The Committee will meet at 9.30 am in Committee Room 3.

1. **Subordinate legislation:** The Committee will take evidence on the draft Dormant Bank and Building Society Accounts (Scotland) Order 2010 (SSI draft/2010) from—

   Jim Mather, Minister for Enterprise, Energy and Tourism, Geoff Pearson, Team Leader of the Third Sector Localism Team, and Laura Sexton, Senior Policy Advisor Third Sector, Scottish Government;

   Jackie Killeen, Head of Policy and Public Affairs, Big Lottery Fund Scotland.

2. **Subordinate legislation:** Jim Mather MSP (Minister for Enterprise, Energy and Tourism) to move S3M-06478— That the Economy, Energy and Tourism Committee recommends that the Dormant Bank and Building Society Accounts (Scotland) Order 2010 be approved.

3. **The way forward for Scotland's banking, building society and financial services sector:** The Committee will consider correspondence received regarding the Committee's report and follow-up actions following the recent debate in the Chamber.

4. **The public sector's support for exporters, international trade and the attraction on inward investment. (in private):** The Committee will consider a draft report.
The papers for this meeting are as follows—

**Agenda item 1**

Note by the clerk  

*The Dormant Bank and Building Society Accounts (Scotland) Order 2010 (SSI draft/2010)*

**Agenda item 3**

Note by the clerk

**Agenda item 4**

PRIVATE PAPER
Background

1. The Dormant Bank and Building Society Accounts (Scotland) Order 2010 ("the Order") is made in exercise of powers conferred by section 20(1) of the Dormant Bank and Building Society Accounts Act 2008 ("the 2008 Act").

2. The UK Parliament passed the Dormant Bank and Building Society Accounts Act 2008 to enable banks and building societies to pass money from dormant bank accounts, on a voluntary basis, to the Big Lottery Fund for distribution for social and environmental purposes. Dormant accounts are defined in the 2008 Act as those which have seen no customer-initiated activity for at least 15 years.

3. Money from dormant accounts will go into a Reclaim Fund set up by the banks and building societies. The Fund will be independent of government and will be authorised and regulated by the Financial Services Authority. The Reclaim Fund will:
   - Receive funds from dormant accounts;
   - Assume the associated liability for any claims from customers;
   - Determine what proportion of the funds needs to be held back to meet any future claims from customers and to meet the Fund’s own running costs.

4. It is expected that the Big Lottery Fund, will commerce distribution of the monies from the Fund in mid-2011. The Scottish Government intends that the Big Lottery (Scotland Committee) will be the distributor in Scotland.
Policy Objectives

5. The Order restricts the purposes for which, and the kinds of person to which, a distribution of dormant account money may be made under the 2008 Act. The distribution of funds will be administered under directions given to the Big Lottery Fund by the Scottish Ministers under sector 22(5) of the 2008 Act.

6. Article 3 provides that distributions may be made to third sector organisations on or connected with services, facilities or opportunities which promote strong, resilient and supportive communities.

Consultation

7. Following the completion of the public consultation exercise in 2008, the Minister for Enterprise, Energy and Tourism and third sector officials have consulted and had discussions on the Order and the dormant bank account funding process with political parties, third sector organisations and the Big Lottery Fund.

8. In addition, policy directions were issued to the Big Lottery Fund by Scottish Ministers in July 2009 which emphasised the importance of outcome-focused funding and the need to align its objectives with the Scottish Government’s five Strategic Objectives.

9. It should be noted that the public consultation exercise was based on the UK Government’s estimate at June/July of the transfer in the initial year to the fund being between £400-£500m for the UK as a whole and around £40m for Scotland. However, according to the Scottish Government, the UK Government has revised this estimate and assuming Barnet formula proportions, Scotland can now expect to receive an initial windfall amounting to around £12m per annum for the first two years and around 1.5m year on year thereafter.

Financial Impact

10. According to the Scottish Government, the Order will have no adverse financial impact on the Scottish Government, or on third sector organisations. Under section 26 of the Act, the Big Lottery Fund may defray out of dormant account money any expenses incurred by it as a consequence of the Act. In addition, section 26 allows the Big Lottery Fund to pay into the Scottish Consolidated Fund, such amounts as the Scottish Ministers determine to be appropriate for defraying expenses incurred or to be incurred by them under the Act.

Subordinate Legislation Committee report

9. The Subordinate Legislation Committee (SLC) considered this instrument and agreed that no points arose in relation to the instrument.¹

¹ Subordinate Legislation Committee, 33rd Report, 1st June 2010.
Action

10. The Committee is invited to decide whether it wishes to agree or disagree to motion S3M-06478 and to report its decision to Parliament no later than 28 June 2010.

Stephen Imrie
Clerk to the Committee
June 2010
Economy, Energy and Tourism Committee

21st Meeting, 2010 (Session 3), Wednesday, 23rd June 2010

Banking and financial services inquiry – correspondence received and next steps

Background

1. During the latter half of 2009 and early 2010, the Economy, Energy and Tourism Committee conducted an inquiry into the banking and financial services sector in Scotland. The Committee’s report was published on 18 March 2010.

