

# Price discrimination in the cash savings market: Summary

July 2018

We are concerned that competition is not working well for customers that stay with the same provider for a long time (longstanding customers). So we are starting a discussion on the options to improve outcomes for these customers, including the introduction of a basic savings rate.

## Basic savings rate (BSR)

A BSR is a variable interest rate that would apply to all easy access savings accounts and cash ISAs, respectively, after they have been open for a set period of time (eg 1 year).

The BSR is expected to increase interest rates for longstanding customers and promote competition through increasing price transparency and benefits to smaller providers.



## How we expect a BSR to work

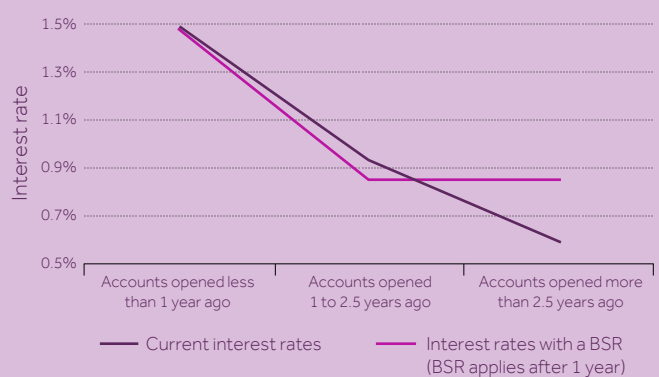
We predict that consumers could gain around

**£300m per year**

(range of £150m - £480m)

in higher net interest payments through the introduction of a BSR.

## BSR Illustration



Source: Occasional Paper 41, 2018

## The harm:

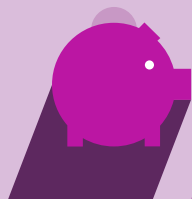
Many consumers receive lower interest rates on easy access savings accounts opened a long time ago compared to accounts opened more recently.

## Easy access savings accounts

**£354bn** total balances

**33%** of balances were held in accounts opened over **5 years ago**

Longstanding customers received interest rates **0.82%** lower than accounts opened more recently



Source: Cash Savings Market Study 2015

## Easy access cash ISAs

**£108bn** total balances

**19%** of balances were held in accounts opened over **5 years ago**

Longstanding customers received interest rates **0.87%** lower than accounts opened more recently



Source: Cash Savings Market Study 2015

## Drivers of harm:

### A high level of consumer inertia in the cash savings market



Source: Financial Lives Survey 2017



### Providers have multiple easy access products, leading to confusion for consumers

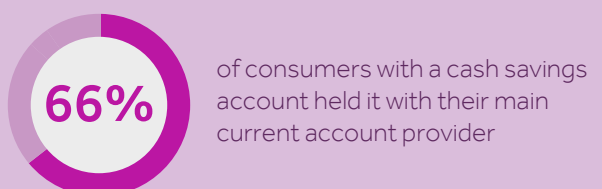
There are:

**470** easy access cash savings products currently offered in the market

**1,870** easy access cash savings products that are no longer available to new customers

Source: FCA analysis of Moneyfacts data May 2018

### Large personal current account providers having a competitive advantage over smaller providers



Source: GfK 2015