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Child Trust Funds & Junior Isa transferability

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Summary

Originally referred to as 'baby bonds', child trust funds (CTF) are a financial endowment payable to every child at birth. The invested endowment, with any additional contributions, build up into a sum which the child can access once 18.

The idea was first announced in April 2001 and formally launched in the 2003 Budget. The Chancellor reported that all children born from September 2002 would receive a Government endowment at birth of between £250 and £500. The government's contribution will be highest for children from lower income households, in line with the policy aim of 'progressive universalism'. The fund would be 'topped up' by a further contribution from government when the child reaches seven. The Government hopes the fund will instil an early saving habit in children while building a financial asset to help them when they start their adult lives.

While welcomed in many quarters, including by some welfare organisations and the financial services sector, the scheme raises questions about the effectiveness of targeting current inequalities through long-term asset-based projects. Concerns have also been expressed about its complexity and the potential for the progressive elements to be overshadowed by the scope for voluntary additional contributions, which will be more affordable and attractive to wealthier families.

As a result of public finance economies in May 2010 the Conservative – Liberal Democrat coalition government announced that the scheme would not continue in an active way beyond 2011.

This note looks at the history of the child trust fund regime up to the announcement that CTFs could be transferred into Junior ISAs. The measure is currently being taken forward as part of the proposals in the 2014 *Deregulation Bill*

1. A policy is born

1.1 Early proposals

In a document which accompanied the 2000 Pre-Budget Report, the then Labour Government set out its policy on further encouraging savings.[1] It concluded that more work could be done to encourage saving among those on moderate and lower incomes:

> The Government has a clear strategy for promoting saving by creating the right environment and the right incentives and by providing information and education to help people make the right saving choices. In the future, the Government will take further steps to help savers, particularly those on low or moderate earnings.[2]

In April 2001, at a press conference attended by the Prime Minister, the Chancellor and the Secretaries of State for Education and Social Security, proposals for the 'Child Trust Fund' (CTF), and a related matched savings scheme for those on lower incomes, the 'Savings Gateway', were set out. The then Prime Minister said:

> We are committed to extending opportunity to all. All our children - especially the most disadvantaged - should have the chance of a proper start in life. Getting people into the savings habit, and making sure children have a real financial springboard, is a vital part of that. Piece by piece, we are dismantling the barriers - no matter what they are - which hold people back.[3]

A consultation document launched the same day provided more details of the proposed scheme.[4] The consultation sought views on many elements of the proposed scheme including whether there should be a tax incentive for additional contributions into the scheme and whether children should be able to boost the value of their funds by carrying out voluntary activities.[5] Further documents on the proposal were promised in the autumn of 2001. A commitment also appeared in the Labour Party's 2001 general election manifesto:

> Our aim is to put more wealth in the hands of more people. That is why we will keep mortgage rates as low as possible, ensure competition keeps down household bills, support savings and share ownership, and create a new Child Trust Fund for every child at birth to invest for when they reach adulthood.[6]

1.2 Proposals take shape

The promised new documents appeared with the Pre-Budget report at the end of November 2001. In the Pre-Budget report, the Treasury said:

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1 HM Treasury, *Helping People to Save The Modernisation of Britain's Tax and Benefit System*, Number Seven, November 2000

2 Ibid., p 25

3 HM Treasury press release 53/01, 'New proposals to tackle child poverty and open opportunities to all', , 26 April 2001

4 HM Treasury, Saving and Assets for All: The Modernisation of Britain's Tax and Benefit System, Number Eight, April 2001

5 An announcement on whether there will be additional incentives to contribute is expected in summer 2003. Voluntary activities will not earn additional credits: *Delivering savings and assets*, November 2001, para 3.21.

