

The Rt Hon Rachel Reeves MP  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
London SW1A 2HQ

11 July 2024

Dear Chancellor,

**Rebuilding the UK's Investment Strengths - A Priority for the New Government**

There is an impending crisis of long-term savings and investment in the UK that must be a priority for the new Government. We call on the Government to make restoring this savings and investment deficit to health a core mission. Achieving the Government's welcome growth goals will clearly be dependent on doing so. And in doing so the Government will be far more able to help those in need. This crisis has long standing causes and damaging consequences for our country and society if not urgently addressed.

The significant causes include fundamental changes to the UK's pensions system over the last 25 years. These changes have been seismic and have far reaching effects, as the responsibility for pension provision moves away from pooled defined benefit schemes to individual defined contribution arrangements. These, in conjunction with a regulatory culture that promotes risk aversion at the expense of returns, have contributed to reduced pension exposure to equity investment and in particular to UK equities, with both problems compounded by an insufficiently scaled replacement national pension system.

The consequences include completely inadequate pensions for the vast majority of the population, diminished job opportunities, a weak tax base, inability to fund Government commitments, and lack of social and economic resilience. Moreover, these are all damaging to the UK in a competitive global investment market.

Achieving better retirement incomes for ordinary people should be a core goal of our investment system. Not doing so is unfair to younger generations especially as people are living longer and with greater needs in retirement.

A deep, growing and vibrant domestic savings and investment market is also vital for the health and wealth of our country. The availability of a growing pool of long-term investment capital is critical for allowing UK businesses of all shapes and sizes to grow and flourish. These businesses support the jobs and taxes that enable our country to afford, for example, our health and social care, education, pensions, defence and environmental expectations and needs.

The UK has the second largest savings sector in the world. Mobilising these savings to ensure that this national wealth can play a part in revitalising the economy and to support growth is essential.

The UK has a wealth of entrepreneurial talent and is hugely dynamic in creating new businesses. They would all value a vigorous and fully supportive domestic long-term savings and investment sector.

Over reliance on international capital significantly reduces the resilience of the UK and removes from the country the many social and economic benefits of business ownership.

We call on the Government to prioritise the conditions and decisions that will:

1. Increase substantially and over time the rate of long-term savings – most especially in workplace pension schemes.
2. Support structures that channel public and private domestic capital investment into UK businesses – this could include a sovereign wealth fund. Reduce the barriers that act to discourage domestic investment.
3. Ensure that if tax benefits are provided to encourage savings, UK businesses get value for and a fair share of this investment.
4. Recognise that regulation can provide important protections, but can also bureaucratise and reduce investment scope and discourage a sensible approach to taking investment risk.
5. Encourage a resilient and competitive domestic capital market.

Ideas have been suggested by a range of informed stakeholders to deal with this impending crisis. More will come. These must continue to be urgently explored, and choices made for the long term good of the UK.

The Government has the opportunity to prioritise and address these challenges, which many other countries also face, and to make the UK a leader in addressing them. Showing positive momentum, with long term plans rather than ineffectual quick fixes, will help to create the bedrock for sustainable UK prosperity and growth.

The UK has all the conditions, resources and experience to deal with this challenge successfully, turning it into an opportunity to create better retirements for our citizens and a world leading savings, investment and business environment. We are fully prepared to play our parts in dealing with this challenge.

Yours faithfully,

Tracy Blackwell, Richard Buxton, Robert Colthorpe, Ashok Gupta, Peter Harrison, Catherine Lewis La Torre, James Palmer, Keith Skeoch

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## Signatories

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Ashok Gupta – Chair of New Capital Consensus, former founding director of Phoenix and former Chair of AA Insurance and of Skandia UK

Peter Harrison – Chief Executive of Schroders PLC and former Chair of the Investment Association

Catherine Lewis La Torre – Former CEO of both British Patient Capital and the British Business Bank

James Palmer – Partner and former Chair and Senior Partner of Herbert Smith Freehills and former Chair of the FCA's Listing Authority Advisory Panel

Sir Keith Skeoch – Chairman of QBE in Europe, former CEO of Standard Life Aberdeen PLC, former Chair of the Investment Association and Chair of the Pre-emption Group