

2012 No. 1880

NATIONAL DEBT

**The Savings Certificates (Children's Bonus Bonds)
(Amendment) Regulations 2012**

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| <i>Made</i> - - - - | <i>16th July 2012</i> |
| <i>Laid before Parliament</i> | <i>18th July 2012</i> |
| <i>Coming into force</i> - - | <i>20th September 2012</i> |

The Treasury make the following Regulations in exercise of the powers conferred by section 11 of the National Debt Act 1972(a).

Citation and commencement

1. These Regulations may be cited as the Savings Certificates (Children's Bonus Bonds) (Amendment) Regulations 2012 and come into force on 20th September 2012.

Amendments to the Savings Certificates (Children's Bonus Bonds) Regulations 1991

2. The Savings Certificates (Children's Bonus Bonds) Regulations 1991(b) are amended as follows.

Amendment to regulation 2

3. In regulation 2 (interpretation), in paragraph (1)—

- (a) omit the definition of “the adjudicator”;
- (b) after the definition of “amount repayable”, insert—
 - ““bonus” means any return on a certificate that is conditional on it being held for an entire term;
 - “capital value”, in relation to a certificate, means—
 - (a) the purchase price of that certificate, plus
 - (b) any interest, bonus or other sum that has accrued in respect of that certificate and has been added to its value in accordance with the terms and conditions applying to it;”;
- (c) for the definition of “certificate”, substitute—
 - ““certificate” means a Children's Bond or a Children's Bonus Bond;”;
- (d) after the definition of “certificate”, insert—
 - ““Children's Bond” means a Treasury security—

(a) 1972 c. 65; section 11 was amended by the Trustee Savings Banks Act 1976 (c. 4), Schedule 6.
(b) S.I. 1991/1407; relevant amending instruments are S.I. 1992/3113 and 2007/1898.

- (a) issued under the name of a children’s bond pursuant to an application to purchase received by the Director of Savings after 19th September 2012, or
 - (b) issued under the name of a children’s bonus bond pursuant to an application to purchase received by the Director of Savings before 20th September 2012 for which—
 - (i) a term was current on 19th September 2012, and
 - (ii) that term has ended and a subsequent term has begun;
- “Children’s Bonus Bond” means a Treasury security—
- (a) which was issued under the name of a children’s bonus bond pursuant to an application to purchase received by the Director of Savings before 20th September 2012, and
 - (b) for which any term which was current on 19th September 2012 is still the current term;”;
- (e) for the definition of “multiple certificate”, substitute—

““multiple certificate” means a Children’s Bonus Bond representing more than one unit certificate”;
 - (f) after the definition of “person who lacks capacity”, insert—

““term”, in relation to a certificate, means a specified period of time for which a rate of interest has been fixed for that certificate;

“Treasury security” means a security issued by the Treasury under the auspices of the Director of Savings for the purpose of raising money under the National Loans Act 1968;”;
 - (g) omit the definition of “unit”; and
 - (h) for the definition of “unit certificate”, substitute—

““unit certificate” means a Children’s Bonus Bond issued on payment of the minimum amount for which a Children’s Bonus Bond of that description could be purchased.”.

Amendment to regulation 3

- 4. In regulation 3 (issue, purchase and recording of certificates)—
 - (a) in paragraph (1), after “at such places”, insert “or in such manner”; and
 - (b) in paragraph (2), for the words from “such documents” to the end, substitute “such information in such manner as may be required by the Director of Savings”.

Amendment to regulation 4

- 5. In regulation 4 (persons entitled to purchase and hold certificates)—
 - (a) in paragraph (1), for “A certificate”, substitute “Subject to paragraph (1A), a certificate”;
 - (b) after paragraph (1), insert—

“(1A) After 19th September 2012, the Director of Savings may only accept an application to purchase a certificate on behalf of and in the name of a person who has not attained the age of sixteen years which is made by a parent, guardian, grandparent or great-grandparent of that person.”;
 - (c) in paragraph (2), for “Any certificate purchased under paragraph (1)”, substitute “Each certificate”; and
 - (d) for paragraph (4), substitute—

“(4) A person may not continue to hold a certificate after the end of a term of that certificate which ends both—

 - (a) after 19th September 2012; and

(b) at a time at which that person has attained the age of sixteen years.

(4A) The Director of Savings shall pay the amount repayable in respect of a certificate to which paragraph (4) applies to a person entitled to receive it by such means as the Director of Savings thinks fit.”.