6 Labour Party General Election Manifesto, 2001 p10

> 5.62 As well as supporting saving, the Government also wants to spread the benefit of asset-ownership to all. The Child Trust Fund (CTF) is a proposal for a universal account, with endowments paid to all children at birth and at ages 5, 11 and 16, with children from the poorest families receiving the most help. Parents, family, friends, and children themselves would be able to make their own contributions to the account and benefit from targeted and relevant financial education.
>
> 5.63 Delivering Saving and Assets, sets out the full range of responses to the Government's proposals and provides answers to the specific questions raised by the consultation. It also consults on two detailed proposals for delivering the CTF:
>
> an open-market model, in which the CTF would be delivered by financial service providers, like ISAs and stakeholder pensions; and
>
> a preferred panel model, with a more limited number of providers offering the CTF in partnership with the Government.
>
> 5.64 The Government encourages and looks forward to continued input into the development of these initiatives.[7]

The next round of consultation did not look at the financial limits - either in terms of the size of the government's 'endowment' or the annual limit on additional contributions which family and friends could make into a child's fund. Instead, it concentrated on the question of who would operate the funds for parents.

By this point it appeared that the Government was keen to design the scheme in a way which would encourage maximum take-up and minimise complexity. Examples of this thinking were the decision that there would be no restriction on how the assets could be used when the fund matured on the child's eighteenth birthday, and the decision not to allow funds to be withdrawn before the child was eighteen. Both proposals had arguments in their favour but would have required complex legislation to secure the intended aims.

The consultation closed on 28 February 2002. Less formal consultation was then foreshadowed on the question of how the sums would be invested. In April 2002, the Government indicated that future decisions would be made in the context of broader spending allocations and that the next announcement would be as part of preparations for Budget 2003.[8]

1.3 Open market Option: Pre Budget report 2002

In the pre-Budget report 2002, the Government announced that it had decided to opt for the 'open market' option, in which any provider who meets the specified standards would be able to offer a CTF product. It noted, however, that choosing that option still allowed the possibility of having a default provider for parents who did not wish to make the choice themselves:

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7 Pre-Budget Report 2001, paras 5.62-4

8 Budget Red Book 2002, para 5.65

> **5.58** Following the consultation process the Government has decided, on balance, in favour of open market provision. Existing open market provision with product regulation has succeeded in delivering high quality and efficiently priced products, as evidenced by ISAs and stakeholder pensions. The open market approach would also maximise the scope for a variety of providers to enter the CTF market - from high-street banks and building societies through to friendly societies - thereby allowing families to build on their existing relationships with national and local providers. While an open market could generate more complex choices for consumers, it would still be compatible with providing a default option for parents who do not wish to choose between many competing providers. The specification of product rules and provision of information and education would further limit the risk that parents are forced into making inappropriate choices.[9]
>
> Further consultations were still to take place on a wide range of details, including how much money would be paid to children and in what stages:
>
> **5.59 The Government will now consult with key stakeholders on the detailed implementation of the Child Trust Fund**, including the structure and value of endowments, consumer protection, fund investment options, and methods of delivering financial information, education and advice. The Government will also consider the relationship between the CTF and the suite of 'stakeholder' investment products recommended by the Sandler review and described below.[10]

Ron Sandler's review, *Medium and long-term savings in the UK*, had recommended the introduction of simple, low-cost investment products with controlled levels of risk for which the emphasis would be on regulating the product itself rather than the sales process.[11] The Treasury has consulted on the features of three possible 'Sandler' products: a unitised or mutual fund, a with-profits fund and a pension product.[12] In the consultation it also asked whether the CTF should be subject to similar specifications and whether there should be an explicit link between 'Sandler' products and CTF accounts:

> 135. The Government believes there are strong attractions to providing a benchmark approach for the CTF. Through time, all consumers with children, down to the least financially sophisticated, will be 'buying' this product (in terms of choosing a provider and making an investment choice). There would therefore be arguments for limiting charges for both annual management and for switching providers.
>
> 136. There would also be arguments for limiting the scope of investment choices, although it would be important to provide a range as all consumers will be involved and some – particularly those from very low income families – might be particularly risk averse, while others may favour higher risk products. With this in mind, there might be arguments for allowing both "stakeholder" and 'non-stakeholder" CTFs, with the stakeholder version being the default option and having appropriate investment restrictions (thereby benefiting from a lighter touch sales regime).

