Strictly Financial

Basic Savings Rate Consumer Research

Summary Report of Qualitative Stage

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Our insights and observations

Specialist qualitative research for the financial industry

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EXECUTIVE SUMMARY

Background to the research

The FCA has found that competition in the cash savings market is not working effectively, with customers generally receiving lower interest rates on accounts opened a long time ago compared to accounts opened more recently.

In July 2018, the FCA published a Discussion Paper on potential options to address the harm, including the introduction of a Basic Savings Rate. This would be a variable interest rate that applies to all easy access savings accounts and cash ISAs after they have been open for a set period (for example, one year).

Whilst the remedy is primarily aimed at changing provider behaviour, the introduction of a Basic Savings Rate would impact the information provided to consumers about their accounts. It is therefore important to understand and assess consumer understanding of, and views on, the Basic Savings Rate.

Project objectives

This research was commissioned by the FCA to:

- Understand how best to position and explain the Basic Savings Rate to consumers to make sure it is clear and easy to understand
- Explore what consumers understand by the Basic Savings Rate and how it may be applied
- Explore whether, and to what extent, the introduction of the Basic Savings Rate may impact upon consumer decision making when considering/ selecting a new product
- Understand the consumer savings mindset when selecting and monitoring their easy access savings
- Exploring alternative ways of describing the Basic Savings Rate to enable consumers to better understand its concept.

Strictly Financial was appointed to conduct a qualitative study to explore these issues. This report contains a summary of its findings.

Research approach

Strictly Financial carried out a study consisting of eight consumer group discussions across four locations – London, Birmingham, Glasgow and Manchester. Each group lasted two hours and was conducted over a week-long period at the end of February 2019.

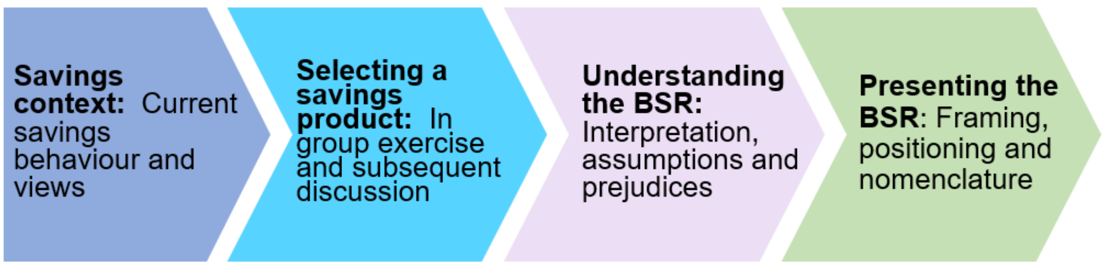
In total, 62 respondents participated. They were chosen on the basis of having an easy access savings account and/ or a cash ISA. Beyond this, the main quotas were:

- Financial confidence – high, medium and low
- Savings value - high medium and low total value of savings held in an easy access savings account and/ or cash ISA
- Age – young (20-34), mid-working life (35-54), older (55+)

In addition, respondents were selected to represent a mix of:

- Switching behaviour – recent switchers, considerers and non switchers
- Regular and ad hoc savers
- Account age – back, middle and front-book accounts
- Savings account providers - a range
- Channel type – mix of on- and offline for purchase and management
- Gender

The discussion flow was designed to understand how the introduction of the Basic Savings Rate (BSR) may sit within the consumer savings' context.



After first discussing the respondents' attitudes to saving and the existing drivers of their decision-making when considering instant access accounts, we assessed how consumers might behave if presented with the Basic Savings Rate as part of the product description. The discussion then focused in on how the concept would be interpreted, and finished with a look at how best to position and communicate the idea. During the groups, respondents completed several tasks aimed at assessing and unpicking their reactions to the concept.

Full details of the sample profiles and the materials tested are provided in the technical appendix.

Qualitative research

Qualitative research is primarily exploratory. It is used to gain an understanding of underlying reasons, opinions, and motivations. The discussion guide used to conduct the interviews was to help guide the discussion; so as not to interrupt the flow of the conversation, not all questions were necessarily asked in the same order or in exactly in the same way.

When reporting findings we focus on what the majority of respondents said and also point out individual responses that present a different view, or an interesting opinion. We have included verbatim quotes from the groups to illustrate the points being made - these are included with minimal editing.
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SUMMARY OF FINDINGS

Among the participants in the research a clear savings mindset exists, although ability and motivation to save are dependent upon individual circumstances and age.

Consumers perceive that savings interest rates are currently extremely low (‘paltry’), which may hinder engagement with the subject per se and with the underlying issues.

The view across all the groups was that there is not much distinction between rates. As a result, savings are less about growth, and more about saving to create a pot (putting money away) and/ or organising funds effectively. Low interest rates were frequently used to justify inertia.

Most were unsure of their current savings interest rate. They know it is very low, so the detail did not matter to them. A few felt they had a rough idea but acknowledged that they may have been wrong. Most claim to be aware that rates typically fall after an introductory period. A few seemed unaware that their rate may have decreased in this context.

Switching propensity is low except among the most highly engaged, and is hindered by universally poor and undifferentiated rates. This means the effort required to switch is not seen as worthwhile.

Low interest rates mask, and are used to justify, underlying apathy about switching. The subject of switching prompted some discussion that rates typically drop after an introductory period and that there is little reward for loyalty. There was general agreement that the limited time and (cognitive) effort set aside for financial administration are best used elsewhere. Examples given focused on products where substantial losses are averted and where the benefit is immediate and visible (e.g. through a lower insurance premium for the same cover). Switching savings products for most achieved only a marginal benefit and subsequent interest rate movements could easily negate such benefit.

The presence of the Basic Savings Rate on promotional material does not hinder people in making a savings account selection.

