



Consultation Response

FCA cash savings market study report (Jan 2015)

13 February 2015

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Key points and recommendations

1. AgeUK welcomes the publication of the cash savings market study report and the remedies proposed, but would like the FCA to go further than it has in requiring product defaults that give better returns to customers.

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General comments

Age UK welcomes the publication of the cash savings market study report, and agrees with the finding that there are competition issues to be addressed in the light of the very large sums of money held in cash savings accounts at very low rates of interest, even where balances are sufficiently high to justify a rational search for higher returns.

We welcome the finding that product transparency and customer communication need to be improved in order to increase the ability and motivation of customers to seek out products with better rates of return.

At the same time, we would like the FCA to go further than it has in requiring product defaults that give better returns to customers and we urge the FCA to take advantage of the consultation process to consider and adopt further remedies in this area. Our proposals are set out in more detail under the rele

A2: Better information provision post-sale

We agree with your proposals in this section.

In relation to display of interest rates, there is a financial capability question to be considered. Empirical tests have shown that there is a significant minority of the population who cannot accurately calculate a sum of money from an interest rate. In its 2006 Financial Capability Study the Financial Services Authority reported that in tests conducted for the study one fifth of respondents could not accurately assess the effect of inflation on an interest rate, 25% could not spot the best rate of return from a chart showing different rates of return (rising to 40% of the over 70s) and ten percent could not correctly compare

Research with consumers should be used to sort out the best design. We would appreciate seeing the final proposed designs before they are launched to the public.

On A2(e) "de minimis rule" (p 103) we would only support a de minimis rule being applied to accounts with very small balances (eg £100 or less, accounting for 60% of easy access accounts, according to Figure 2, page 17 of the FCA report). In particular, there should not be a de minimis rule relating to time, because the absence of activity may itself be an indicator that the customer thinks they are "all right" and their money is being looked after properly. It may come as a shock to them to find they are being paid a below-market rate of interest in an account that has been terminated for new customers.

Additional remedy

In addition to the proposals supported above, AgeUK would like to suggest the following additional remedy:

Compulsory periodic notification to holders of large balances in low interest accounts

There can be transient reasons for customers holding a large sum of money in a low interest account (for example, anticipation of a large payment or prior to making an investment) but where a large sum remains in a low interest account for an extended period we think the bank should write to the customer pointing out that there are better options available. The switching box should be featured. This should be a paper communication or email (where a customer has opted for email communication) directed specifically to the customer in question. The communication should be repeated at intervals, for example every six months. Suitable thresholds should be set for this exercise, for example £10,000 and £20,000 for accounts meeting the above thresholds and it seems to assist customers improve the returns they are getting on these balances.

A3: Choices on auto-renewal of fixed term accounts

We agree strongly with your proposal here. The option of auto-renewal or return payment

would be security. It is not immediately apparent how live account aggregation will be

services (other than the interest rate) be rationalised on a “most favoured interest rate” basis.

Remedies the FCA is not pursuing (p 115)