Substitution of regulation 5

6. For regulation 5 (maximum holding of certificates), substitute—

“Maximum holding of certificates

5.—(1) A person may not purchase a certificate if the aggregate purchase price of the certificates of that description which would be held by the person on whose behalf it is to be purchased, if the purchase were made, would exceed the maximum set by the terms and conditions applying to that description of certificate.

(2) For the purposes of paragraph (1), the aggregate purchase price of the certificates of any description held by a person shall be calculated in accordance with the terms and conditions applying to that description of certificates.

(3) No person may hold a certificate purchased in contravention of paragraph (1).”.

Insertion of regulations 5A and 5B

7. After regulation 5, insert—

“Return on certificates

Accrual of interest

5A.—(1) This regulation applies in respect of—

- (a) any Children’s Bond; and
- (b) any Children’s Bonus Bond from and including the anniversary of its date of purchase that falls after 19th September 2012 and before 20th September 2013.

(2) The amount of any interest accruing on a particular day in respect of a certificate to which this regulation applies shall be calculated using the following formula—

$$A = \frac{V \times I\%}{365}$$

where—

A is the amount of interest accruing in respect of a certificate on the particular day,

V is the capital value of the certificate on that day, and

I% is the annual rate of interest fixed for the current term of the certificate, excluding any bonus that may apply.

No bonus on Children’s Bonds

5B. No bonus shall be payable in respect of Children’s Bonds.”.

Amendment to regulation 6

8. In regulation 6 (applications for repayment)—

- (a) in paragraph (1), omit—
 - (i) “in writing”; and
 - (ii) the words from “Where repayment is requested” to the end;

(b) after paragraph (1), insert—

“(1A) An application under paragraph (1), which is made in respect of a Children’s Bonus Bond, may include a request for repayment to be made on a specified date that is, unless the Director of Savings otherwise agrees, not more than two months after the date on which the application was made.”; and

(c) after paragraph (2), insert—

“(2A) An application for repayment of part of a Children’s Bond may only be accepted if the capital value of the part that the holder would retain would, immediately after the repayment, be equal to or greater than £25, or such greater value as may be specified in the terms and conditions applying to the Children’s Bond.”.

Amendment to regulation 7

9. In regulation 7 (repayment warrants)—

(a) for the heading substitute “Means of repayment”;

(b) for paragraph (1), substitute—

“(1) A person who is entitled to make an application for repayment in respect of a certificate under these Regulations may request that a repayment be made—

(a) by crossed warrant;

(b) by electronic transfer; or

(c) by using all or part of the amount repayable to—

(i) purchase, in the name of the holder, any other description of Treasury security; or

(ii) make a deposit with the National Savings Bank.

(1A) The Director of Savings may refuse to give effect to a request made under paragraph (1) if—

(a) under the terms and conditions applying to the certificate, the applicant is not entitled to make the request; or

(b) the request is made under paragraph (1)(c).

(1B) Every application for repayment shall be treated as implying an authority to the Director of Savings to make payment in accordance with that application.

(1C) If the Director of Savings has initiated a payment, the authority to make that payment mentioned in paragraph (1B) shall not be terminated by—

(a) the death of any person who made the application for repayment; or

(b) any notice purporting to countermand that authority.”;

(c) omit paragraph (3);

(d) for paragraph (4), substitute—

“(4) For the purposes of determining the amount repayable in respect of a certificate, any payment of an amount repayable by crossed warrant shall be deemed to be effected on the date appearing on the warrant.”; and

(e) in paragraph (5), after “and where the holder has requested”, insert “in accordance with regulation 6(1A)”.

Insertion of regulation 7A

10. After regulation 7, insert—

“Record of partial repayments

7A.—(1) This regulation applies in respect of—

- (a) any Children’s Bond; and
- (b) any Children’s Bonus Bond from and including the anniversary of its date of purchase that falls after 19th September 2012 and before 20th September 2013.

(2) Where part of a certificate to which this regulation applies has been repaid, the Director of Savings shall promptly make available to the person who requested the repayment a record of—

- (a) the amount repaid;
- (b) the capital value of the part of the certificate that has not been repaid;
- (c) the annual rate of interest applying to the certificate; and
- (d) the date on which the current term of the certificate will end.

(3) Nothing in the terms and conditions applying to a certificate to which this regulation applies shall require the Director of Savings to issue a certificate in documentary form.”.

Insertion of regulation 10A

11. After regulation 10 (repayment in case of bankrupts), insert—

“Early repayment

10A.—(1) In this regulation, a “relevant application” means an application for repayment of the whole or any part of the amount repayable in respect of a Children’s Bond, except an application made in the event of the death of the holder.