The application of a different rate after the first year feels familiar and is readily accepted, so introducing the Basic Savings Rate to the product description is not problematic in principle. Consumers were able to select between different product options and give rational explanations for their choice.

The presence of the descriptor 'Basic Savings Rate' in the materials did not generate any spontaneous questions or discussion of its own. Respondents took it in their stride, assuming that it was the rate offered after an account's introductory rate ended. As such, it felt the same as the status quo.

Whilst the initial interest rate was key in the decision as to which account to choose, many respondents clearly weighed up the long- and short-term benefits of each product option. They applied this to their own individual circumstances based on their character, savings goals and timeframes.

Importantly, there was no evidence from this qualitative work that the presence of the Basic Savings Rate introduced an additional barrier to account selection. It did not cause any overt confusion or panic and did not 'block' decision-making during the research exercise. Its impact on the ability to make a decision was negligible despite the fact that it adds to the information consumers would have to consider.

Once they understood the Basic Savings Rate, all the research participants welcomed the concept, describing it as 'fair' and 'honest'.

In principle, consumers liked the idea that banks would be made to introduce a Basic Savings Rate. It was seen as offering transparency and fairness, and welcomed as a way to protect people who do not monitor and/ or shop around for their easy access saving accounts and cash ISAs.

While the concept was welcome, those who do not shop around now did not think they would change their behaviour if the Basic Savings Rate were introduced. While interest rates are so low, the benefits of switching are outweighed by the bother of doing so. They claimed that they would become more engaged if interest rates went up.

Notwithstanding the overall approval of the idea in principle, a few issues around comprehension emerged in the groups during more detailed discussion of the idea and of its constituent elements and terminology.

In discussion, the descriptor 'Basic Saving Rate' was uncomfortable for some – and possibly confusing for a few – – but the shortcomings of the name could help to provoke action and combat inertia.

The word 'Basic' carried connotations of being at the bottom of a hierarchy or 'lowest', and this was cognitively uncomfortable (and thus disapproved of by most). However, they also felt that this negative interpretation of 'Basic Savings Rate' could potentially combat inertia in this market (albeit to a limited extent). Linked with this was a feeling that firms would be unwilling to adopt such a negative term to describe the rate on offer. In the groups, some respondents claimed that it may create an impetus for them to at least look at other rates available, although many felt that it was not likely to make that much difference while rates remained as low as they are now.

This conclusion is supported by comments made about other communications approaches tested in the research (e.g. 'loss of bonus' mentioned in the alternative wording examples). 'Loss' is an emotive term, and behavioural economics theory shows that fear of potential loss is more powerful than desire for potential gain. The perceived negativity of a 'loss' may have some merit, in that it might make people more inclined to shop around for alternatives.

The word 'Basic' also carried other (less helpful) connotations for some respondents. A few inferred an association with the Bank of England Base Rate, conflating 'Base' and 'Basic', leading to an assumption that the rate is imposed by an outside agency. Others felt that the word implied a rate below which it could not fall, which led them in turn to question how it could also be variable.

Most groups suggested using the word 'Standard' instead. It implies a 'default' and suggests that the rate is 'normal' rather than a minimum. The groups thought this would be a more comfortable proposition for both the account holder and the firm. Some thought the similarity to the Standard Variable Rate in mortgages would, if anything, be useful rather than confusing, as it would be directly equivalent – the provider's default variable rate. However, the neutrality of 'standard' does little to encourage any switching behaviour.

What is interesting here in behavioural terms is that terminology and language that consumers saw as too negative may in fact be sufficiently 'disturbing' to penetrate inertia/ apathy and to encourage switching behaviour. Clearly this is untested, and regardless of language, the current low interest rate environment is a barrier to engagement.

An explanation for its introduction gives the Basic Savings Rate explicit purpose, which makes it more engaging than if it is perceived as just another obscure change.

When the reason for the introduction of the Basic Savings Rate was discussed - to ensure that customers keeping deposits in the same account for a long time are not disadvantaged compared to other customers – participants were more able to easily understand it and see how it is different from the status quo. Most participants readily acknowledged (and a few spontaneously suggested) that this could lead to providers using the Basic Savings Rate competitively, to retain customers – once customers had got the hang of it.

It follows that briefings to the 'professional' audience of commentators and other stakeholders should set out the context and purpose of the Basic Saving Rate introduction, as well as how it works. Based on the research, this will help them to understand it themselves. More importantly, they can use this information in their commentary, opinions and publicising of the Basic Savings Rate.

Consumers prefer that explanations aimed directly at them are short, contextualised and avoid any technicalities.

As well as a desire to be told the context, respondents had other suggestions around how to describe the Basic Savings Rate :

- Show explicitly that banks are required by their regulator, the FCA, to make this change to give it more credibility and show that it is in consumers' interest
- Keep the language simple, clear and jargon-free
- Keep communications about easy access savings accounts and easy access ISAs separate. Whilst the same descriptor can be used for each type of account, bundling them together (e.g. in the same sentence) caused unnecessary complexity
- Include worked examples to illustrate the impact of the rate(s) on actual figures over time
- Encourage providers to refer to 'our' rate in consumer communication, so as to emphasise that other providers might have different Basic Saving Rates
- Encourage comparison sites to promote their savings comparison service (currently underappreciated)

THE FINDINGS IN DETAIL

Context

The role of an easy access savings account/ cash ISA

Among the participants in the research a clear savings mindset exists, although ability and motivation to save are dependent upon individual circumstances and age.

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They say you need to have at least three months' savings to cover emergencies

(Older, low value savings, low sophistication)

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Having savings gave all a sense of security. It provides a cushion against unexpected costs or loss of income (the latter was especially true among those who had suffered redundancy).
Other motivations for saving depend on life stage and circumstances. For younger participants it was often the way to achieve a specific goal (home purchase, holiday, etc.). For the older ones it was a contribution to their wider retirement funding.

