

dormant accounts



Money for nothing

There's up to £20 billion sitting unclaimed in the UK's banks and building societies. Right now it's doing nothing but boosting banks' profit figures, but times are changing, says Martyn Jones

What if we made a simple proposition: Unclaimed assets should be reinvested in society and removed from banks using them to boost profits, while still maintaining the facility to return the assets to their original owner if, unlikely as it is, they were to make a claim.

A dormant bank account or unclaimed asset, defined as an account lacking a transaction for a certain time-span, rarely rises to the ranks of front-page material; yet such accounts amount to an estimated £20 billion in the UK. Despite this, we remain one of the few developed nations to have failed to take a suitably pragmatic stance. Here in Westminster, I am fighting to see this change.

The subject was brought to my attention as I completed a routine exercise: checking my various standing orders and direct debits. I discovered one standing order paying the Nationwide building society the princely sum of £1 a month, as it had been for years. I thought that it may have been for an insurance policy or something similar, but discovered the money was actually going to a fundraising account for the Wrexham Labour party, in a neighbouring constituency where I had lived 20 years previously. But the party had not benefited for all that time because it did not know that the account existed.

I wondered what would happen if I stopped paying that pound. The Nationwide building society would be sitting on a couple of hundred pounds that did not belong to it, and no one would know where the money was. It soon became clear that this was not an isolated incident. In fact, the amount of such lost money in UK accounts runs into

billions of pounds.

Further revelations did little to reassure, as I discovered individual banks that held hundreds of millions of pounds in such accounts were using the money to boost profit figures. This continues to be the case.

America, Canada and a host of other countries including, most recently, Ireland, have adopted schemes backed by law to transfer such money away from banks to reinvest in society.

Britain remains one of the few with a mature financial sector to have avoided legislating on the issue, and the current official practice remains reactive: Potential claimants can use the voluntary unclaimed assets register. For charities and other claimants, this register is costly and invariably unsuccessful due to the voluntary nature of the scheme, which means many financial institutions don't participate.

Some progress has been made, however. The British Banking Association and Building Society Association have now launched a tracing scheme to help reunite funds with their rightful owners. Along with the Treasury, I agree that this represents a step in the right direction, but it is far from being a comprehensive solution and I lament the lack of proactivity employed by the sector on the issue. In 2004 I urged the financial sector to adopt the tenet and spirit of new regulations against using unclaimed assets to boost profits issued by the International Accounting Standards Board.

Similarly, the formation of the Balance Charity foundation, which serves to distribute unclaimed assets in the UK from voluntary participants, is a promising move, but it remains voluntary and is used by only a few investment banks,

which are prevented from holding unclaimed assets under FSA rules.

I have continued to lobby the government and gained substantial support within the House of Commons for numerous Early Day Motions or 'EDMs'. Towards the end of 2004 I met with the Chancellor to discuss the issue, resulting in the issue's inclusion in his pre-budget report.

As the report recognised, the money in these accounts belongs primarily to the designated owner. Indeed, over 40,000 Irish people have gained from an unexpected windfall thanks to financial institutions, instructed by law, using their resources proactively to reunite funds with their owners. However, when assets and owners cannot be reunited, the assets should be reinvested in society, as long as the original owners' entitlements to reclaim are preserved. In Ireland, such a scheme for reinvestment has manifested itself with over £21 million having already been donated to community projects. In Britain, this figure could easily run into billions of pounds, making this a startlingly more resonant issue.

Good progress is being made but it's now time for a common definition of an unclaimed asset and a statutory solution that forces a common, proactive response from the financial sector. As I continue to lobby the government, I hope the issue of dormant accounts may be included in Labour's manifesto for this election. Either way, what is now clear is that the banks are on notice – and after the election, the pressure for change is going to be irresistible.

Martyn Jones is Labour MP for Clwyd South