

Immigration Bill: current accounts held by illegal immigrants

HM Treasury

RPC rating: fit for purpose

The IA is now fit for purpose as a result of the department's response to the RPC's initial review.

Description of proposal

The proposal would require banks to check existing current account holders against a list of immigration offenders provided by the Home Office and to notify the Home Office of any matches. Banks would then be required to take steps to stop providing access to banking services for those individuals.

Impacts of proposal

Banks are already required to check the details of account holders against other lists, for example in relation to counter-terrorism. The Immigration Act 2014 also introduced a requirement for banks to screen new current account applicants for immigration offenders. This check is done through a secure service provided by Cifas (the UK's Fraud Prevention Service). The new proposal is intended to build on these existing processes. Based on the existing Cifas service, the department estimates that 143 banks offer current accounts that are subject to the existing Immigration Act 2014 screening requirements. Using information from industry, the cost of amending existing processes within banks and Cifas and familiarisation with the changes is estimated to be £0.2 million.

Banks will also incur ongoing costs as a result of having to conduct checks and reduced levels of debt recovery from accounts in debit (debt loss). As these costs depend on the number of accounts held by illegal immigrants, they are subject to some uncertainty. The department has used data provided in commercial confidence and has also now provided additional information on the ranges used to inform their estimates. As discussed below, the sensitivity analysis should be included in the IA. Using a central estimate of 6,000 accounts matched in the first year and 900 in each subsequent year and industry evidence on the proportion of current accounts likely to be in debit, the department estimates that banks will lose £2.1 million over 10 years as a result of debt loss, with the cost of conducting checks estimated to be £44,000 over the same period.

On the basis of the evidence presented, the RPC is able to validate the estimated equivalent annual net cost to business (EANCB) of £0.2 million.

Quality of submission

As initially submitted, the IA included several points that meant the EANCB was not sufficiently robust. As set out below, the department has provided further information in relation to these issues. The RPC is now able to validate the EANCB, but feels more of the additional information should be included in the IA before it is published.

Issues addressed following RPC's initial review

Costs to business – the IA now correctly excludes the £1.6 million public sector benefits from the calculation of the EANCB. This results in an increased estimated cost to business.

Disaggregation of data – the department has provided further information on the calculation of the low and high estimates of costs and benefits of the proposal. The high estimate is based on 9,000 accounts being matched initially and a subsequent annual volume of 1,350 matches, while the low estimate is based on 3,000 initial matches and 450 annual matches. This information, and the related sensitivity analysis, should be included in the IA. Given the uncertainty about the number of accounts likely to be matched, this information usefully demonstrates that the effect on the estimated costs to business is not expected to be significant (less than £0.1 million in EANCB terms).

Financial Conduct Authority (FCA) administration costs – the department has provided further information on how it expects the FCA to approach the implementation of the new requirement. Based on this information, it appears reasonable that the FCA will incur very limited or negligible administrative costs if any changes to the FCA rules are required and that this will not result in any increase in fees to business or a material opportunity cost to the FCA.

Risks of increased criminality and relationship to other proposals/policies to tackle illegal immigration – the IA now discusses, briefly, the interaction of this proposal with other measures to tackle illegal immigration. It acknowledges that the difficulty in separating out the effects of individual elements of the Government's proposals might result in some double counting of benefits to public services. The IA would be improved if this risk is also highlighted in the section of the IA discussing the average public sector benefits of reduced illegal immigration. The IA should also include a discussion of the potential offsetting effect of reduced tax receipts on the public sector benefits.

The IA now also discusses the risk of the proposal encouraging individuals to use the 'black economy' rather than seeking to leave the UK. The department's explanation that this is not likely to be a significant issue, as a result of other proposals to reduce opportunities for illegal working, appears reasonable.

Small and micro-business assessment

The IA includes a detailed discussion of the approach taken to small and micro businesses.

The definition of a 'firm' that would be within scope of the requirements specifies minimum capital holding requirements. While the exact requirements are currently being reviewed, the department's assessment is that it is unlikely that any small or micro-businesses would be included within the scope. The department has also excluded credit unions from the requirements. Due to the nature of credit unions, these are likely to be smaller businesses than banks offering current accounts and were excluded from the Immigration Act 2014 screening requirement. The department has also committed to exploring a phased transition period if it would be beneficial to smaller banks.

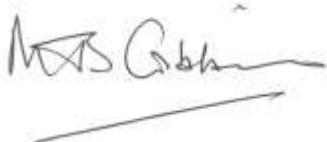
In the resubmitted IA, some of the figures in the small and micro-business assessment, for example in paragraph 58, have not been updated to reflect the changes discussed above in relation to the EANCB.

Initial departmental assessment

Classification	IN
Equivalent annual net cost to business (EANCB)	£0.06 million
Business net present value	-£2.3 million
Societal net present value	-£0.8 million

RPC assessment

Classification	IN
EANCB – RPC validated	£0.2 million
Small and micro business assessment	Sufficient



Michael Gibbons CBE, Chairman