Most were open about their saving behaviour, and some had taken specific steps to try and control their saving/ spending behaviour – for example, placing money for different purposes into different accounts, or having some in less visible/ accessible accounts to give 'pause for thought'.

Account selection

A range of selection criteria and influences emerged, and there was a great deal of common ground in these across the different levels of age, wealth and financial sophistication, though not all applied to all participants.

The two most important drivers of account selection were convenience (ease of access and management) and interest rate (certainly a factor when opening the more recent accounts, although subsequent monitoring was usually lacking).

Other selection criteria included brand perception, recommendations from family and friends. and the simplicity of a product and its application process.

Awareness and monitoring of savings performance

Most were unsure of their current savings rate. They know it is very low, so the detail did not matter to them. A few felt they had a rough idea but acknowledged that they may have been wrong.

A small minority claimed to know their current rate pretty exactly. These respondents tended to be in the high value, high wealth, and/ or high(er) financial confidence cohorts, who were more likely to monitor their accounts regularly.

The low interest rate environment

The consensus view across all the groups was that there is not much to distinguish rates now, and that savings are not currently about growth, but about putting a pot of money aside and/ or organising funds effectively. For those whose savings are not very high in value, the potential growth is very limited.

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Interest rates are so low the point is not to try and make money on savings, but just to put money somewhere you can't spend it

(Younger, mid value savings, mid sophistication)

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Rates are all so low that the small differences available do not drive much competition on savings accounts/ ISAs (which contrasts with the impact of introductory rates on some new current accounts). Participants were quick to use this to justify their apathy/ inertia towards their accounts.

The combination of 'paltry' interest rates creates a 'lazy saver' culture – they struggle to get interested for so little perceived value/ return.

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You notice when your bills go up. I'm not convinced you'd make a massive difference switching savings

(Mid aged, high value savings, mid sophistication)

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There was awareness of new customers getting better rates, but this was not raised spontaneously, possibly because they saw the bigger story as being that all saving rates are low.

Many claimed they would be more engaged in a higher interest savings environment, where rate differences would have more perceived significance, but others freely admitted that they are lazy savers.

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It's got to be relevant, what you're actually saving or making … is it really worth your while mucking about?

(Younger, low value savings, low sophistication)

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Switching

Switching was seen as a potential hassle by those who had not done it, and the low rates do not justify the effort expected to be involved. For some this hassle was not the switching process itself, but the research required to find the right account (with the perceived risks attached to an unfamiliar provider). Switching accounts with an existing provider was seen as much easier and convenient, and some liked the simplicity of having everything with a single provider anyway.

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There are ads for good rates I should look at but I don't have the time

(Older, mid value savings, low sophistication)

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Those who had switched generally said it was easy, though a couple thought it had not been as straightforward as they would have liked (for example, they needed to provide additional documentation, etc).

The subject of switching prompted some discussion that rates do drop after an introductory period and that there is little reward for loyalty.

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There are lots of better things I could do to save money. I try to monetise the effort of switching and see if the return is worth it

(Younger, mid value savings, mid sophistication)

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There was a contrast made with switching insurances/ utilities in terms of the value of the savings to be made. Switching these other products can lead to substantial (£100's) savings, which are immediate and very visible. Switching savings accounts offers lower and less visible value. Furthermore, the value is not guaranteed, unlike the savings in other products. Therefore, the limited time and effort for financial administration are best used elsewhere.

Selecting between accounts: The exercise

Participants were given an imitation £100 cheque and asked to select a 'dummy' account to open from a choice of four (£100 was considered a realistic and affordable amount for most, and was also a relatively easy amount to apply calculations to). All were unbranded and showed an initial savings rate. Three also showed a subsequent variable Basic Savings Rate and used that descriptor.

Initial selections were made without seeing illustrations of the value of the initial deposit after 12 or 24 months contained in the summary box – this summary box was subsequently introduced, and respondents invited to revise their choice where appropriate.

Rationale for account choice

Respondents selected their preferred account by comparing the rates between the choices offered, weighing up the merits of a higher rate now as against a possibly higher rate later.

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You've got easy access to your money, so you could move it when the rate goes down after 12 months

(Younger, low value savings, low sophistication)

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The reasons why some participants chose an account with a higher rate now were:

- ‘A bird in the hand’: going for the highest initial rate, because the future is unknown, and it is best to think in the short term
- Taking the best rate now allows for checking available rates at the end of the initial period and if necessary, switching accounts
- The initial rate was more meaningful than a variable (and therefore unknown) future rate, even if that future rate is currently shown as higher than the initial rate. For many, the variability of the future rate made it meaningless to quote
- The underlying savings attitude is short term/ goal specific (e.g. a holiday), so quoting a subsequent rate is less relevant

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I took a more long-term view. When I put more money in later, I’ll be getting more for it

(Mid aged, high value savings, mid sophistication)

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Those who chose an account with a higher subsequent rate (Basic Savings Rate) did so:

- In the expectation of leaving the money in the account after the initial rate had expired
- In recognition that they would be apathetic about monitoring their savings, so the highest post-introductory rate was desirable

Variability of rate was a significant element. Some discounted it from their decision altogether, either not noticing it in the information shown or seeing as undermining the credibility of any future rate quoted, in which case they chose the highest initial rate because it was definite. (This was regardless of their own short- or long-term savings focus.)

Across the eight groups, fewer than five participants selected the account variation that did not include a Basic Savings Rate. Those who did so felt that the description was simpler (it only showed a single rate) and minor differences between the absolute returns on offer from the different accounts meant that further effort in distinguishing between them was not justified. In discussion, it became clear that the presence of the Basic Savings Rate was not a barrier in itself: they were opting for an account with one rate rather than two simply because the option to do so was there.

