



FCA opens a discussion on introducing a basic savings rate in the cash savings market

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The Financial Conduct Authority (FCA) has today published a Discussion Paper on price discrimination in the cash savings market.

The FCA has set out a range of options to address issues faced by longstanding customers including introducing a basic savings rate (BSR).

The FCA is concerned that the interest rates that longstanding customers receive on easy access cash savings products are generally lower than those received by customers who shop around.

The Discussion Paper seeks input on how to address the harm caused by this price discrimination. The BSR option would apply to all easy access cash saving accounts and easy access cash ISAs after they have been open for a set period of time, such as a year.

Christopher Woolard, Executive Director of Strategy and Competition at the FCA said:

'Providers can take advantage of high levels of customer inaction to pay lower interest rates to longstanding customers. While many customers have valid reasons for not shopping around, providers must still treat them fairly, while maintaining competitive rates for those who do.'

'Efforts to encourage customers to switch have had limited impact and we remain concerned about the way firms are treating customers. This is why we are considering the introduction of a basic savings rate for older accounts, which would promote competition and help get customers a better rate of interest.'

87% of UK adults have cash savings. In 2015, the FCA completed a competition study into the cash savings market. This found that competition was not working well, particularly for customers who stay with the same provider for a long time.

It also found that customers are put off switching by the expected difficulty; large, well-established personal current account providers are able to attract most savings balances despite offering lower rates; and there is a lack of product transparency.

The FCA implemented a package of measures to address some of this harm, which came into force in 2016. This included trialling other disclosure remedies proposed in the Market Study, including a switching box, but they did not stimulate sufficient changes in customer behaviour to address the harm to longstanding customers.

The FCA is now seeking feedback on the options set out in this Discussion Paper, which closes on the 25 October 2018.

Notes to Editors

1. [DP18/6: Price discrimination in the cash savings market](#).
2. [Occasional Paper 41: Price discrimination in the cash savings market: One rate, one solution?](#)
3. 'Old accounts' refers to accounts older than 5 years old.
4. [2015 Cash Savings Market Study](#).

5. On 1 April 2013, the FCA became responsible for the conduct supervision of all regulated financial firms and the prudential supervision of those not supervised by the Prudential Regulation Authority.
 6. The FCA has an overarching strategic objective of ensuring the relevant markets function well. To support this it has three operational objectives: to secure an appropriate degree of protection for consumers; to protect and enhance the integrity of the UK financial system; and to promote effective competition in the interests of consumers.
 7. [Find out more information about the FCA.](#)
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