

## **STATEMENT BY THE GSLP/LIBERAL OPPOSITION**

79/2008

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The reason given by the Government to justify its decision to raid the reserves of the Savings Bank does not stand up to scrutiny.

The Government claims that the decision to remove all the reserves of the Savings Bank is a “win, win, win” decision. This evaluation has to be judged against the background that this Government behaves as if it could do no wrong or make any errors of judgment. Everything they do, according to them, is therefore a “win, win, win” decision.

If taking the reserves of the bank is such a good thing, why has it taken them 12 years to implement?

The reality is that this decision has been driven by a need for money and that in making use of the money in the bank they are doing so irrespective of the wisdom of the decision.

The Savings Bank has, as the Government says, grown since 1996 by attracting £ 86m in extra deposits from the public, but of course this was before they had implemented the changes that they have now announced.

The Opposition considers that the prospect of retaining such deposits, let alone increasing them further, is bound to diminish if the Bank is required to keep the deposits it receives in cash and has to pay deposit-holders interest rates that reflect this new, lower-profit situation.

Other than the need to get hold of the reserves built up in the 73-year history of the bank, no other reason has been given for the changes. The Opposition has never suggested that the Bank would default in its obligation to depositors as a result of the new rules. It cannot because if it were unable to meet its obligations the responsibility falls on the government, as the Bank's owners, to bail out the bank and foot the bill out of taxpayers' money. That was and continues to be the position and there has been no change.

However, what has changed is that under the new arrangements the contingent liability on the Government is now bound to be greater because the £ 17m buffer provided by the Bank's capital base has disappeared and is no longer there.

ENDS