

JUNE 2023

CHILD TRUST FUNDS

Pressure on CTF account providers to take action is mounting.



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INTRODUCTION

This report discusses the growing concerns and challenges surrounding unclaimed Child Trust Funds (CTFs) in the United Kingdom. CTFs were established by the government between 2005 and 2011 to provide financial support to young people as they enter adulthood. However, a significant amount of money allocated for CTFs remains unclaimed. This report explores the latest developments, including the oral evidence presented to the Public Accounts Committee, the actions taken by CTF providers, and recommendations for addressing this issue.

CURRENT SITUATION

The National Audit Office (NAO) reported that hundreds of millions of pounds in CTFs have yet to be claimed. This money was intended to support young people at the start of their adult lives. The NAO findings revealed that £2 billion of taxpayers' money allocated to CTFs remains unclaimed, while CTF providers have earned millions in fees from managing these accounts. The NAO also highlighted that between 27% and 42% of all matured CTFs are unclaimed by the young owners.

The Public Accounts Committee held an inquiry into CTFs, during which Dame Meg Hillier MP, Chair of the Committee, expressed concerns about the unclaimed funds and the lack of knowledge regarding the number of young people who have lost track of their CTFs. The Committee emphasized that the unclaimed funds, amounting to nearly £400 million, could serve as a vital lifeline for young individuals, particularly those from low-income backgrounds.



ACTIONS TAKEN AND INITIATIVES

During the inquiry, it was established that the primary responsibility for connecting young people with their CTF accounts lies with the CTF providers. To address the issue of unclaimed CTFs, some providers have taken action by joining the CTF Register, an initiative launched by The Share Foundation and The Tracing Group.

The CTF Register serves as a central database, enabling CTF providers and CTF owners to connect. The Share Foundation, a registered charity dedicated to supporting young people, hosts the search facility findctf.sharefound.org. When a young person completes the search form on this platform, they receive an email from The Share Foundation, informing them where their account is held and what steps they need to take. This service is provided free of charge to the young individuals.



For CTF providers who have not joined the CTF Register, the search request of young individuals must be routed through the government gateway system from HMRC. However, this process can take weeks or even months to receive a response telling them where their CTF was originally opened. This historic data can be inaccurate now due to changes in the CTF marketplace. In contrast, the CTF Register operates on up-to-date holding information, ensuring faster and more accurate results.

The CTF Providers that have joined the CTF Register are also performing proactive searches for matured CTF account owners who have reached the age of 19 but have not claimed their funds. These providers are taking steps to track down these individuals to inform them this money is waiting for them. This is not a process that is being applied across the board though, leading to unacceptably high levels of unclaimed CTF accounts.



RECOMMENDATIONS

To effectively address the issue of unclaimed CTFs, CTF providers should consider the following actions:

- **Simplify the Process:** Make it as easy as possible for young individuals to find their CTF accounts. Offer a search facility on your platform, allowing individuals to check if they have a CTF account with your organisation.
- **Raise Awareness:** Share information about CTFs to increase awareness among the target audience. Highlight your proactive efforts to track down CTF owners and showcase your commitment to doing the right thing. Sharing success stories can encourage more young individuals to come forward and claim their funds.
- **Proactive Tracing:** Implement proactive tracing measures to locate matured CTF owners who have not claimed their funds. Recent projects have shown success rates of finding 7 to 9 individuals for every 10 requested searches. Investing in face biometric and seamless ID onboarding processes can streamline the identification and verification (IDV) process.

Engaging with these young people in such a positive and proactive manner is highly likely to lead to long-term relationships and potentially retention of the customer for life.

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Conclusion

The issue of unclaimed CTFs poses a significant challenge for both young individuals and CTF providers. The efforts made by some providers to join the CTF Register and proactively search for unclaimed funds are commendable. However, there is a need for a broader industry-wide approach to tackle this issue effectively. By implementing the recommended actions, CTF providers can play a crucial role in reuniting young individuals with their unclaimed CTF funds, ensuring that these accounts do not become dormant assets.