Financial Conduct Authority

Cash savings remedies: Feedback and Policy Statement to CP15/24 and next steps

December 2015

Policy Statement

PS15/27

Contents

In this Policy Statement we report on the main issues arising from Consultation Paper 15/24 Cash savings remedies and we publish the final rules.

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Abbreviations used in this paper

AER	Annual Equivalent Rate
AIS	Account Information Services
BBA	British Bankers Association
BCOBS	Banking: Conduct of Business Sourcebook
CBA	Cost-benefit analysis
CP	Consultation Paper
DP	Discussion Paper
EU	European Union
FCA	Financial Conduct Authority
ISA	Individual savings account
MS	Market Study
OP	Occasional Paper
PIS	Payment Initiation Services
PSD	Payment Services Directive
PSDII	Second Payment Services Directive
RCT	Randomised Control Trial

1. Overview

Introduction

1.1 In January 2015 we published the final findings of the cash savings market study (MS14/2.3)[1]. We found that the cash savings market was not working well for many consumers and we proposed remedies in four areas.

- **Disclosure remedies** – aimed at improving the information made available to consumers by firms, both at or before the point of sale and post-sale. These remedies include a standardised summary box, a switching box (showing the potential benefits of shopping around) and improvements to the presentation, frequency and timing of customer communications.
- **Sunlight remedy** – Improving transparency of interest rates available to new and existing customers, aimed at raising awareness of providers' strategies towards their longstanding customers. To achieve this we are publishing data on the lowest-paying interest rates available on easy-access cash savings accounts and easy-access cash ISAs.
- **Switching remedies** – focused on making the process of switching easier. These remedies included speeding up the cash ISA switching process, and facilitating switching between accounts offered by a firm.
- **Convenience remedies** – with the aim of reducing any significant barriers to allowing customers to manage savings and accounts in one place, regardless of whether those accounts are with different providers.

1.2 In July 2015, we published a consultation and discussion paper and we asked for feedback on how we intended to take these remedies forward[2]. We received responses from a range of stakeholders. Generally, the proposals were supported. The main concerns raised, in respect of disclosure remedies, related to the format and layout of the summary box and the timing of any reminders of changes to interest or bonus rates. Significant concerns were raised in respect of certain variations of the switching box we set out for discussion. In respect of the 'sunlight' remedy, concerns were expressed regarding the difficulties in making 'like-for-like' comparisons between products, and how best to illustrate tiered and bonus rates.

1.3 This document responds to the feedback we received on the consultation and discussion paper, it highlights where we have adjusted our policy to take account of respondents' views and sets out our next steps, as follows:

1 See the cash savings market study and proposed remedies, January 2015: www.fca.org.uk/news/cash-savings-market-study

2 Cash savings remedies Consultation Paper 15/24, July 2015: www.fca.org.uk/news/cp15-24-cash-savings-remedies

- **Disclosure remedies**: we are publishing final rules for the disclosure remedies we consulted on, including the summary box, guidance on the prominent display of interest rates and notifications, as well as a rule facilitating switching within a firm.
- **Sunlight Remedy**: alongside this document, we are publishing the first set of data for this remedy which is aimed primarily at market commentators and shines a light on the lowest interest rates available on open and closed easy-access cash savings accounts and easy-access cash ISAs.
- **Switching**: we set out the progress made working with industry to deliver seven working day switching for the vast majority of cash ISA transfers (except for those involving smaller providers) from January 2017.
- We set out the next steps for the other remedies (for example, auto-renewal of fixed term bonds) and the Annual Equivalent Rate (AER) Code[3] discussed in our consultation.
- We have finished testing the effectiveness of certain other disclosure remedies through randomised control trials (RCTs) and are currently analysing the results of the trials. We plan to report the results in a consultation paper in early 2016.

Who does this affect?

1.4 This feedback and policy statement affects all active and potential participants in the cash savings market as well as others with an interest in this market. This is likely to include intermediaries such as price comparison websites and those providing account aggregation services.

Is this of interest to consumers?

1.5 The proposed remedies will improve the information that firms provide to consumers in relation to savings accounts and make it easier for consumers to open, manage and switch their savings accounts. This feedback and policy statement is therefore likely to be of interest to consumers and consumer groups alike. As most UK adults hold a savings product (93%)[4], this paper is likely to be of interest to all types of consumers, including those who are new to savings and those who hold existing accounts.

Context

1.6 In October 2013, we launched a market study into the cash savings market[5]. We wanted to assess whether competition in the market for cash savings products was working well for consumers.

