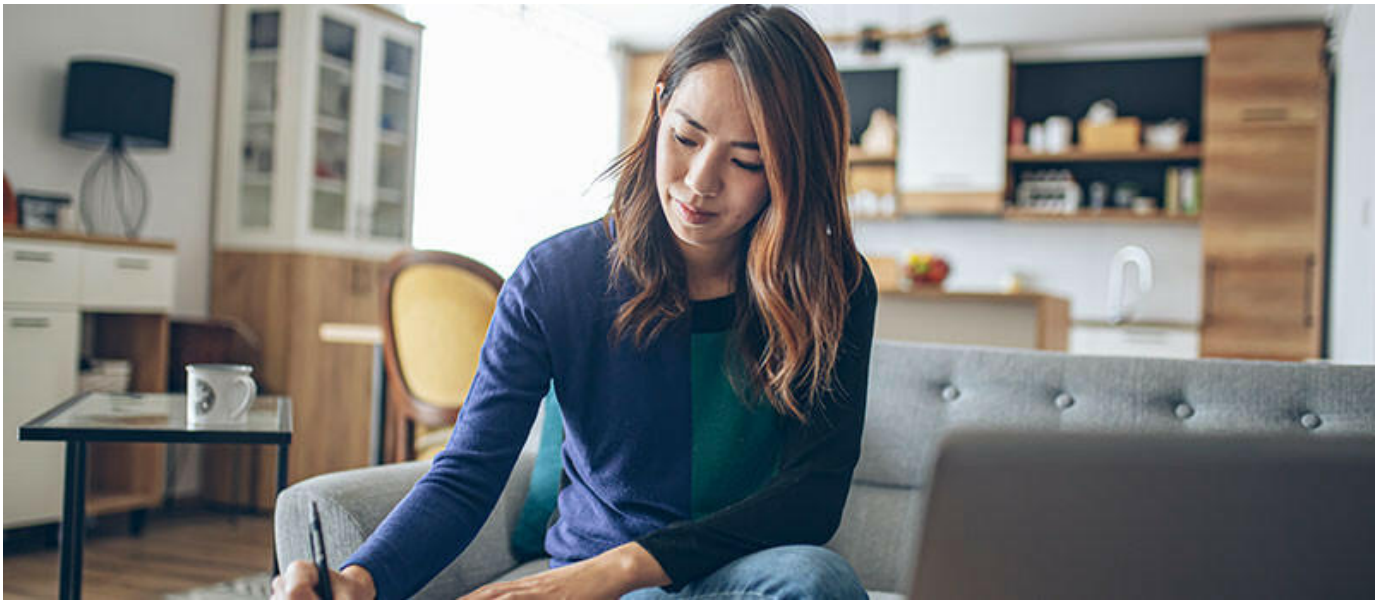
Help to Save reform

Personal tax



22 June 2023

LITRG has responded to an HM Treasury consultation looking at reforming the Help to Save scheme for low-income workers.

Help to Save is a savings scheme aimed at low-income working people, in recognition of the fact that they are unlikely to benefit from the key savings incentives offered by products such as traditional ISAs. Broadly speaking, those eligible for Help to Save are able to save a maximum of £50 per month for four years and receive two 50% bonuses from the government to match their savings, one after two years and the other after four years when the account matures. Currently, eligibility for the scheme is tied to those receiving working tax credit or universal credit (with a minimum earning limit, to ensure that the policy objective of benefiting ‘workers’ is met).

The idea behind Help to Save is not only to provide an incentive to save over the four-year life cycle of the product, but to cultivate a long-term savings habit among low-earning workers. Help to Save was launched in September 2018 and was initially due to run until September 2023. At the Spring Budget, it was announced that the

scheme would be extended for a further 18 months until April 2025.

HM Treasury then launched a consultation exploring how Help to Save might be improved and reformed with a view to its further continuation beyond April 2025.

Key themes under consideration are:

- eligibility for the scheme and suitability of the current criteria;
- awareness of the scheme;
- simplicity of the scheme and the calculation of bonus payments; and
- promoting the longer-term saving habit beyond the expiry of a Help to Save account.

LITRG has responded to the consultation, setting out that although we are supportive of the scheme and its generous incentives, its success may well be currently hindered by a lack of effective promotion of the scheme. In addition, many eligible workers may simply not have money to set aside month to month, or indeed fluctuations in living costs may mean that making regular monthly savings is challenging. To that end, any reform to the scheme ought to take a more generous approach to the monthly contribution limits, perhaps allowing savers to 'rollover' unused saving limit from one month to the next or allowing savers to make short-term withdrawals which can be replaced within a certain timeframe without affecting their bonus.

LITRG's response also suggests that the scheme might benefit from a more general review of the calculation of bonuses, which are complicated and can be quite restrictive, particularly the second bonus where withdrawals from the account have been made.

A final feature of the current scheme is that, at the end of the four-year period, the account is closed and the savings are paid directly into the saver's current account. It may be preferable if some sort of legacy savings account could be set up automatically into which the funds could be transferred on maturity of the Help to Save account. This would seem like a better way to encourage people to retain their savings habit going forward.

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