More than £3 billion could be sitting in 'lost' child trust funds

Teenagers are struggling to access their money, with accounts having moved banks or paperwork lost from two decades ago

By Hayley Dixon, SPECIAL CORRESPONDENT *and* Poppie Platt

11 July 2021 • 8:00pm

More than £3 billion could be sitting in "lost" child trust funds, it has emerged, amid concern that teenagers are struggling to access their free money.

Almost every child born in the UK between late 2002 and the beginning of 2011 has a savings account started by the Government, with HMRC data showing that the average is now worth £1,500.

But the Share Foundation, a charity helping teenagers access their accounts, has estimated that around two million – almost a third of the total – are "lost" as the beneficiaries either never knew that they had them or have moved home and forgotten about the accounts.

The child trust funds can be withdrawn from a person's 18th birthday, but of the first 525,000 accounts which matured between Sept 1, 2020 and May 31 this year, 305,000 – holding around £554 million – are still unclaimed, according to The Investment and Savings Alliance (Tisa).

Whilst it is thought the majority belong to people who do not know they exist, some have had trouble tracking down their accounts, or have lost the paperwork from two decades ago.

In the past 18 years many of the accounts have moved banks, often without the knowledge of the owner.

The Telegraph has been contacted by at least one teenager who has been told there is no record of his account existing since it was transferred to a new lender in 2016.

How to find your Child Trust Fund

The easiest way to find a trust fund is through the tracing register hosted by the Share Foundation a...

Expand to read more +

Others have been waiting months to access the cash as the phone lines to the main lenders are jammed with people trying to trace their money.

Legal and General were among the original holders to transfer all of their accounts to another lender, One Family, whilst Halifax in recent years transferred their trust funds to Forester Life.

However, experts assured young people that their money is not lost, and they can trace their accounts either through the HMRC or the CTF Register, a free search service.

Gavin Oldham, the founder of the Share Foundation, said that the accounts "are only good news" but the "real challenge" is letting teenagers know they are in line for a windfall.

He said: "That £1,500 could make a huge difference to a person's life, particularly the most disadvantaged teenagers who are most likely to not know they have these accounts.

"The figures coming out from the providers show that the number of gone away accounts could actually be higher than our analysis, because the proportion of 18-year-olds who have not claimed their accounts since eligible is 58 per cent."

Mr Oldham said that whilst the money is currently protected it would only take a change of policy for it to be reallocated, adding: "I refuse to see these accounts one day going into dormant assets and being given away to arts charities."

Even if it is only two million accounts that go unclaimed, at an average of £1,500 that would mean around £3 billion sitting in banks.

Savings options for children

Up to £4,128 a year can be saved in a Junior Isa, for the 2017-18 tax year, for a child under 18. Capital gains and income are tax free. The allowance can be split between cash and stocks and shares.

Jisas cannot be opened by anyone other than the child's parents or guardians.

The money cannot be withdrawn until age 18, unless the child is terminally ill. At 18 the money falls into the child's hands, and is theirs to invest or encash as they wish.

Junior self-invested personal pensions (Sipps): anyone can contribute £3,600 to a pension per year, even if they have no earnings. This money gets the usual 20pc tax relief, meaning up to £2,880 can be contributed; the tax relief comes in at £720.

The savings are tied up for far longer than a Jisa – until the child reaches 55 (under current legislation). It may be better, therefore, to first invest in a Jisa and put any further savings in the pension.

Your own Isa: if you are not using up your full Isa allowance each year, you can invest for your children in that. The limit for this tax year is £20,000. Investing the money through your own Isa has the benefit of giving parents control over the money even when the child reaches 18. However, grandparents and friends may be less willing to contribute because the money is not ringfenced.

See Telegraph Money's selection of top funds here

Children born between Sept 1, 2002, and Jan 2, 2011 received a £250 voucher, which rose up to £500 for lower income families, when they were born. Hundreds of thousands received a £250 top up when they were seven.

But more than 1.7 million families – many of them from disadvantaged backgrounds – did not open an account at all and so it was done automatically by the then Labour Government.

The costly scheme was scrapped by the coalition, but the existing accounts remained with parents and grandparents able to top up the savings and teenagers able to take control of their cash from the age of 16 and withdraw it from 18.

The latest figures from the HMRC show that in the year to April 2020, 5.1 million of the 6.1 million accounts went untouched. The average in the accounts is £1,500, but at least 13,000 of them contain more than £25,000.

The accounts were either taken out in cash or invested in the stock market or shares.

Teenagers are advised that they should take control of their accounts as they can be incurring fees of up to 1.5 per cent, which analysis shows is up to three times more than they need to be paying.

Nigel Banfield, the policy lead on CTFs at Tisa, said: "This money could make a significant difference on going to university, the digs that they are staying in, buying their first car or having their first significant holiday.