3 AER Code of Advertising for Interest Bearing Accounts: www.bba.org.uk/wp-content/uploads/2011/03/Code_of_conduct_for_the_advertising_of_interest_bearing_accounts1.pdf

4 GMI consumer panel – taken from Mintel's Deposit and Savings Accounts – UK –April 2014, base 1,571 internet users aged 18+ with savings and/or investments. These savings products include premium bonds which are outside the scope of this market study. Premium bonds are owned by 25% of British adults.

5 Market studies are the main way in which we investigate markets to see how they are working for consumers. See the cash savings terms of reference October 2013: www.fca.org.uk/your-fca/documents/market-studies/cash-savings-market-study-terms-of-reference

1.7 Our final findings from this market study, published in January 2015, set out that competition in the cash savings market was not working well for many consumers. Alongside these findings we also published proposed remedies to improve competition.

1.8 In July 2015 we published feedback on the proposed remedies along with a request for comment on three further proposals:

- the sunlight remedy
- a disclosure remedy – the switching box, and
- the AER code.

1.9 We also consulted on proposals for the following:

- Key information, requiring firms to provide consumers with easy-to-understand key information in a summary box to help consumers to compare savings accounts.
- Being clear on the interest rates consumers are getting by adding guidance on the prominent display of interest rate information.
- Improved customer communications, including proposals to improve how firms notify customers of bonus rate expiry, disadvantageous rate changes and the maturity of fixed term savings accounts.
- Easier switching within a firm. Firms should provide a prompt and efficient service to a customer interested in switching to another account with the same firm.

Scope of our rule changes

1.10 In CP15/24 we discussed how the application of our changes was limited in certain areas by the Payment Services Directive's (PSD) full harmonisation of rules in some areas for payment accounts. As part of the individual proposals we outlined the application to payment and non-payment accounts. The application of our final rules and guidance in this Policy Statement is the same as set out in the consultation paper and shown in Table 2 in Chapter 3. Structured deposits were outside the scope of the market study and so are not included in the scope of these proposals.

1.11 We asked firms for their views on how they would apply the proposed changes. A summary of these responses is provided in Chapter 3. It was clear from the feedback that some firms choose to adopt one approach across all of their savings accounts.

Summary of feedback to CP15/24 and our intended next steps

1.12 We received 24 responses to the consultation paper and discussion paper – mostly from cash savings providers but also from trade bodies, consumer organisations, individuals and third parties such as information providers.

1.13 Our discussion paper requested feedback on our approach to three areas: the switching box, the sunlight remedy and the AER Code. Responses were mixed. Most respondents supported the idea of the FCA taking ownership of the AER Code, but many also had concerns with certain elements of the switching box and the sunlight remedy.

1.14 We are considering the feedback received and the results of the trials we have undertaken and will provide a further update on the switching box, auto-renewal of fixed term bonds, and the results of other trials in early 2016. Further detail is provided in Chapter 4.

1.15 Respondents were broadly supportive of the aims of the proposals in CP15/24. Some concerns were raised together with practical difficulties, costs and requests for guidance. Table 1 provides an overview of the feedback received and sets out our response to each concern.

1.16 We agree with a number of the comments made and have amended our proposals. We have:

- revised the definition of savings account to include accounts that return value in the payment of dividends instead of interest
- revised the definition of fixed-term savings account to include accounts that permit limited withdrawals within the fixed term with no loss of interest
- allowed for flexibility and innovation with the format of summary boxes so that they work for mobile and digital channels constrained by space
- made an amendment so that it is in line with our guidance for the provision of interest rate information to be no more than 'one-click' away from the customer's on-line banking home page, and
- extended the deadline for implementation from 1 July 2016 to 1 December 2016.

1.17 As part of the sunlight remedy we are publishing on our website the first set of data on firms' lowest interest rates available on open and closed easy-access cash savings accounts and easy-access cash ISAs.

1.18 The purpose of this remedy is to raise awareness of providers' strategies towards their longstanding customers. We hope that doing so will encourage firms to change their behaviour and offer better value products. As set out in CP15/24 we will be publishing this information on a trial basis for 18 months at six-monthly intervals.