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9 HM Treasury, *Pre-Budget Report*, 27 November 2002, para 5.58
10 HM Treasury, *Pre-Budget Report*, 27 November 2002, para 5.59
11 July 2002
12 HM Treasury, *Proposed product specifications for Sandler "stakeholder" products*, February 2003

> 137. As an alternative it would be possible to support a benchmarked CTF, sold through a Sandler-type sales regime, without any connection being drawn by the Government with the other Sandler suite products.[13]

1.4 Official launch: Budget 2003

The CTF, as a policy, was officially 'launched' in the 2003 Budget. The Chancellor announced that an endowment under it would be provided to all children born from September 2002. The date was chosen to align entitlement with the school year, so that all pupils within a school year would be equally entitled.

Making the announcement, the Chancellor said:

> The child trust fund symbolises the difference between those who believe in modernising the welfare state and those who wish it to wither away. At age 18, on the basis of historic rates of return, the child trust fund will accumulate assets that will enable all young people to have more of the choices that were once available only to some. This shows what we mean by putting power, wealth and opportunity in the hands of the many and not the few.[14]

While all children born from September 2002 were to receive an endowment, it would be paid at two levels. The initial endowment was set at £250 for most children, but 'children from low-income families who also qualify for the full Child Tax Credit' would receive a higher payment of £500.[15] The Government expected that roughly one third of children would be entitled to the higher sum. These amounts are the same as the illustrative figures originally provided in April 2001 (see above). Other people, including the child's family and friends, would be able to make additional payments into a trust fund up to an annual maximum of £1,200.

The Child Trust Fund Act 2004, created the Child Trust Fund (CTF) and the scheme finally went live from April 2005, backdated for children born since September 2002.

1.5 Subsequent policy decisions

Two main policy decisions have been made since the scheme started.

In the 2006 Budget, the Chancellor announced that there would be additional payments into CTF accounts at the age of seven. Again, these would be broadly income related with all families receiving £250 and poorer families receiving £500 per child.

In the 2009 budget document it stated:

> **5.49** £250 for all children at birth and age seven, with an additional £250 for children in lower income families. From 6 April 2009 the requirement for parents to send in their voucher when opening their child's account was removed, making account

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[13] HM Treasury, Proposed product specifications for Sandler "stakeholder" products, February 2003, paras 134-7

[14] HC Deb 9 April 2003 c286

[15] HM Treasury press release, *Strengthening the saving habit of future generations*, Budget Press Notice PN 03, 9 April 2003

opening even easier. September 2009 will see the first Government payments to seven year olds.

5.50 The Government recognises that disabled children are likely to have greater financial needs when they make the transition to adulthood. The Government will contribute an additional £100 a year to the CTF accounts of all disabled children, with severely disabled children receiving £200 a year.[16]

[16] Introduced by *Child Trust Fund Account (Amendment) Regulations 2010*

2. Reaction to the Child Trust Fund

2.1 Institute for Fiscal Studies

The Government characterised the philosophy of the CTF as 'progressive universalism'.[17] The Institute of Fiscal Studies, in its Green Budget for 2002, questioned whether the CTF - and its sister proposal the Saving Gateway - would prove an effective means of targeting help to those who need it. These comments were made before some details of the proposal had been decided.

One issue raised by the IFS was the means-tested element of the CTF. The policy combined the type of tax reliefs found in the Individual Savings Account with an incentive to save in the form of a Government contribution to the fund. The Government's contributions was in inverse relation to the wealth of the child's family. That is, children from families with lesser means will receive a higher contribution than those from better-off families. The tax relief was likely to benefit children from richer families to a greater degree since they are likely to be able to save more into their children's funds. That regressive element is however set off by the progressive feature of the means-tested Government contributions. The IFS queried whether the progressive feature is sufficiently valuable to justify the scheme as a whole:

The problem with attempting to equalise opportunity by having a means-tested element of the Child Trust Fund is that the targeting achieved might not be very accurate. It seems likely that the largest part of the means-tested element of the government's contribution will be paid at the time when the child is born.[18] Evidence published in an IFS Commentary:[19]

