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Dear Lee,

CP15/24 Cash Savings remedies: Discussion & Consultation paper

The Financial Services Consumer Panel welcomes the opportunity to respond to the Cash Savings remedies discussion and consultation paper.

As we said in our response to the Cash Savings Market Study¹ it is important that consumers are made aware promptly of changes to their savings rates, and that they can switch to other providers or accounts with better interest rates.

However, the Panel is disappointed that the majority of the remedies being proposed focus on the demand side; that is, consumers are required to take action to achieve the desired effect. We believe there should be more pressure on firms to treat their customers fairly, for example, by automatically moving savers onto the next best available rate, when their fixed or teaser rate ends.

We support additional information provision and greater transparency for consumers. For example, savers should be left in no doubt of the length of any bonus rate, but this should be as well as, and not instead of, firms treating their customers fairly.

We also urge the FCA to monitor ISA rates relative to the same provider's other savings rates. Best buy tables suggest that firms often offer higher gross interest rates on their non-ISA savings products than on their equivalent ISAs. These advertised rates may be pushing some consumers away from ISAs and the tax breaks which go with them when that may not always be the most appropriate or beneficial product.

Clearly, we would not want to see firms moving a customer to what seems like a preferential rate on a savings account from an ISA, therefore leaving the customer potentially to lose out on the tax break.

Switching Box

It is good that the FCA is carrying out randomised controlled trials in relation to the use of switching boxes. It is likely the FCA will receive extensive 'push-back' from the industry for providing this information, and we hope that the evidence gathered will help mitigate against any industry arguments.

¹ https://www.fs-cp.org.uk/sites/default/files/cp_response_cash_savings_market_study_20150214.pdf

Sunlight Remedy

While the FCA says the target audience for the published comparative interest rates for firms would not be consumers, we do believe that, over time, the data could be useful for individuals. The Panel has conducted consumer research² that demonstrates that consumers do have an appetite for accessible data to help them shop around, to differentiate between firms, and to make more informed decisions. It will be important not to overcomplicate the data, and to make it useful for shopping around by highlighting both a firm's highest and lowest interest rates on their open and closed accounts.

Many consumers have savings accounts they have held for some time; they will not know or understand why firms would refer to their account as 'closed', 'old' or 'obsolete'. The account may be closed to new savers; however if firms had to move consumers onto the next best available rate whenever a fixed or teaser rate came to an end, it would dramatically reduce the number of 'closed' accounts firms would have to report. This, in turn, would make providing this data much easier to understand and use.

In addition, having to publish their lowest rate information will shine a light on how firms treat existing customers, and may, in the long term encourage firms to change their behaviour.

The AER Code

We would support the FCA taking on the regulation of the AER code to ensure firms follow the code and provide consistent and accurate information to consumers. There have been examples where firms have not applied the code correctly in the past, particularly when fixed or bonus rates do not start from day one of the account opening.

However, while the AER code may be a useful tool for some consumers to help them compare offered interest rates, consumers understand monetary terms far more than they do interest rate terminology. Demonstrating monetary gain or loss is likely to be a powerful tool, and we urge the FCA to look at how this information can be provided alongside other interest rate information to provide a fuller and more straightforward method for consumers to compare products.

Yours sincerely



Sue Lewis
Chair
Financial Services Consumer Panel

² https://www.fs-cp.org.uk/sites/default/files/consumers_as_co-regulators_final.pdf