Only one participant genuinely struggled to choose between accounts and was unable to decide. This person freely admitted to finding any financial decision challenging and would probably have sought help irrespective of whether the Basic Savings Rate was present or not.

Once they were shown information about the future value after 12 and 24 months of £1,000 deposited in each account, most participants stuck with their initial choice. A few changed their minds on seeing the figures and realising that their earlier calculation about the best return after 24 months was wrong. A couple did not see the difference as significant enough to warrant changing their minds.

Behavioural response to Basic Savings Rate in savings account marketing information

When reviewing the account selection process, it is clear that there were several underlying assumptions and biases in play:

- Being able to compare rates on a like-for-like basis is more important than how those rates are defined, so valid direct comparisons can be made between rates bearing the same descriptor (AER, Basic Savings Rate etc.), whatever that descriptor is
- The effect of the differences between the rates on a deposit of £100 (or, for most, an affordable multiple thereof) would be minuscule, so choosing a savings account merits limited thought, time and effort
- The Basic Savings Rate was some kind of fall-back rate that came into effect after the initial rate had expired (it became apparent in discussion that opinions varied as to exactly how this might work in practice, but these differences in perception had no material effect either on the selections made or the drivers behind the selections)

Fuller discussion of how and why they made their selections revealed that rates were being compared on a like-for-like basis, and considered according to each participant's own shorter- or longer-term focus (including their likelihood of revisiting their decision in a year's time). Those with a shorter-term focus or a belief that they would look at rates again in a year gave this as a reason for choosing the account with the higher initial rate. Conversely, those who could not see themselves comparing rates again in a year gave this as their reason for choosing the account with a higher Basic Savings Rate.

In this context, the fact that the Basic Savings Rate, was a new, unknown and undefined concept, did not affect their ability to make a decision, nor their rationale for making that decision.

Reaction to the Basic Savings Rate

Introducing the Basic Savings Rate concept

The introduction of the Basic Savings Rate in this material prompted no initial comment and was overlooked by many. What it was called and what it meant were unimportant as long as the same descriptor applied to all the rates being compared, i.e. that the comparison could be made on a level playing field.

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I think it would be the rate that applies after the introductory rate – like on a credit card, with its [borrowing] rates

(Younger, low value savings, low sophistication)

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It was accepted at face value and met their expectations of an ongoing rate that would apply once an introductory rate had ceased. Indeed, one or two felt that they had come across the term before as it 'felt familiar'. Therefore, having two rates presented to them was not a surprise – although they did not understand the full ramifications of the Basic Savings Rate. In discussion, a few mentioned that having two percentages presented did increase the complexity, but most seemed able to cope with this. At minimum, respondents used the rates in an absolute sense to compare the alternatives (and were able to do this relatively easily) whilst only a few mentally calculated the actual interest amounts.

Understanding and perception of the Basic Savings Rate

It was only when direct questions about the term 'Basic Savings Rate' were put to the groups that different perceptions, assumptions and interpretations became apparent.

Significantly, these differences in understanding the concept of the Basic Savings Rate did not affect participants' ability to choose a savings account, nor did it influence the rationale behind the selections. Participants did not need to know what the Basic Savings Rate was in order to use it in making comparisons between savings accounts.

With no information beyond the descriptor to go on, the different interpretations of what the Basic Savings Rate was included:

- A variable rate that might differ by provider (with a general expectation that Basic Savings Rate would typically be lower than the initial rate)
- A reflection of the status quo (i.e. it is the rate applying once the introductory offer ceases)
- A provider's guaranteed minimum rate
- A minimum interest rate imposed by government or the BoE on the providers

- A rate offered by providers linked to the BoE base rate

Underpinning some of these perceptions were inferences, associations and biases centred on the word ‘Basic’:

- For many, ‘Basic’ carries connotations of ‘low’ (supermarket ‘Basic’ ranges, and base means ‘bottom’) rather than ‘normal’
- The supermarket parallel also brings a sense of a hierarchy of rates, of which this is the lowest of several rates, rather than a default
- A few also thought that it sounds like ‘base rate’, which encourages a sense that it may be connected to the BoE base rate and may be a minimum imposed by an outside agency. NB this is probably linked to a partial understanding of the BoE base rate and how it works
- Most interpret the word ‘basic’ as meaning ‘lowest’ and assume that the initial rate is always higher than the subsequent rate (this creates confusion when the possibility of a higher rate after 12 months is presented)
- ‘Basic’ also encouraged the view among some that it is ‘fixed’ at some level that it cannot fall below and is the absolute minimum that will be received. This led them to question how it can be variable. Others saw immediately that it cannot be fixed, because it says it is variable, and assume it is the provider’s own rate, albeit possibly their lowest.

The fact that the Basic Savings Rate is variable means that the banks can still do what they want to the rate after any introductory rate expires, prompting a widespread response of ‘how is this different from now?’. Cynical assumptions that banks would promise much but deliver little were common – only a few spontaneously understood that a requirement for providers to show their Basic Savings Rate at the outset could have an impact on their acquisition of new customers.

Despite these variations in understanding of the Basic Saving Rate, the main message for everyone was that the rate would drop after the introductory period.

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It’s a good idea if it encourages competition and makes comparisons between providers easier

(Mid aged, high value savings, mid sophistication)

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Once they understood its context and purpose, ‘Fair’ was a word which the participants used frequently to describe the Basic Savings Rate.

Communicating the Basic Savings Rate

The descriptor: Basic vs Standard

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Basic implies 'lowest' and suggests someone else is getting something better, or you could get better if you looked around. Standard implies it's the same for everybody
(Younger, mid value savings, mid sophistication)

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On hearing the explanation and purpose of the Basic Saving Rate, there was a widespread view among the research participants that the term 'Basic' has unhelpful connotations. The preferred alternative amongst several participants was 'Standard'.