> suggested that a means test conducted at this time might not accurately capture how well-off a child's family will be throughout the child's upbringing. It is difficult to argue that family income at a child's birth significantly limits opportunities in early adulthood in a way that is better corrected by giving an asset to the child rather than by supplementing family income or by giving the child financial assistance at age 18 that depends on circumstances at that time.
>
> Having the means test at birth determine the size of the largest chunk of the fund would also create certain anomalies. For example, two siblings born a year or two apart could have very differently sized funds simply because the family's circumstances had changed a little. This could seem unfair to the children.
>
> Means testing of contributions to the Child Trust Fund would more accurately capture family income throughout the child's upbringing if means-tested contributions were paid regularly

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17 HM Treasury, *Pre-Budget Report*, 27 November 2002, para 5.56

18 IFS footnote: Chapter 5 of HM Treasury, Saving and Assets for All: The Modernisation of Britain's Tax and Benefit System, Number Eight, London, 2001.

19 Institute for Fiscal Studies, C. Emmerson and M. Wakefield, The Saving Gateway and the Child Trust Fund: Is Asset-Based Welfare 'Well Fair'? Commentary no. 85, 2001, pages 34–8 of which discuss these issues in much more detail.

> during the early part of the child's life. On the other hand, the extra payments and means testing would add to the administrative costs of the policy. The scheme as currently envisaged does not necessarily offer the best solution to this trade-off between administrative cost and accurate targeting. If it is enacted, then it is possible that the means testing will add to administrative costs without successfully targeting the policy towards those that the government wants to help the most.[20]

Overall the IFS concluded by suggesting that more work should have been done on whether the policy as a whole was appropriate before considering how to implement it:

> it is not clear that children from low-income families will be better supported by being provided with an asset that grows through their childhood, rather than by targeted increases in financial support to their families or by targeted education spending. Prior to considering design issues, it would have been useful to have had a stage of the consultation process that invited comments on whether the new policy direction that is asset-based welfare is a good one to take.[21]

2.2 Other reactions

Replying to the Budget in April 2003, the then leader of the Opposition, Iain Duncan-Smith, said:

> Today, after two years and three consultations, reannouncements and re-reannouncements, the Chancellor decided to announce his child trust fund again. We have more overcomplicated proposals that will do little to help future long-term saving, but they will extend means-testing to even more people. There is only one thing to say about this little scheme of the Chancellor's … all the money that the Chancellor is offering to those children will have to go towards paying their tuition fees or their top-up fees.[22]

> Martin Barnes of the Child Poverty Action Group welcomed the proposal but pointed to what he regarded as more urgent priorities for families:

> We welcome the child trust fund and the higher payment for poorer families, but recognise that many families will feel that this is jam tomorrow rather than help today. This is however an important step in tackling the gross inequality of wealth in this country.

> We are disappointed that the discredited social fund remains unreformed. The social fund, intended to help the poorest and most vulnerable, does not work and continues to leave many families without adequate support.[23]

Will Paxton of the Institute for Public Policy Research, which is an advocate of asset-based welfare schemes, welcomed the announcement:

> The financial buffer that middle class families can offer their children allows them to protect their privileged position in society. Improving people's income alone will not lead the poor to have

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[20] 'The Child Trust Fund' in IFS Green Budget 2002 para 7.2
[21] Ibid. para 7.3
[22] HC Deb 9 April 2003 c291
[23] CPAG press release, *Much to welcome in Budget but pressure now on to meet child poverty target*, 9 April 2003

> the opportunity to fulfil their full potential. To do this the government also needs to build up their wealth and this is exactly what the Child Trust Fund will do.
>
> The Child Trust Fund will increase opportunities, help young people manage the transition into independent adulthood and improve financial literacy.[24]

Noting that the impact of any management charges on the investment could be significant, Daniel Godfrey of the Association of Investment Trust Companies also highlighted the need for financial education to accompany the endowment:

> We are very pleased that the government have today launched the Child Trust Fund. We want to stress that it is vital for there to be strong ties to personal finance education in schools. Linking the Child Trust Fund to the National Curriculum would help young people gain the confidence to make informed personal finance decisions in the future. Getting this right may well be of greater benefit to building a well-informed savings culture than the money itself.[25]

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[24] IPPR press release, *Child Trust Fund given the green light*, 9 April 2003