1.19 In summary, we have made some changes to the draft rules and guidance we consulted on in CP15/24 (outlined in Chapter 3); however we do not believe that the rules and guidance we have made differ from the draft rules and guidance in a way which is significant

Table 1: summary of feedback and our response

Feedback received	Our response and intended next steps
Disclosure remedies *Key information*: Most respondents were in favour of summary boxes in principle. There were some concerns about illustrative deposits for the cash example and potential complexity. Firms wanted flexibility to reshape the layout of the box across digital channels.	We have given extra guidance on the cash illustrations and the provision of information on tax and made it clear that firms have flexibility to amend the layout of summary boxes for mobile and digital mediums constrained by space.
Being clear on the interest rate customers are getting: Most respondents agreed with the proposals regarding the display of interest rates. Some suggested that the rate should be no more than 'one-click' away from the first personalised homepage on online banking, rather than having to be on the homepage itself. Nearly all respondents agreed that interest rates should be easily accessible on firms' websites, and available on request in branch and over the telephone.	We will proceed with the majority of the proposals as consulted on. However, we have made a minor amendment to our guidance to reflect feedback, so that it is in line with the guidance if, in relation to online banking, the interest rate is either on the first personalised page of the customer's online banking homepage or no more than 'one-click' away from the customers' homepage.
Improved customer communications: The majority of respondents were in favour of our proposals in this area. Respondents did however have mixed views on our proposed guidance on reminders, with some saying that sending reminders out 14 days before an event would be operationally difficult and did not give consumers enough time to make an informed decision.	We have proceeded as consulted on in this area. Our longer timescale for implementation of our changes should address some of the operational issues highlighted by firms. Further detail is given in Chapter 3.
Switching box: many respondents focused their feedback on the switching box, specifically regarding a proposed variation of it that would require the inclusion of information about the best-paying comparable accounts available elsewhere in the market. Many cited operational issues, such as timeliness of providing rate notifications and accuracy/comparability of the information. Respondents also focussed on the potential impact on the market: including the risk of it increasing consumers' focus on rate alone, risks of consumers interpreting the information as a recommendation, the potential impact on smaller providers of a spike in deposits, and the fact that the switching box could encourage consumers to rely on their provider for such information (dampening consumer engagement). Some also cited potential legal issues with providing information on competitors' interest rates.	We have recently completed a number of RCTs testing the effectiveness of certain disclosure remedies such as the switching box. We are analysing the results of the RCTs and considering the feedback received. We will report back on this and a small number of other remedies in a consultation paper in early 2016.

Feedback received	Our response and intended next steps
Sunlight remedy Although respondents generally supported the aims of the sunlight remedy, many were concerned about how the information would be presented for certain products, such as those with tiered interest rates. Some respondents raised the difficulty in ensuring that like-for-like products were being compared and the timeliness of the information provided. Some respondents also expressed concerns that the remedy focused too much on interest rates without taking other product factors, such as service quality, into account. Some respondents felt this remedy was unnecessary given our other disclosure remedies or questioned the value it would add to information already in the public domain.	The purpose of this remedy is to provide incentives to firms to change their behaviour and improve the treatment of longstanding customers. We are proceeding with this remedy and have published alongside this paper the first set of lowest interest rates available on easy-access cash savings accounts and easy-access cash ISAs. The information published is targeted at market commentators, consumer groups and the media and not directly at consumers (although some individuals may choose to read it). This information may be used alongside other data and information available to consumers and commentators, such as complaints data and other indicators of service quality, to provide a more comprehensive comparison of cash savings accounts. We clearly specified in our information request to firms which accounts are in scope and how different product structures and features should be treated. As set out in CP15/24 we will be publishing this information on a trial basis for 18 months at six-monthly intervals. During this time we will evaluate our approach and assess the impact of publishing this information. During the trial period we may vary how we collect and/or present the information to ensure that what we publish remains relevant and useful.
Switching remedy Nearly all respondents agreed that firms should provide a prompt and efficient service when a customer switches to another product within that firm. Some did not think that a rule was needed. We consulted and provided feedback on speeding up cash ISA switching as part of the earlier market study. One consumer group and a large bank expressed support for our intention to work with the industry to reduce the time taken to transfer cash ISAs.	We intend to proceed with the rule and guidance as drafted. We have made good progress a in our discussions with industry and provide an update in Chapter 4.
Convenience remedy We did not consult on any proposals in respect of the convenience remedy in the consultation paper. However the main concern identified in the feedback to the market study was around the security risks given the valuable data aggregators would hold.	We consulted and provided feedback on this remedy as part of the earlier market study. We are taking this forward with our work on implementing PSDII.
Timing of implementation A number of responses indicated that the changes required by our proposals, and the costs of these changes merited a longer timescale for implementation than 1 July 2016 as proposed in CP15/24.	We accept that the timescale for implementation may be challenging for some firms, and have therefore changed the date of implementation for these remedies from 1 July 2016 to 1 December 2016.