'Standard' has a neutral quality that some thought appropriate to a rate for all savers, whereas 'Basic' had negative connotations ('bottom of a pile' which includes superior rates, rather than a flattening of rates). In essence, 'Standard' was seen as a less pejorative term.

If 'Standard' were substituted for 'Basic' as the descriptor, some thought the similarity to the Standard Variable Rate in mortgages would be useful rather than confusing, as it describes a similar fundamental concept – the provider's default variable rate.

The perceived negative connotations of 'Basic' could have the effect of encouraging people to wonder if they could get a better rate elsewhere, and to explore their options in the wider market. In comparison, if the descriptor were changed to Standard, the negative connotations could be lost, and with them some of the impetus to shop around for alternatives.

Communicating the Basic Savings Rate

Communicating what the Basic Savings Rate is and how it works briefly, concisely and clearly to consumers could pose a challenge. People are likely to bring a range of their own assumptions, biases and misapprehensions to bear on the information they are presented with and to fill in any gaps.

The participants felt that understanding the context in which the Basic Savings Rate is being introduced (and its intended benefit) helped them to understand it, and indeed support it.

Describing the Basic Savings Rate

Several themes emerged through discussion of how to describe the Basic Savings Rate if it is introduced, and these might help determine how the FCA briefs stakeholders, journalists and other interested parties.

Positioning the Basic Savings Rate

- To understand the context and purpose of the Basic Savings Rate, participants suggested describing accounts as ‘new’ or ‘old’ when showing when the initial rate and the Basic Savings Rate would apply. They thought this would aid comprehension, and, coupled with references to the providers being required by the FSA to show it, would give reassurance about the motivations behind the BSR.
- There was a fairly widespread view that referring to an FCA requirement adds context, and therefore clarity, as to why this is happening – and for some it also provided reassurance that as an intervention it is in the customer’s interests. Three groups thought this was an important element, and some went as far as to suggest that the phrase ‘protecting customers’ would be both justified and powerful
- Speaking directly to the consumer – e.g. ‘currently you will receive X%’ – makes it more personal and relevant

Terminology and keeping it simple

- Introduce the term as something new — ‘We call this our Basic Savings Rate’ — and avoid acronyms to help underline the difference from the status quo
- Consumers generally prefer short and simple explanations – anything that is too long runs the risk that key information will be overlooked
- Avoid jargon (‘maturity’, ‘transferred’ etc)
- Most thought the same descriptor could be used for both savings accounts and ISAs, but not everyone with an easy access savings account also has a cash ISA, and vice versa. Mentioning one when talking about the other could confuse and distract
- Similarly, saying a Basic Savings Rate could be ‘higher, the same or lower than the rate offered to new customers’, was seen as adding meaningless extra words.

Presenting the rate

- The variability of the rate needs to be stressed and made explicit – it can change and may go up and down

- It is important to emphasise that different banks have different rates – and ideally they should be obliged to use language that conveys 'ownership' of the rate e.g. 'Our rate is…'
- Mention should be made that notice will be given if the rate reduces – this is reassuring and transparent, and thus supports the underlying aim of fairness for all customers
- It needs to be very clear that after one year every customer with an easy access account gets the same rate – in one group, they suggested including the wording 'no matter how old your account is'

Who will have to comply?

- It needs to be made clear that the rule applies to any firm that offers these products, whether a traditional bank or otherwise

Consumers are familiar with a range of comparable ideas in other sectors such as mobile phone tariffs, broadband/ TV packages, energy supply, insurance comparisons, mortgages and supermarket food ranges. The respondents often spontaneously used these analogies to describe the Basic Savings Rate, both in terms of its purpose and how it would work.

TECHNICAL APPENDIX

Sample

All respondents were selected on the basis of holding an easy access savings account and/ or a cash ISA (at least two in each group to have a cash ISA).

For recruitment purposes, an easy (or ‘instant) access savings account was described as ‘*an account where you can add and withdraw money as wished with no penalties or restrictions. It is usually the most straightforward account. Some have a fixed introductory bonus rate for a set period (e.g. a year) but you can still withdraw money during this time without penalty if you want’*.

A cash ISA was described as ‘*an instant access cash ISA Tax free savings account that usually has a variable interest rate, although it may have a fixed introductory bonus rate for a set period (e.g. a year). You can withdraw money with no restrictions. There are limits on how much you can save in ISAs each year’*.

Other recruitment definitions were as follows:

Criteria		Definition
Savings value (total savings held across all easy access savings accounts and cash ISAs)		
	High savings	I am generally confident when dealing with my money and finances. I feel I understand the various product offerings and often make the correct decision about which will be best for my needs
	Medium savings	I am fairly confident when dealing with my money and finances, but I do sometimes struggle to know which financial products are right for my needs
	Low savings	I’m not at all confident dealing with my money and finances, and I often find choosing which financial products are for me a real challenge
Financial sophistication/ confidence		
	High savings	£15,000 or more held in easy access accounts or cash ISAs in total

	Medium savings	£5,000 - £14,999 held in easy access accounts or cash ISAs in total
	Low savings	Up to £4,999 held in easy access accounts or cash ISAs in total
Respondent age		
	Younger	Aged 20-34
	Mid aged	Aged 35-44
	Older	Aged 55+
Recency of account		
	Front book	Account less than 1 year old
	Mid book	Account 1-2.5 years old
	Back book	Account 2.5 years or more old
Switching behaviour: minimum of two per group to be:		
	Switchers	Had switched their main easy access savings account or cash ISA in the last three years
	Considerers	Had seriously considered switching accounts but did not do so
	Non switchers	Had not every really thought about switching the account

We aimed to get a good spread of age of account, and so asked respondents how long they had held their account(s). The front/ mid/ back book definition was applied to the account with the most money in it held by each respondent.