“I would very much encourage young people to come forward and do something about it, particularly those on lower incomes where obviously £1,000 is significant. It might feel like it’s a lot of work, but it shouldn’t be that difficult to pick up. The account will be there somewhere, so we will be able to find it.”

‘I had to wait four-plus months to gain access to money that is lawfully mine’

Jodie Gough, 18, from Nottingham, had been unaware she even had money saved in her Child Trust Fund, but contacted her bank as soon as she found out on her 18th birthday.

Jodie said she had tried to phone her bank, RBS, multiple times to access her trust fund – firstly to change her address, which left her on hold for over two and a half hours. Then, she was left unable to access the online portal required to access funds because the bank denied her documentation.

She said she had to phone back multiple times, with each occasion taking hours of holds and waiting. She was eventually told she had to fill out more forms and get her birth certificate signed by somebody she was no longer in contact with. Even the cost of stamps became a hindrance as she was forced to send off multiple letters to try and access her funds.

“My birthday was in March, so waiting four-plus months to gain access to money that is lawfully mine is absolutely outrageous,” she said.

Related Topics

Your Money, HM Revenue & Customs, Children, Savings accounts

5

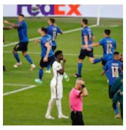
More stories

Bukayo Saka is a teenager who had never taken a penalty - so why was he asked to do it now?

Gentrification has ruined the Cotswolds I grew up in

England lose Euro 2020 final to Italy as Gareth Southgate's three young subs fail to score in


shootout


'If you are Sterling or Grealish, you cannot have a young kid go ahead of you': How football reacted to England's Euros penalty heartache


Gareth Southgate: 'It feels like my stomach has been ripped out this morning' - latest reaction

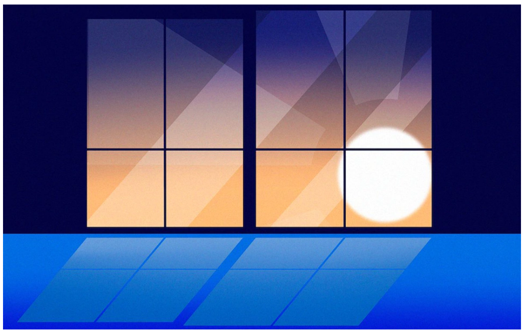

House sales collapse as Sunak reins in stamp duty cut

More from News


Live | Coronavirus latest news: We must unlock on July 19 or risk 'not opening up at all', Sajid Javid warns

By Ewan Somerville

▶ 12 Jul 2021, 6:16pm



Monday evening UK news briefing: July 19 Freedom Day gets go ahead but with 'gradual' return to work

By Chris Price

12 Jul 2021, 6:14pm

Covid deaths will likely rise to 200 a day this summer, say government scientists

By Joe Pinkstone

12 Jul 2021, 6:07pm

Pictures of the Day: Huge bonfire marks the start of protestant 12th July celebrations

12 Jul 2021, 6:05pm

'Rivercide': Why are we flooding British rivers with sewage?

By Joe Shute

12 Jul 2021, 6:00pm

Live | Working from home extended and face masks encouraged after July 19, Boris Johnson announces

By Catherine Neilan

▶ 12 Jul 2021, 5:58pm

What is a good pension pot at 55?

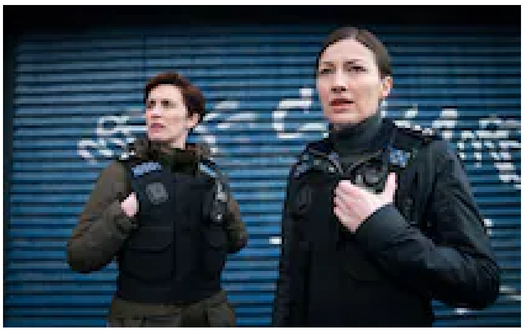
Looking for a romantic getaway? These are the best hotels

How BA Holidays can help find your perfect trip

3 of the best beach hotels

More from The Telegraph

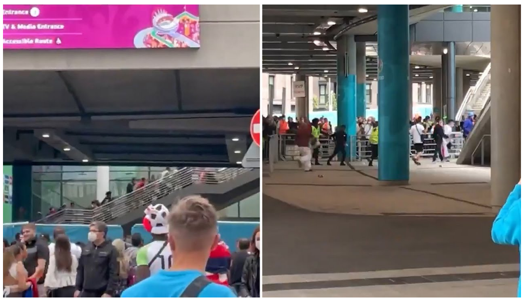
Jack Grealish hits back at suggestion he shirked taking a penalty



Rise in men who feel the BBC 'no longer reflects people like me'

The latest Covid lockdown rules that will change from July 19

Type 26 frigate: Inside the world's most advanced warship



For England fans, it was the best of times and the worst of times

Coronavirus latest news: We must unlock on July 19 or risk 'not opening up at all', Sajid Javid warns