(2) This regulation applies where a relevant application is made requesting payment before the end of the term which is current on the date that the application is received.

(3) Subject to paragraph (4), the Director of Savings shall deduct from the amount that would otherwise have been payable pursuant to the relevant application an early repayment penalty calculated using the following formula—

$$P = R \times I\% \times \left(\frac{90}{365}\right)$$

where—

P is the early repayment penalty,

R is the amount of the repayment requested in the relevant application, and

I% is the annual rate of interest fixed for the current term.

(4) The Director of Savings may refrain from deducting the early repayment penalty if satisfied that, in the particular circumstances of the relevant application, it would be unjust to make that deduction.

(5) For the purpose of regulation 24(1), where a repayment has been made subject to the deduction of an early repayment penalty in accordance with paragraph (3), the Director of Savings shall be treated as having made repayment of the full amount requested in the relevant application.”.

Amendment to regulation 17

12. In regulation 17 (loss of certificates, etc)—

- (a) for the heading, substitute “Loss of documents”; and
- (b) in paragraph (1), for “in writing to the Director of Savings”, substitute “to the Director of Savings in the approved manner”.

Amendment to regulation 18

13. In regulation 18 (forfeiture of certificates)—

- (a) for the heading, substitute “Forfeiture of Children’s Bonus Bonds”;
- (b) in paragraph (1)—
 - (i) for “certificate”, on each occasion that it occurs, substitute “Children’s Bonus Bond”; and
 - (ii) for “certificates”, on each occasion that it occurs, substitute “Children’s Bonus Bonds”; and
- (c) in paragraph (4), for “any certificate”, substitute “any documents relating to a Children’s Bonus Bond”.

Insertion of regulation 18A

14. After regulation 18, insert—

“Forfeiture of Children’s Bonds

18A.—(1) The Director of Savings may, if the Director of Savings thinks fit, direct that a Children’s Bond shall be forfeited.

(2) The circumstances under which the Director of Savings may make a direction under paragraph (1) include the following—

- (a) the Children’s Bond was purchased, or is held, otherwise than in accordance with these Regulations; or
- (b) the Director of Savings reasonably suspects that—
 - (i) the Children’s Bond is being held in connection with an illegal purpose; or
 - (ii) false information has been provided to the Director of Savings by the purchaser of the Children’s Bond, by the holder of the Children’s Bond, or by any person acting on the holder’s behalf.

(3) Where the Director of Savings directs that a Children’s Bond shall be forfeited under paragraph (1)—

- (a) an amount equal to the purchase price of the Children’s Bond shall be payable to the holder; and
- (b) any other amount which was payable under the terms and conditions applying to the Children’s Bond may be paid to the holder if the Director of Savings thinks fit.

(4) The Director of Savings may make any payment pursuant to paragraph (3) by such means as the Director of Savings thinks fit, which may include crediting the amount to an account in the name of the holder in the National Savings Bank.”.

Amendment to regulation 20

15. In regulation 20 (rectification of mistakes)—

- (a) in paragraph (1), for “in writing to the Director of Savings”, substitute “to the Director of Savings in the approved manner”; and
- (b) in paragraph (2), for the words “certificate or other document”, substitute “document relating to a certificate”.

Revocation of regulation 21

16. Omit regulation 21 (settlement of disputes).

Amendment to regulation 24

17. In regulation 24 (indemnity of Treasury, Director of Savings and officers), for paragraph (2), substitute—

“(2) Subject to regulation 25, where the payment of an amount repayable in respect of a certificate is made by relevant means to a person who is not entitled under these Regulations to receive it, the payment is deemed to have been made to a person who is so entitled if it was made—

- (a) in good faith and without negligence; and
- (b) in consequence of some act or omission on the part of a person who is so entitled.

(3) Subject to regulation 25, where the payment of an amount repayable in respect of a Children’s Bond is made by electronic transfer, neither the Treasury nor the Director of Savings is liable for—

- (a) any delay in the completion of the payment, if the delay is outside the direct control of the Director of Savings; or
- (b) any failure in the operation of any system through which the electronic transfer is conducted, if the failure is outside the direct control of the Director of Savings.

(4) In this regulation—

“electronic transfer” means a transfer of money by electronic or automated processes, which do not involve the delivery and collection of a payable instrument or the delivery of cash, to a bank or building society account to which payment is capable of being made by those processes; and

“relevant means” means—

- (a) in the case of Children’s Bonds, payment by crossed warrant or by electronic transfer, and
- (b) in the case of Children’s Bonus Bonds, payment by crossed warrant.”.