2. A number of responses to the report were subsequently received, including from the:
   - Scottish Government
   - Association of British Insurers
   - Bank of England
   - Financial Services Authority
   - Lloyds Banking Group
   - Office of Fair Trading
   - Virgin Money

3. The Committee’s report was debated by the Parliament on 2nd June, 2010. Since that date, there have been a number of further developments and correspondence received, as outlined below.

Concerns regarding the divestment processes

4. On 4th June 2010, Jayne-Anne Gadhia, chief executive officer at Virgin Money, wrote to the Convener regarding the issue of competition in the banking sector in Scotland and expressing concerns at the current status of the divestment process in RBS, Lloyds and Northern Rock. A hard copy of this letter is being circulated separately to members of the Committee.

5. The letter outlines her view that the divestment processes need to bring more competition and different types of banking in Scotland. It notes the developments in the Office of Fair Trading (OFT) and its review of barriers to entry, expansion and exit in retail banking. Virgin Money’s view is that the divestment processes for branch assets in RBS and Lloyds and the sale of Northern Rock are becoming detached from these wider policy review processes. Ms Gadhia suggests that the RBS sales process that is currently

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2 Available at: http://www.scottish.parliament.uk/s3/committees/eet/inquiries/banking/Bankinginquiry.htm
3 Available at: http://www.scottish.parliament.uk/business/officialReports/meetingsParliament/or-10/sor0602-02.htm#Col26803
operating be deferred and requests that the Committee reviews the approaches being followed by the Scottish and UK Governments on these issues.

Future of Banking Commission

6. In June 2010, the Future of Banking Commission published its report into reform of the banking sector\(^4\). The Commission included the following as members:

- Rt Hon David Davis MP
- Rt Hon John McFall (then) MP
- Dr Vince Cable MP
- Peter Vicary-Smith, Which
- Philip Augar, formerly a Group Managing Director at Schroders'
- Clare Spottiswoode, former Director General of OFGAS
- David Pitt-Watson, Chair, Hermes Focus Asset Management
- Roger Bootle, Managing Director Capital Economics

UK Government initiatives

7. The new UK coalition government has also undertaken a number of initiatives since the publication of the Committee’s report. This includes the publication of the coalition government’s plans for banking\(^5\), the new Chancellor’s speech at the Mansion House outlining his plans and future policies\(^6\) and the launch of a new, independent commission to look at banking issues.

8. The new commission will look at the structure of banking in the UK, the state of competition in the industry and how customers and taxpayers can be sure of the best deal. HM Treasury has announced that Sir John Vickers (former Chief Economist at the Bank of England, member of the MPC and Chair of the Office of Fair Trading) has agreed to chair the Commission. He will be supported by four other commissioners, Martin Taylor, Claire Spottiswoode, Martin Wolf and Bill Winters. The commission is expected to report next year (September 2011).

9. Writing in the FT on 18th June\(^7\), John McFall and Philip Augar (the Committee’s former adviser) expressed some concerns at the time it will take for the commission to report and that there “also needs to be an international conversation since there is only so far that any one country can go on its own”. They therefore urged “the other G20 governments to establish an overarching independent, global banking commission (of which the UK body might form part) to examine this issue”.

\(^4\) Available at: http://commission.bnbb.org/banking/
\(^5\) Available at: http://www.cabinetoffice.gov.uk/media/409088/pfg_coalition.pdf
\(^6\) Available at: http://www.hm-treasury.gov.uk/press_12_10.htm
\(^7\) http://www.ft.com/cms/s/0/b62e6a7e-7a45-11df-aa69-00144feabdc0.html
Request to the OFT for a formal inquiry into competition into banking in Scotland

10. In the Committee’s report, the majority of members of the Committee supported a recommendation that the Office of Fair Trading conduct a formal investigation into competition in banking in Scotland in personal current accounts, home loans and business banking.

11. This recommendation was not supported initially by the Scottish Government. During the debate in the Parliament, the Minister for Enterprise, Energy and Tourism stated that the Scottish Government would now “write to the OFT, but whether it takes up the advice is clearly in its gift”\(^8\). A copy of the letter sent by the Minister to the OFT has been received by the Committee\(^9\).

Recommendation/action

12. **The Convener requests that members of the Committee consider the update provided above and consider what further action they wish the Committee to take.**

13. This may include expressing a view on the status of the divestment processes and the link with competition and new entrants into the Scottish banking market; considering whether and how to engage with the new UK coalition government and the newly formed committees in the House of Commons on these matters; considering whether to make a submission to the new independent commission chaired by Sir John Vickers, and; discussing how to monitor developments in the OFT. Finally, the Committee may wish to consider how to keep some of the wider issues, such as access to finance, under review over the coming months.

Stephen Imrie
Clerk to the Committee
June 2010

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\(^9\) Available at: