The Money Charity's response to the FCA's proposals for the cash savings market

1. As the UK's financial capability charity, we are pleased to have the opportunity to respond to this report.

2. We believe that being on top of your money means you are more in control of your life, your finances and your debts, reducing stress and hardship. And that being on top of your money increases your wellbeing, helps you achieve your goals and live a happier more positive life as a result.

3. Our vision is for everyone to be on top of their money as a part of everyday life. So, we empower people across the UK to build the skills, knowledge, attitudes and behaviours, to make the most of their money throughout their lives.

4. We believe financially capable people are on top of and make the most of their money in five key areas:
    - Planning (including budgeting)
    - Saving
    - Debt
    - Financial services products
    - Everyday money (including wages, cash, bank accounts)

5. The interim report into the cash savings market in the UK identified a number of issues with the market's operation, and in our response to that report we made a number of suggestions as to possible remedies. These were primarily concerned with improving the information provided to savers, both about their existing savings account and the alternative accounts that are available.

6. In our view the FCA's proposals would improve customer information and understanding of their account, and they are a suite of remedies that we believe would address the concerns we raised in our initial response. We have made some comments below, but are generally supportive of the proposals.

A) Better information pre-sale

7. Better information pre-sale is crucial to customers making good decisions and supporting competition, particularly given tendencies towards inertia once an account has been opened and the penalties that could be incurred for switching from fixed-term savings accounts.

8. We believe that the Bank of England base rate would be an appropriate threshold for determining accounts that need to carry a warning about being low interest paying accounts. This warning could be the same as that in Paragraph 9.14, but should also specifically state that higher-paying accounts are available. This warning should also be provided on statements after the account has been opened.

B) Better information post-sale

9. We support the suggestion in Paragraph 9.22 that current interest rate information should be provided next to balance information given to the customer (whether on an online banking platform, a statement, or other communication). This information should be provided on the main page for a particular online savings product, and at the top of statements or other paper communication.

10. The switching box in Figure 30 appears to include the relevant information: the balance, the current interest rate, and information in cash and interest rate terms about better options available. This should apply to all statements or communication about notification of interest rate changes or statements, and to all savings accounts (easy access, ISAs, notice accounts, fixed-term accounts). Any charges that might be incurred by switching, for example for a fixed-term account, should be factored in to the calculation of potential benefit given in the switching box.

11. We also believe the switching box should give some indication of how the customer can find and compare accounts offered by other firms – for example, a statement to the following effect: "To look up accounts offered by other providers, go to https://compare.moneyadviceservice.org.uk/savings"

12. Providing the average of the top 10 comparable savings accounts is helpful, but may mask the best rate available. Stating that the top 10 comparable accounts range from (for example) 1.8% to 1.15% would give customers an even clearer idea of the benefits they could accrue.

13. In our view, a de minimis rule when firms should not have to notify customers of a disadvantageous change in terms should only apply to accounts with a low balance (e.g. under £100) that have had no activity for at least 18 months.

C Account aggregators

14. We believe that account aggregators could be extremely useful to consumers and help them to keep on top of their money in a single place. They could also improve customer willingness to hold accounts with multiple providers (reducing the 'existing current account provider bias' when looking for savings accounts), and for those who already do this, reduce the inconvenience of having to log in to multiple sites to get a full overview of their accounts.

15. We expect that barriers to consumer interest would include those identified in Paragraph 9.83, as well as the fact that the very idea of account aggregators is an unfamiliar one to most consumers, and consumer fear over sharing security information (even if it were permitted). One possible way round this would be to allow consumers to authorise their account provider to provide account details to the aggregator, on an account-by-account and aggregator-by-aggregator basis. In this way the consumer would not themselves disclose security information, which may help to overcome this barrier.

16. As well as lowering the barriers to interest, the FCA should also take steps to support innovation among providers of account aggregation services. In order to be a mainstream proposition aggregators will need to offer greater functionality than just a convenient way to check all their account balances and transaction information - such as moving money between accounts, or the ability to make a payment 'through' the aggregator that would automatically be divided between multiple accounts.

D Sunlight remedies

17. We see a benefit to publishing data centrally about providers' savings books, particularly data on accounts with the lowest interest rate and the average rate offered across accounts. This would be a valuable resource to the FCA, consumer groups and the media to encourage switching and greater engagement with their savings accounts.

18. We are unconvinced that publication of provider data on their savings books directly to consumers will improve understanding of providers' strategies. We also do not believe that just showing the lowest interest rate a provider offers will be effective in encouraging switching. In our view customers are more likely to respond directly to understanding the highest limit they could receive, rather than seeing how close to the lowest limit they are.