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Dear Laura,

FCA PRACTITIONER PANEL COMMENTS ON DP18/6: PRICE DISCRIMINATION IN THE CASH SAVINGS MARKET

The Panel welcomes the opportunity to comment on this work in the area of cash savings, and has some further points to make about the wider implications of the proposed remedies. This response reflects a range of views within the Panel, which we would be happy to discuss further if this would be helpful.

We agree with the general desire for simplification in the cash savings market. A proliferation of obsolete savings accounts serves neither the customer nor the provider. We are not convinced, however, that the remedies as proposed in this discussion paper are the best way to address this issue, or even that the appropriate issue is being addressed.

We have the view that the absolute savings rate is not the main driver of whether consumers save or not. There are a number of other factors which drive consumer behaviours to a much greater extent than changes to the savings rate. Firms can do more in the way of positive action to encourage consumers to save more, such as help with budgeting and planning, and early intervention to build regular savings habits. We believe attention in this area would have a more significant effect on the overall savings of consumers than focusing attention on the rate alone, which is a very blunt tool.

We also note that in addition to this discussion paper the FCA is undertaking several other related pieces of work, such as the high cost credit review, the unfair contract terms work and the retail banking business models work which all require the same sector to respond. We encourage the use of careful cost benefit analysis before moving forward with any remedies.

In response to specific questions:

Q1. What are your views on the nature and scale of harm outlined above? Does it merit some form of intervention in the cash savings market?

Our view of the scale of harm identified is that overall, it is relatively small. For the average 20-something customer a change in savings rate of 0.5% might only make a difference of around a pound a month to their savings account¹. This is not to overlook the fact that for

¹ Based on figures in 'Old at heart? Quiet life of the average British 20-something in 2017', Nationwide Building Society, February 2017.

those in the most vulnerable circumstances, small amounts can make the difference between being able to pay a bill and not. In addition, the bulk of cash savings are held by older people, some of whom will themselves be in vulnerable circumstances. It is however, important to acknowledge that resources used by firms to comply with regulation are finite, and there is an opportunity cost in new regulation. Therefore the FCA must be sure its remedies are addressing the right drivers of behaviour if potential harm has been identified.

Q2: Do you agree with our analysis of the demand-side remedies? Are there any further considerations we should make?

The Panel's view is that the FCA should not underestimate the power of sunlight remedies in a competitive marketplace. If firms are required to publish their savings rates, in a format with which the media can regularly engage, there is a real incentive to firms to provide competitive offerings which are fair to customers. The effect on firms' behaviour of publication of their gender pay gap is an example of a sunlight remedy which is having a tangible effect on firm behaviour, and our view is that this can also be made to work in the area of savings rates. Publication of rates allows customers to see what is on offer. Should they choose a provider for reasons other than savings rates (such as service or convenience) they should be able to do so, as long as they have the information available to make an informed decision.

Q4: Do you agree with our analysis of the supply-side options considered in this chapter? We welcome views on the impact of these options and any risks and benefits that we have not captured.

We agree that in particular the unintended consequences of a ban on price discrimination are high, especially as it would reduce the ability of consumers to make choices based on criteria other than price alone.

Q7: Should a BSR apply equally to all providers? We are particularly interested in the views of building societies and small deposit takers.

Firms should be free to operate different business models to serve different customers. This does not mean necessarily that firms will wish to price in favour of front book customers – for example they may wish to price in favour of back book customers, in exchange for loyalty to the firm. The key issue is that customers must have the information available to them to make an informed choice.

Kind regards,

[signed]

Anne Richards
FCA Practitioner Panel Chair