Substitution of regulation 26

18. For regulation 26 (form of documents), substitute—

“Applications

26. The Director of Savings may refuse to accept an application that is required by these Regulations to be made in a manner approved by the Director of Savings if—

- (a) it does not include a full and specific statement of the particulars required to be given for the purposes of the application; or
- (b) it is required to be made in writing and is not signed by the person who is making the application.”.

Amendment to regulation 28

19. In regulation 28 (obligation of secrecy), in paragraph (2)(a), after “issuing any certificates”, insert “in documentary form”.

Amendment to regulation 32

20. In regulation 32 (application to Channel Islands), omit paragraph (3)(g).

16th July 2012

Two of the Lords Commissioners of Her Majesty's Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Savings Certificates (Children's Bonus Bonds) Regulations 1991 (S.I. 1991/1407).

Regulation 3 inserts new definitions, including—

- (a) “term”, which means a period of time for which a rate of interest has been fixed for a certificate;
- (b) “Children's Bond”, which means a certificate purchased after 19th September 2012, or a certificate purchased before 20th September 2012 which has commenced a new term after 19th September 2012; and
- (c) “Children's Bonus Bond”, which means a certificate purchased before 20th September 2012 for which a new term has yet to commence after 19th September 2012.

Regulation 5 amends provision limiting the people who may apply to purchase certificates. A certificate may only be purchased on behalf of a person who has not attained the age of sixteen by a parent, guardian, grandparent or great-grandparent.

Regulation 5 also prevents a person from continuing to hold a certificate beyond the end of a term, if that term ends after 19th September 2012 and at a time at which that person has attained the age of sixteen years.

Regulation 6 substitutes provision relating to the maximum holding of certificates. When determining whether a purchase may be made, the new provision requires the Director of Savings to look to the aggregate purchase price of the certificates already held. It also clarifies that the terms and conditions of certificates may make provision for the manner in which the aggregate purchase price is to be calculated.

Regulation 7 inserts provision relating to the return on certificates. It provides for the daily accrual of interest on Children's Bonds and on Children's Bonus Bonds from the anniversary of their date of purchase that falls after 19th September 2012 and before 20th September 2013.

It also provides that bonuses shall not be payable on Children's Bonds. A bonus is any return on a certificate that is conditional on that certificate being held for an entire term.

Regulation 8 inserts provision requiring that for Children's Bonds a partial repayment may only be given where the capital value of the part retained would be equal to or greater than £25, or such greater value as may be prescribed in the terms and conditions.

Regulation 9 amends provision relating to repayments made by the Director of Savings. The changes allow payments to be made by electronic transfer. They also remove the obligation to take steps to cancel a payment that has already been initiated.

When a partial repayment of certain certificates has occurred, regulation 10 requires the Director of Savings to make available to the person who requested the repayment a record of the amount repaid, the capital value of the part retained, the interest rate applying and the date on which the current term of the certificate will end. Regulation 10 also provides that nothing in the terms and conditions shall require the Director of Savings to issue certain certificates in documentary form.

Regulation 11 inserts provision for an early repayment penalty where the holder of a Children's Bond requests repayment before the end of a term. The penalty is an amount equal to 90 days' interest on the amount of the repayment requested. The penalty will not apply to an application for

repayment made after the death of the holder, nor will it apply where the Director of Savings considers that it would be unjust in a particular case.

Regulation 14 inserts provision for the forfeiture of Children's Bonds. The Director of Savings may direct that a Children's Bond be forfeited where the Director thinks fit. Where a Children's Bond is forfeited, an amount equal to the purchase price is repayable and the Director of Savings may pay any other amount that was payable under the terms and conditions if the Director thinks fit.

Regulation 16 revokes provision for the settlement of disputes. In consequence of the repeal of section 84 of the Friendly Societies Act 1992 (c. 40), disputes between the Director of Savings and the holder of a certificate can no longer be referred to an adjudicator appointed by the Treasury under that section.

Regulation 17 amends provision relating to the indemnification of the Treasury and the Director of Savings, so as to extend such provision to cover payments made on Children's Bonds by electronic transfer. The changes include a provision that neither the Treasury nor the Director of Savings is to be liable where there is a delay or failure in the system through which electronic transfers are conducted that is outside of the control of the Director of Savings.

Various provisions remove requirements for applications and notices to be made or given in written form.

A full impact assessment has not been produced for this instrument as no impact on the costs of business or the voluntary sector is foreseen.