We also wanted to ensure a mix of switching behaviour in the groups so recruited minimums of two per group who had switched in the last three years, two others who had considered doing so but had not, and two more who had not thought about it. Switching was defined as replacing an old account by moving most or all the balance to a new account of the same type which is now being used for savings needs. The respondent may have remained with the same provider and a small amount of money may have been left in the in your old account or it may have been closed.

In addition, we recruited:

- A spread of those making ad hoc and regular savings
- Respondents holding accounts held with a range of firms

- At least two in each group primarily managing their accounts online, and at least two doing so offline (i.e. through branch/ telephone/ post)
- Roughly half men and half women

Fieldwork started on 26th February 2019 and was completed on 4th March 2019.

Group profiles

The research comprised group discussions with a broad range of consumers that held easy access savings accounts and/ or cash ISAs. Each group consisted of seven or eight participants allowing for a dynamic environment and collaboration on the tasks. Groups were held across England and Scotland. Two group discussions were conducted each night in each location. Eight respondents were recruited for each group with each group lasting 2 hours.

Below is a description of the profile which was specific to each group.

	Profile	**Location**	**Detail**
Group 1	Younger Low value savings Low sophistication	Manchester	There were seven respondents in the group. All respondents held an easy access savings account, and three also had a cash ISA. The brands ranged from traditional high street providers (Barclays, Santander, NatWest and First Direct) and newer entrants into the market (Starling Bank, Tesco, M&S Bank). There were four switchers in the group. All respondents had between 2-5K in savings. Half were saving regularly, the rest took a more ad hoc approach.
Group 2	Younger Mid value savings Mid sophistication	London (viewed)	There were eight respondents in the group. All respondents held both an easy access savings account and a cash ISA. Two also had an easy access regular savings account. The brands ranged from traditional providers (HSBC, Santander, Co-op, Barclays, Skipton and First

			Direct) and newer entrants into the market (Sainsbury's, Virgin). There were two switchers in the group. Half had savings of between 5-10K, and the remaining half had 10–15K. Five were saving regularly, while the remaining three took a more ad hoc approach. Three of the regular savers were also making ad hoc top ups to their savings when they could.
Group 3	Mid aged Low value savings Low sophistication	Birmingham	There were seven respondents in the group. All respondents held an easy access savings account, and half also had a cash ISA. The brands ranged from traditional high street providers (NatWest, Lloyds, Barclays, Coventry Building Society and Santander) and newer entrants into the market (Tesco and the AA). There were three switchers in the group. Three respondents had savings of less than 2K, the remainder had between 2-5K in savings. Three were saving regularly, the rest took a more ad hoc approach.
Group 4	Mid aged High value savings Mid sophistication	Glasgow	There were eight respondents in the group. All respondents held both an easy access savings account and a cash ISA. The brands were traditional high street providers (Halifax, Bank of Scotland, Santander, Lloyds, Nationwide). There were two switchers in the group.

			Two respondents had savings of between 15-20K, the remainder all had over 20K. Five were saving regularly, the rest took a more ad hoc approach.
Group 5	Mid aged Mid value savings High sophistication	London (viewed)	There were eight respondents in the group. All respondents held both an easy access savings account and a cash ISA. The brands ranged from traditional high street providers (NatWest, Barclays, HSBC and Co-Op) and newer entrants into the market (Sainsbury's, the Post Office and Virgin). There were three switchers in the group. Three respondents had savings of 5-10K. The remainder had between 10-15K. Six were saving regularly, while the remaining two took a more ad hoc approach. Two regular savers were also adding ad hoc savings when they could.
Group 6	Older Mid value savings Low sophistication	Glasgow	There were eight respondents in the group. All but one respondent held both an easy access savings account and a cash ISA – a couple had more than one of each. The brands ranged from traditional high street providers (Nationwide, Santander, Halifax, RBS and Lloyds) and newer entrants into the market (the Post Office). There were two switchers in the group. Half had savings between 5-10K, and the remainder had between 10-15K. Half were saving regularly; the rest took a more ad hoc approach.
Group 7	Older Low value savings	Birmingham	There were eight respondents in the group.

	Mid sophistication		All respondents held an easy access savings account, and half also had a cash ISA. The brands ranged from traditional high street providers (Nationwide, Barclays and Halifax) and newer entrants into the market (Tesco, Virgin and the RAC). There were three switchers in the group – all had switched to a newer market entrant. Three respondents had savings of less than 2K, the remainder had between 2-5K in savings. Half were saving regularly; the rest took a more ad hoc approach.
Group 8	Older High value savings High sophistication	Manchester	There were eight respondents in the group. All but one respondent held both an easy access savings account and a cash ISA. One respondent had just a savings account. The brands ranged from traditional high street providers (Barclays, Yorkshire Bank, Halifax, Santander, First Direct) and newer entrants into the market (Virgin, M&S Bank and Marcus Bank). There were four switchers in the group and two more had considered switching. Four respondents had savings of 15-25K, the remainder had more than 25K in savings. Half were saving regularly; the rest took a more ad hoc approach.

Interview flow

Savings context: Current savings behaviour and views

Selecting a savings product: In group exercise and subsequent discussion

Understanding the BSR: Interpretation, assumptions and prejudices

Presenting the BSR: Framing, positioning and nomenclature

In group exercise to explore consumer decision making with/ without the Basic Savings Rate

Respondents were asked to open an account with £100 cheque. They were asked to select which account would be best for them from one of four, based firstly on the promotional material, and then when this was supplemented with the summary box.