[25] AITC press release, *AITC welcomes introduction of Child Trust Funds and stresses need for link to education through curriculum*, 9 April 2003

3. The Child Trust Fund in practice

The most headline grabbing feature of the early years of the CTF in practice was how hard it is to give away free money. In the first year, almost half a million parents failed to open accounts for their children within the year. In year two, an Observer article led with "Children miss out on £7.5 million in savings".[26] In year three, the same paper noted that only 57% of parents had actively invested their vouchers during the year and "£248 million lies dormant".[27] Writing in March 2008, under the headline, *'Parents shun children's saving scheme'* the Financial Times noted that:[28]

> Hundreds of thousands of parents are still ignoring the £250 child trust fund vouchers...The Government hopes that by making the CTF system "voucherless" in April 2009 it will significantly improve uptake of the scheme, currently at 75 per cent.

Against this description is the fact that an awful lot of accounts were opened and the three millionth account milestone was reached in 2007.

Of the accounts that had been self-invested the majority have been in some form of stocks and shares vehicle; although it is too early to see if the stock market fall of 2008 might have an impact on the allocation of the funds in the future.

The stated policy objectives of the legislation were to:

- Help people understand the benefits of saving and investing;
- Encourage parents and children to develop the savings habit and engage with financial institutions;
- Ensure that in future all children had a financial asset at the start of adult life; and
- Build on financial education to help people make better financial choices throughout their lives.

The idea was first announced in April 2001 and formally launched in the 2003 Budget. The then Chancellor stated that all children born from September 2002 would receive a government endowment at birth of either £250 or £500 and a similar sum at the age of seven. The government contribution was highest for children from lower income households, in line with the policy aim of 'progressive universalism' i.e. a universal benefit, but one which included progressive elements.

While the idea was welcomed in many quarters, including by some welfare organisations and the financial services sector, the introduction of the scheme raised questions about the effectiveness of tackling current inequalities through long-term asset-based projects rather than by simply increasing current benefits. Concerns were also expressed about its complexity and the potential for the redistributive elements to be outweighed by the propensity for wealthier families to take advantage of the option of voluntary additional contributions.

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[26] Observer 13 May 2007
[27] Observer 17 August 2008
[28] Financial Times 15 March 2008

4. Child Trust Funds: abolition

As part of its deficit reduction plans, in 2010 the Conservative-Liberal Democrat Coalition Government announced that it would pass legislation to end CTF payments.[29] The Government announced that:

- from August 2010 government payments at birth would be reduced and payments at age seven would stop, and
- from January 2011, all payments would stop.

Abolition was effected by a two stage process. The level of some payments, or the actual payment (e.g. the top-up at seven) was stopped by secondary legislation, but overall eligibility for a payment at some level could only be revoked by primary legislation (for example the starting payments for all children, and the additional payments for children in lower income families).

The *Child Trust Funds (Amendment No 3) Regulations 2010*[30] were debated, and approved, on 20 July.[31] This cancelled the age seven top-up payment; reduced other payments to £50 (from £250); and set a date (April 2011) for the cessation of payments to disabled children. Proposing the changes, the then Minister, Mark Hoban, said:

> I realise that some parents will be disappointed by the changes, as will child trust fund providers. Many hon. Members here today will be disappointed, too. Of course, if we had unlimited resources, it would have been possible to continue Government payments into child trust funds, but that is far from being the situation. Instead, the Government have inherited the largest deficit in Britain's peacetime history. Tackling that deficit is the greatest economic challenge that we face and our top priority. That will support the recovery, creating the conditions for businesses to grow and enabling interest rates to be kept lower for longer, but it requires us to take tough decisions, which is what we have had to do on child trust funds. It would have been simply unaffordable to continue to spend more than £500 million a year on them. We therefore believe that it is right to reduce and then stop Government payments. That will save £320 million this year, and more than £500 million in each year in the future.[32]

During the debate, no Member criticised the CTF scheme outright; the divide in political opinion was whether this scheme should have been sacrificed for the wider goal of deficit reduction or not. Speaking for the Opposition, David Hanson said:

> Let us simply say that there is a difference of opinion between the coalition and the Labour party about how we deal with that debt-reduction plan. The outcome of today's deliberations is that an unfair choice has been made by the Con-Dem Government, and it will hit the poorer people in our community the hardest.[33]

The second stage in the abolition process was effected by the Savings Accounts and Health in Pregnancy Grant Act 2010.

