



# HOUSE OF LORDS

## HOUSE OF LORDS EUROPEAN UNION COMMITTEE FINANCIAL AFFAIRS

### CALL FOR EVIDENCE

#### **Brexit: 'no deal' financial obligations**

The House of Lords EU Financial Affairs Sub-Committee, chaired by Lord Sharkey, has launched an inquiry into the UK's financial obligations to the EU in a 'no deal' scenario. This will build on its previous report, *Brexit and the EU budget*, published in March 2017. The Committee invites interested individuals and organisations to submit evidence to this inquiry.

Written evidence is sought by 28 August 2019. Public hearings are expected to take place in September and the Committee aims to report to the House in October.

#### *Background*

Based on a range of evidence received, our previous report concluded that Article 50 allows the UK to leave the EU “without being liable for outstanding financial obligations under the EU budget and related financial instruments, unless a withdrawal agreement is concluded which resolves this issue.” However, it also warned that the political and economic consequences of doing so would be “profound” and noted that the EU may well demand a financial contribution before agreeing a preferential trading relationship, as well as a transition period.

The Government recognises that the UK has obligations to the EU, and the EU obligations to the UK, that will survive the UK's withdrawal – and that these would need to be resolved in the event of a 'no deal' Brexit. In our ongoing correspondence with the Government, the Chief Secretary to the Treasury has told us that the UK will seek a negotiated settlement with the EU if the draft Withdrawal Agreement is not ratified.<sup>1</sup> However, if a negotiated settlement cannot be reached, this would then be settled “through the courts, in the context of obligations contestable under both EU and international law.”

The EU has made clear its view that the UK honouring the financial commitments that it made as a Member State will be a precondition for any future negotiations. In April, the European Commission published a Brexit Communication which said that addressing the UK's financial obligations, together with the issues of citizens' rights and the Northern Irish border, would be “a precondition for discussions on the way forward.”

Giving the increased possibility of a 'no deal' Brexit, the Committee has decided to revisit the issue of the UK's financial obligations to the EU, focusing in particular on the possible consequences of the UK deciding not to pay. This could involve considering the enforceability of the UK's financial obligations to the EU, the likely political response from the EU, and the implications for UK organisations that currently receive EU funding.

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<sup>1</sup> The Government estimated the financial settlement contained within the draft Withdrawal Agreement as approximately £35–39 billion, on the assumption of a 29 March 2019 exit.

## *The inquiry*

The Committee seeks evidence on the following questions in particular:

1. What are the different scenarios under a 'no deal' Brexit and how could these affect the UK's financial obligations to the EU?
2. What is the status of the UK's financial obligations to the EU, and the EU's financial obligations to the UK, in the event of a 'no deal' Brexit?
3. How do the UK's financial obligations to the EU in a 'no deal' scenario compare to the financial settlement contained within the draft Withdrawal Agreement?
4. How have the Article 50 extensions affected the value of the UK's financial obligations to the EU? How could any further extensions affect this?
5. If no agreement is reached with the EU, how would the UK's financial obligations be legally enforced? Under which court's jurisdiction could such a case be considered?
6. What is the EU's position on the UK's financial obligations, particularly its participation in the remainder of the 2014–2020 Multiannual Financial Framework (MFF)?
7. What would the political consequences be of the UK and EU failing to reach an agreement on their mutual financial obligations?
8. How would the EU's funding commitments be affected if the UK decides not to pay a financial settlement?
9. How would UK organisations currently receiving EU funding be affected in a 'no deal' scenario? Which areas, if any, would not be covered by the guarantee initially announced by the Government in December 2018?
10. If the UK chooses to participate for the remainder of the current MFF, to what extent could EU funding to the UK decrease during this period? How should this be addressed?

You need not address all of these questions.

## **ANNEX: Guidance for submissions**

Written evidence should be submitted online using the written submission form available at: <https://www.parliament.uk/hlinquiry-no-deal-financial-obligations-submission-form>

This page also provides guidance on submitting evidence. If you have difficulty submitting evidence online, please contact Committee staff by email at [garwellh@parliament.uk](mailto:garwellh@parliament.uk) or by telephoning 020 7219 3140.

The deadline for written evidence is Wednesday 28 August 2019.

Short submissions are preferred. A submission longer than six pages should include a one-page summary. Paragraphs should be numbered. All submissions made through the written submission form will be acknowledged automatically by email.

Evidence which is accepted by the Committee may be published online at any stage; when it is so published it becomes subject to parliamentary copyright and is protected by parliamentary privilege. Submissions which have been previously published will not be accepted as evidence. Once you have received acknowledgement that the evidence has been accepted you will receive a further email, and at this point you may publicise or publish your evidence yourself. In doing so you must indicate that it was prepared for the Committee, and you should be aware that your publication or re-publication of your evidence may not be protected by parliamentary privilege.

Personal contact details will be removed from evidence before publication, but will be retained by the Committee Office and used for specific purposes relating to the Committee's work, for instance to seek additional information.

Persons who submit written evidence, and others, may be invited to give oral evidence. Oral evidence is usually given in public at Westminster and broadcast online; transcripts are also taken and published online. Persons invited to give oral evidence will be notified separately of the procedure to be followed and the topics likely to be discussed.

Substantive communications to the Committee about the inquiry should be addressed through the clerk of the Committee, whether or not they are intended to constitute formal evidence to the Committee.

This is a public call for evidence. Please bring it to the attention of other groups and individuals who may not have received a copy directly. Diversity comes in many forms and hearing a range of different perspectives means that Committees are better informed and can more effectively scrutinise public policy and legislation. Committees can undertake their role most effectively when they hear from a wide range of individuals, sectors or groups in society affected by a particular policy or piece of legislation. We encourage anyone with experience or expertise of an issue under investigation by a select committee to share their views with the committee, with the full knowledge that their views have value and are welcome.

You may follow the progress of the inquiry at: <https://www.parliament.uk/hlinquiry-no-deal-financial-obligations>