Monday 7 August 2017

Embargoed until 00:01 Tuesday 8 August 2017

Millions do not save any money at all – while those that do are missing out on billions of pounds by keeping money in cash

New report proposes ways to encourage savers to invest and put their money to work, along with new 'Britannia Bonds' and giving all fifteen year olds £1500 to invest for their future

Over 14 million working age adults in Britain are not saving at all, and over 26 million British adults do not hold adequate rainy day or pension savings, according to a new report from the Social Market Foundation think tank.

The report, called 'Saving Better', also found that savers are holding more than £200 billion in cash above and beyond the 'rainy day' level – which is defined as three months' worth of income. This means that over the last five years they have lost out on £94 billion of returns if they had invested this money in the FTSE 100, or £40 billion of returns if they had invested in peer to peer loans.

The report, which is supported by peer to peer lender, RateSetter, recommends several measures to address the tendency for people to hold their savings in cash, rather than invest it for potentially higher returns:

- The policy framework for saving and investing should be fully reviewed by the government and reformed to better encourage people to diversify how they save and invest.

- The government should allow for up to 25% of its Future Britain Funds and National Productivity Investment funds to be held by British retail investors. The investments should be renamed "Britannia Bonds" and should be actively marketed to the public as an opportunity to invest in the future of the UK. This could lead to investment worth at least £30 billion over the next five years, delivering greater funding for infrastructure.

- The Government should create a 'Fund at Fifteen' scheme, using money saved by reducing ISA allowances to give all 15 year olds £1,500 to invest in a range of asset classes, supplemented with real life financial education.

The report's author, SMF senior researcher Matthew Oakley, said:

"Despite the best attempts of policy makers, regulators and consumer groups, UK households do not save enough – and those who do save are losing out on billions of pounds in interest by keeping their money in cash.

"There is are clear links between saving, wellbeing, living standards and economic growth and the UK's poor saving performance is a major social policy concern.

"The Government should act to make saving wisely second nature. Marketing its Future Britain and National Productivity Investment Funds to retail investors as Britannia Bonds could give savers access to £30 billion worth of assets over the course of the Parliament.

"Giving each 15 year-old £1500 to invest from 2020 would ensure all young people have at least some financial assets, and would teach them the value of saving and investing wisely."

Rhydian Lewis, RateSetter CEO and founder, commented:

"It is clear that an alarming number of people are not saving at all, but in addition, even those that are diligently putting money away are being short changed by holding their money in close-to-zero return cash accounts.

Moving surplus cash into investments like peer to peer loans, and accepting some risk in exchange for the prospect of better returns, could have added tens of billions of pounds to people's wallets and purses over the last 5 years, which might in turn have spurred them on to put even more money away.

The government should make sure the savings and investment policy framework itself is not acting against the best interests of savers by discouraging them from putting their money to work in assets such as equities, bonds and peer to peer lending."

ENDS

Notes to editors

- The report can be read here: http://www.smf.co.uk/publications/saving-better/

- **About the Social Market Foundation**
  The Social Market Foundation (SMF) is an independent, non-partisan think tank. We believe that fair markets, complemented by open public services, increase prosperity and help people to live well. We conduct research and run events looking at a wide range of economic and social policy areas, focusing on economic prosperity, public services and consumer markets. The SMF is resolutely independent, and the range of backgrounds and opinions among our staff, trustees and advisory board reflects this. www.smf.co.uk

- **About RateSetter**
  RateSetter has grown from start-up in 2010 to a platform that has originated more than £2bn of loans to individuals and businesses across the UK. It has over 250,000 active investors and borrowers, making it one of the largest FinTech business in the UK. RateSetter pioneered many firsts in peer-to-peer lending, including the Provision Fund model.

  All borrowers pay a risk-adjusted premium into the Provision Fund, which reimburses investors in the event of a borrower default. The Provision Fund has a 100% track record to date, but capital is at risk and RateSetter is not covered by the Financial Services Compensation Scheme.

  Another innovative feature of RateSetter is that the interest rate on the platform is set by the supply and demand of money, not by the platform itself. The aspiration is that this rate will become a benchmark rate for money.

  In 2014, RateSetter became the first peer-to-peer lender to launch with a retail licence in Australia. In November 2016, the platform won Best Peer-to-Peer Lender in the FT and

Investors Chronicle Wealth Management Awards for the third year running. RateSetter was the highest-rated platform by Which? readers in 2015, 2016 and 2017. RateSetter is regulated by the Financial Conduct Authority.

More info is available at www.ratesetter.com. Follow us on Twitter @RateSetter.

- **Interviews/media enquiries**

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