

HMRC-Allocated matured Child Trust Funds (CTFs)

This is a proposal for a new process for requiring CTF account providers to close and pay out the proceeds via HMRC where possible to all young adult owners of HMRC-allocated matured CTFs which remain unclaimed and unregistered as at a young adult's 21st birthday.

The logic is that, unlike family-opened accounts, in most cases there is no evidence that the young person or their family has ever been aware of their HMRC-allocated account and, because of the close correlation between these recipients and 'low income' status, the proceeds are much needed in order to provide an improved start to adult life. Because HMRC opened the account in the first place, it is therefore appropriate that HMRC should enable the proceeds to be delivered.

The Share Foundation have reliable information that over 70% of adult-owned HMRC-allocated CTFs are unclaimed. This process, which would allow three years for a young person to claim or manage their account at their own volition, would therefore enable c. 148,000 accounts to be released immediately, 51% of which are owned by low-income young adults, the most disadvantaged. We estimate that it would release c. £280 million immediately followed by c. £23 million per month (£0.28 billion p.a), thus significantly relieving cost of living pressures.

The process would be as follows:

1. CTF account providers with beneficial account owners who had reached their 21st birthday would identify these accounts and notify HMRC of their identity, including their National Insurance number.
2. HMRC would establish whether those individuals feature as benefit recipients, via a company payroll or in the student loan system, or through any other current relationship involving receipt from or payment to government. HMRC would then confirm to the account provider that these accounts should be closed and the proceeds paid to an HMRC transfer account for onwards payment as appropriate. HMRC would, if at all possible, notify the young adults of their impending receipt.
3. All identified accounts for which HMRC have no current links would be informed as such to the account provider, who would re-test on a quarterly basis going forwards.
4. Statistics would be published quarterly to provide progress information for all parties helping to reconnect unclaimed Child Trust Funds.
5. There should be provision for CTF status to be restored in the event of a young adult requesting it. However, because these HMRC-allocated accounts are so focused on the most disadvantaged, it is very unlikely that this would apply – across all matured CTFs the retention rate is only 6%.

Questions:

1. *Could this process be established under secondary regulation (Statutory Guidance)?*
2. *Would HMRC need/welcome any voluntary operational assistance for setting this process in action? The Share Foundation would be prepared to operate this process under the same criteria as those under which it administers the Junior ISA and CTF schemes for young people in care.*