Identifying which elements are critical for consumer understanding

After initial, spontaneous discussion, respondents were shown three concept level descriptions of the Basic Savings Rate (order rotated across the groups) and asked to comment/ discuss each explanation. The groups were then split into two mini groups and asked to develop their own 'layperson's' version

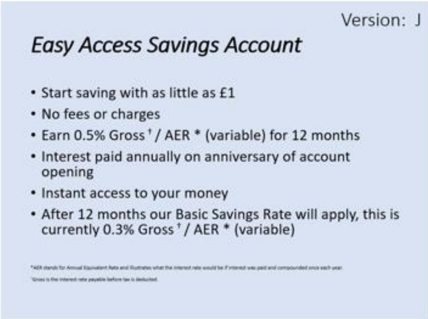
Understanding what language should be used

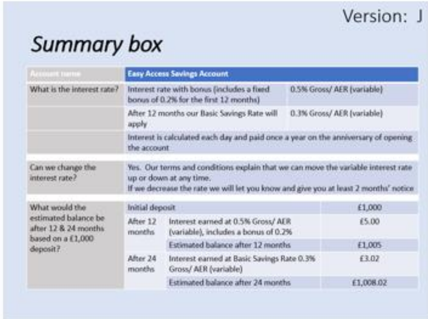
Building on the previous section, and both spontaneously and in response to some alternative nomenclature options, respondents were asked how the concept should be presented to them in terms of terminology and content. Respondents were also shown an example rate change letter that may be sent after 1 year

The stimulus

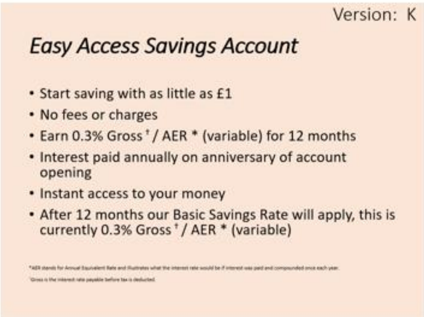
In qualitative work, stimulus is used to help consumers think about the various issues in hand and provoke a response. The stimulus was not designed or considered to offer 'final' options, but rather a starting point from which to build understanding.

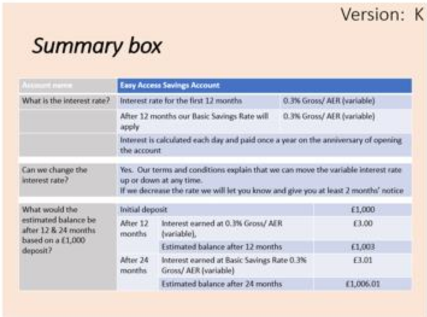
Choosing a savings account: the options



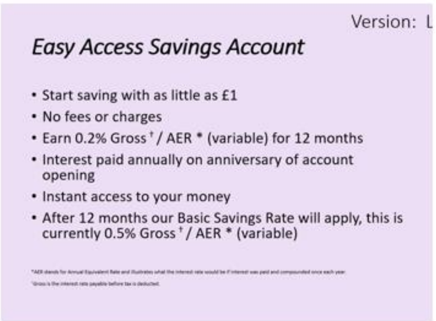


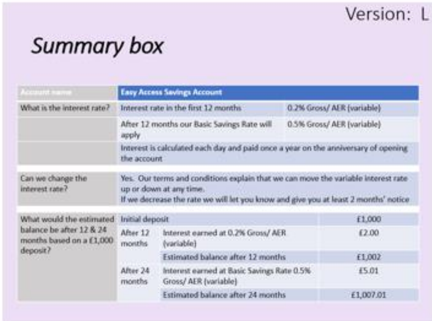
Account name	Easy Access Savings Account		
What is the interest rate?	Interest rate with bonus (includes a fixed bonus of 0.2% for the first 12 months)		0.5% Gross/ AER (variable)
	After 12 months our Basic Savings Rate will apply		0.3% Gross/ AER (variable)
	Interest is calculated each day and paid once a year on the anniversary of opening the account		
Can we change the interest rate?	Yes. Our terms and conditions explain that we can move the variable interest rate up or down at any time. If we decrease the rate we will let you know and give you at least 2 months' notice		
What would the estimated balance be after 12 & 24 months based on a £1,000 deposit?	Initial deposit		£1,000
	After 12 months	Interest earned at 0.5% Gross/ AER (variable), includes a bonus of 0.2%	£5.00
		Estimated balance after 12 months	£1,005
	After 24 months	Interest earned at Basic Savings Rate 0.3% Gross/ AER (variable)	£3.02
		Estimated balance after 24 months	£1,008.02



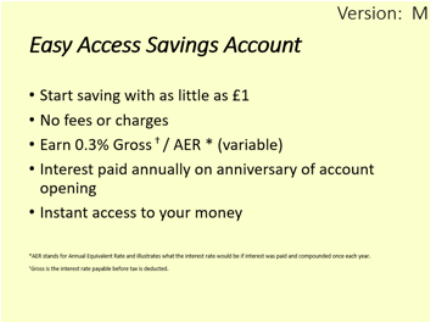


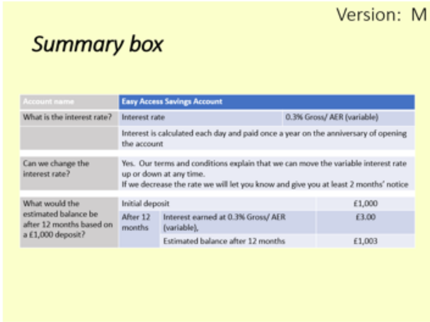
Account name	Easy Access Savings Account		
What is the interest rate?	Interest rate for the first 12 months		0.3% Gross/ AER (variable)
	After 12 months our Basic Savings Rate will apply		0.3% Gross/ AER (variable)
	Interest is calculated each day and paid once a year on the anniversary of opening the account		
Can we change the interest rate?	Yes. Our terms and conditions explain that we can move the variable interest rate up or down at any time. If we decrease the rate we will let you know and give you at least 2 months' notice		
What would the estimated balance be after 12 & 24 months based on a £1,000 deposit?	Initial deposit		£1,000
	After 12 months	Interest earned at 0.3% Gross/ AER (variable),	£3.00
		Estimated balance after 12 months	£1,003
	After 24 months	Interest earned at Basic Savings Rate 0.3% Gross/ AER (variable)	£3.01
		Estimated balance after 24 months	£1,006.01