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29 HM Treasury press release 24 May 2010
30 SI 2010/1894
31 Fifth Delegated Legislation Committee, 20 July 2010
32 Ibid, c3
33 Ibid, c10

The Act removed eligibility to a CTF from children born after 2 January 2011 and from certain children who would otherwise become eligible on or after that date.

Reaction to the end of the scheme was muted. Some comments from the financial services industry suggest that not all providers had worked on the basis that the scheme would last indefinitely anyway. One provider – Family Investments – said it had worked on the basis of recovering start - up costs over a five - year period – so the seven years of the scheme has justified their investment.[34] Another of the big mutual providers – The Children's Mutual – first closed all its CTF funds except its basic stakeholder funds, but subsequently decided to continue accepting new accounts and to manage existing funds.[35] Despite the fact that the CTF earned an estimated £700 million for fund managers, some commented that abolition "was a very sensible way for the government to save money".[36]

Non-industry comment was also conditionally supportive of the cut. Barnardo's said:

> "We want to see child poverty reduced to 1.7 million by 2015 – the missed 2010/11 target. The Government must now play catch-up. "It can be done. Our Government has made the first step, by vowing to cut child tax credits to middle income families and the Child Trust Fund. "To continue on the right foot all it has to do is invest that money saved in our country's poorest children."[37]

The Child Poverty Action Group's (CPAG) attitude towards the CTF had been at best lukewarm and did not comment publicly on its demise. In submissions by the CPAG to the Chancellor before and after the spending review and emergency Budget, CPAG did not mention the CTF.

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34 Reported Guardian 25 May 2010
35 Reported Guardian 3 July 2010
36 Reported Guardian 25 May 2010
37 Barnardo's website press release 20 May 2010

5. The Junior ISA

During the Commons Second Reading debate on the *Savings Accounts and Health in Pregnancy Bill* the then Minister, Mark Hoban, indicated that a new account would be brought forward to replace it:

> To make sure that parents have a clear, simple and accessible option to save for their children, we will introduce a new, tax-free children's savings account after the end of child trust fund eligibility. That account will not have any Government contributions, but it will allow families to build up some savings for their children.
>
> We are working on the details of the accounts with the industry and other stakeholders, and we will set out more detail in the months ahead. We are clear that, as with child trust funds, those accounts will belong to the child; that they will be locked in until the child reaches adulthood; that they will allow investment in both cash or stocks and shares; that they will be able to receive contributions from family, friends and others up to an annual limit; and that all returns will be free of income tax and capital gains tax.[38]

Provisions for a Junior ISA (JISA) were included as Section 40 of *Finance Act 2011*. Quite soon after this, questions were asked about whether an existing CTF could be transferred into one of the new JISAs. There was a perception that somehow the CTFs would 'wither', financial providers would not put any effort into providing good services to them (particularly the non-stakeholder (share based) CTFs. Subsequently, as more JISAs became available, parents and other adult contributors noted that interest rates on CTFs were generally lower than those offered on the new JISAs.

What compounded the unease for people who had made voluntary additional contributions to a CTF, was that because, under the CTF rules money was (with some exceptions) locked in to the account until the child was 18, their money was basically trapped long term, in a poorly performing financial product. Further, once a child qualified for a CTF, even if an account had not been opened yet, it could not also have a JISA. Hence the frequent calls for the CTF funds to be capable of being transferred into the new JISAs.