Account name	Easy Access Savings Account		
What is the interest rate?	Interest rate in the first 12 months		0.2% Gross/ AER (variable)
	After 12 months our Basic Savings Rate will apply		0.5% Gross/ AER (variable)
	Interest is calculated each day and paid once a year on the anniversary of opening the account		
Can we change the interest rate?	Yes. Our terms and conditions explain that we can move the variable interest rate up or down at any time. If we decrease the rate we will let you know and give you at least 2 months' notice		
What would the estimated balance be after 12 & 24 months based on a £1,000 deposit?	Initial deposit		£1,000
	After 12 months	Interest earned at 0.2% Gross/ AER (variable)	£2.00
		Estimated balance after 12 months	£1,002
	After 24 months	Interest earned at Basic Savings Rate 0.5% Gross/ AER (variable)	£5.01
		Estimated balance after 24 months	£1,007.01





Account name	Easy Access Savings Account		
What is the interest rate?	Interest rate		0.3% Gross/ AER (variable)
	Interest is calculated each day and paid once a year on the anniversary of opening the account		
Can we change the interest rate?	Yes. Our terms and conditions explain that we can move the variable interest rate up or down at any time. If we decrease the rate we will let you know and give you at least 2 months' notice		
What would the estimated balance be after 12 months based on a £1,000 deposit?	Initial deposit		£1,000
	After 12 months	Interest earned at 0.3% Gross/ AER (variable),	£3.00
		Estimated balance after 12 months	£1,003

Describing the Basic Savings Rate

Description: 5

All banks and building societies must set a Basic Savings Rate for their easy access cash savings accounts. This is applied after 12 months.

They may have a separate Basic Savings Rate for easy access cash ISAs.

This rate is variable and it may change at any time. If your account pays the Basic Savings Rate you will be given notice if it is going to reduce.

Description: 6

All banks and building societies must set a Basic Savings Rate for their easy access cash savings accounts. This is applied after 12 months.

They may have a separate Basic Savings Rate for easy access cash ISAs.

The Basic Savings Rate can be the same as the rate they offer their new customers or it can be lower or higher. It is variable so may change in the future.

Description: 7

All banks and building societies must set a Basic Savings Rate.

They may have a separate Basic Savings Rate for their easy access cash savings accounts easy access cash ISAs.

This rate can be the same as the rate they offer their new customers. It can also be lower or higher. They must pay their Basic Savings Rate to all customers who have had an easy access cash savings product or easy access cash ISA for 12 months or more

Terminology stimulus

Easy Access Savings Account

- Start saving with as little as £1
- No fees or charges
- Earn 0.5% Gross † / AER * (variable) for 12 months
- Interest paid annually on anniversary of account opening
- Instant access to your money
- After 12 months …

Summary box

Account name	Easy Access Savings Account		
What is the interest rate?	Interest rate with bonus (includes a fixed bonus of 0.2% for the first 12 months)		0.5% Gross/ AER (variable)
	After 12 months …		0.3% Gross/ AER (variable)
	Interest is calculated each day and paid once a year on the anniversary of opening the account		
Can we change the interest rate?	Yes. Our terms and conditions explain that we can move the variable interest rate up or down at any time. If we decrease the rate we will let you know and give you at least 2 months' notice		
What would the estimated balance be after 12 & 24 months based on a £1,000 deposit?	Initial deposit		£1,000
	After 12 months	Interest earned at 0.5% Gross/ AER (variable), includes a bonus of 0.2%	£5.00
		Estimated balance after 12 months	£1,005
	After 24 months	Interest earned at Basic Savings Rate 0.3% Gross/ AER (variable)	£3.02
		Estimated balance after 24 months	£1,008.02

After 12 months our Basic Savings Rate will apply, this is currently 0.3% Gross/ AER (variable)

After 12 months our BSR will apply, this is currently 0.3% Gross/ AER (variable)

The term of the account is 12 months. On maturity, we'll transfer your account to our basic savings account. The Basic Savings Rate will apply, this is currently 0.3% Gross/ AER (variable)

After 12 months the variable interest rate without a bonus will apply. This is currently 0.3% Gross/ AER (variable)

After 12 months you will receive our follow-on rate. This is subject to change but is currently 0.3% Gross/ AER (variable)

Rate reduction letter

MyBank

Dear xxxx

Your interest rate is decreasing to our basic savings rate

From 1 May 2019 the interest rate on your instant access cash savings account will reduce from 0.5% AER variable to our Basic Savings Rate of 0.3% AER variable.

Your account had a preferential interest rate for the first 12 months which is now ending.

All banks and building societies are required to set a Basic Savings Rate that applies to all easy access cash savings accounts after 12 months. This rate can be the same as the rate they offer their new customers or it can be lower or higher. They may have a separate Basic Savings Rate for easy access cash ISAs.

We offer a range of savings accounts (including easy access accounts and ISAs) and you may want to think about whether there is another account that is better for you. And if you want to you are free to move your savings to another bank or building society. If you want to keep your account you do not need to do anything.

Yours sincerely

Director of Customer Relationships