Having first decided against offering transferability between CTFs and JISA's[39],[40] the 2013 *Budget Red Book* said "The Government will consult on options for transferring savings held in Child Trust Funds into Junior ISAs". It indicated that such a measure might be included in the 2014 Finance Bill.[41]

The consultation was published in May 2013. It noted in its introduction:

> 2.3 However, the Government is aware that some parents and guardians of CTF holders would like the opportunity to open a

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38 HC Deb 26 October 2010, c212
39 HC Deb 24 October 2011 18W
40 HC Deb 23October 2012, 802W
41 HM Treasury, *Budget 2013*, p75

> Junior ISA for their child, and to transfer funds held in their child's CTF to that account. The Government believes such transfers should be possible if CTF account holders would be better served in the Junior ISA market.
>
> 2.4 However, given the relatively short period in which Junior ISAs have been in existence, and the long-term nature of the saving that it promotes, it is not possible at this time to make detailed comparisons between the performance of CTF and Junior ISA investments over the long term. This is particularly the case for non-cash accounts, which form a significant majority of both markets.
>
> 2.6 A further difference between the CTF and Junior ISA concerns the treatment of funds on account maturity. Funds held in a Junior ISA can be automatically rolled into an 'adult ISA' on maturity, outside the normal ISA subscription limits. While this is not currently the case for CTFs, the Government intends to legislate, in good time before the first accounts mature, to provide that funds held in a CTF on maturity can remain tax advantaged after maturity, and may be rolled into an ISA outside the normal subscription limits – as is the case for Junior ISA funds.
>
> 2.7 The Government acknowledges that any changes to the current rules on transferability of funds from CTF to Junior ISA must take into account the impact upon all CTF holders, and any potential impact upon the viability of the wider CTF market. In particular, the Government wishes to consider any potential impact upon the availability of suitable CTF accounts for children at all household income levels, including those children whose parents are not in a position to make regular contributions to their child's account, consistent with its objectives to promote savings through attractive, accessible savings products.

The consultation also included the following:

> 1.11 The Government acknowledges that in the interest of fairness, children with CTFs should not be prohibited from holding a Junior ISA if this account would better suit their long-term interests than a CTF. However, it recognises that there are a range of factors to be considered before making any changes to the current rules, including any impact on the viability of the CTF market as a whole, and the interest of the wider CTF holding population. [42]

The response to the consultation was published in December 2013: Child Trust Fund: Response to consultation. It decided that:

> 1.17 On balance, the Government believes that on the principle of fairness, the proposal laid out in the consultation document should be implemented. Therefore, the transfer of savings from a CTF to a Junior ISA should be permitted at the request of the registered contact for the CTF. Given the uncertainty about the impact that this change will have on the wider CTF market, the Government also believes, as outlined in the consultation document, that when taking legislative powers to allow voluntary transfers, it should also provide scope for further intervention in the CTF market in case this is required at a later date.
>
> 1.18 The Government therefore intends to take this forward at the earliest opportunity subject to finding a suitable legislative vehicle. The timetable for implementation of the change will be

[42] Op cit p3

> determined by the legislative process and it is difficult at present to estimate when this legislation will come into effect. However we hope that the first transfers will be possible by April 2015.

General transferability from CTF accounts to other tax advantaged accounts featured as clause 33 of the *Deregulation Bill 2014*.

6. CTF statistics

CTF vouchers issued

1000's

Year to April	Issued	Accounts opened:	
		by parents	by HMRC
2003	422	304	118
2004	736	543	193
2005	745	551	195
2006	752	537	215
2007	771	547	224
2008	786	558	228
2009	782	548	234
2010	777	524	253
2011*	566	373	193
Total	6,337	4,485	1,853

Note* Year to January

Source: HMRC CTF Statistical Report 2012

Number and % of children entitled to the additional payment by birth year

1000s

Date of birth of child. Year to April	**Accounts opened**	**Entitled to additional payment**	
2003	417	149	36%
2004	709	219	31%
2005	737	237	32%
2006	744	241	32%
2007	762	260	34%
2008	778	271	35%
2009	771	322	42%
2010	735	320	44%
2011*	489	209	43%
All	6,142	2,228	36%

Note* Year to January

Source: HMRC CTF Statistical Report 2012

Public expenditure costs of CTFs

Financial Year £ millions	
2005-06	444
2006-07	257
2007-08	212
2008-09	296
2009-10	387
2010-11	341
2011-12	86
Total	2,023

Source: HMRC CTF Statistical Report 2012

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