What do you need to do next?

1.20 The changes contained in the rules that form part of this Policy Statement will come into effect on 1 December 2016.

Equality and diversity considerations

1.21 We believe these changes do not give rise to any equality and diversity issues and do not adversely impact any of the groups with protected characteristics i.e. age, disability, gender, pregnancy and maternity, race, religion and belief, sexual orientation and transgender.

2. Feedback to Chapter 7 (discussion paper) of CP15/24

2.1 In this chapter we present the feedback to the questions we asked in our discussion paper, CP15/24. We also describe our next steps. More information on this work is given in Chapter 4.

2.2 In this section we asked for feedback on three discussion items: the switching box, the sunlight remedy, and the AER Code. In respect of the switching box we outlined what RCTs we were running in conjunction with firms, and the different variations of the switching box we were testing.

2.3 We asked:

> ***Q1:*** ***Do you have any comments about the different elements of the switching box we are trialling with firms? In particular, what one-off and ongoing incremental costs or practical barriers would firms experience if we were to require these elements be provided in any possible future rules relating to the switching box?***

2.4 The majority of respondents to this question focused on the variation of the switching box which included information about the best-paying alternative comparable accounts obtainable elsewhere in the market. A number of concerns were raised, in particular:

- the difficulty of including information on comparable products
- the difficulty of including clear information on interest rates that is not out-of-date by the time it reaches the consumer
- the difficulty of including information relating to an individual, for example monetary gains from switching linked to a customer's existing balance
- the inclusion of a graphical illustration of the potential gains from switching
- positioning of the switching box in mailings and clarity over which communications would be within scope
- the scalability of any proposal
- whether there should be a single source of information, such as the FCA, providing the underlying data
- firms' product simplification strategies meaning many firms may no longer offer comparable accounts

- whether the information could be viewed as marketing material or as advice
- the capacity of smaller firms to deal with large customer inflows if their rates were seen as the best alternative
- encouraging customers to remain relatively disengaged as they would be able to rely on their supplier to look across the market and provide them with the results
- the dynamic impact of the remedy actually leading to unintended consequences such as a reduction in the best interest rates offered or interest paid overall or, if pushing up rates, the consequential impact on the lending market(s).

2.5 Some respondents did provide suggestions for alternatives to, or alternative formats of, the switching box.

2.6 One respondent provided comments on our RCTs, raising the point that the trials should allow the testing of the incremental effects of different solutions (including in comparison to the remedies to be implemented through this Policy Statement) and that we should be mindful that the trials may produce different results according to how data is displayed, for example with interest rates. In response to our question on cost we received specific figures from a small number of firms, with the majority of firms not providing cost information.

2.7 Consumer groups and a small number of industry respondents supported the principle of the switching box and our intention, as stated in CP15/24, to carry out further trials.

Our response

The feedback provided on the switching box, both following the market study and the discussion paper has informed our next steps. We have been carrying out two RCTs to assess the effectiveness of this remedy in prompting customers to consider their choice of savings account and provider.

We are analysing the results of the RCTs and have gathered further information from a cross-section of firms on the potential cost of different possible variants of the switching box.

We will consider this information alongside the feedback provided to the Discussion Paper, and give an update on this work in a further consultation paper in early 2016.

2.8 In the Feedback Statement we also outlined our intended approach to the sunlight remedy, which involved publishing a table on our website showing firms' lowest interest rates on both open and closed easy-access cash savings accounts and easy-access cash ISAs on a trial basis.

2.9 We asked:

> ***Q2:*** ***Do you agree with our approach to taking forward the sunlight remedy? In particular do you have any comments as to how we propose to collect this information?***

2.10 Respondents had mixed views regarding the sunlight remedy. Many from industry expressed support for the remedy in principle, while others had concerns that the remedy might not prove effective. Our intention to trial the remedy over an 18-month period was supported by a number of respondents and consumer groups.

2.11 Concerns raised were largely centred on the presentation of the information itself and how to illustrate tiered and bonus rates. Some respondents suggested that it might be helpful to present the full range of tiered rates rather than the lowest rate within the tiered structure. There were similar concerns regarding bonus and conditional accounts, with respondents raising questions over how useful a presentation of a 'worst case scenario' would be for customers.

2.12 Several respondents discussed the difficulty in making comparisons between products and how the FCA would ensure that interest rates were shown on a comparable basis. Some respondents wanted greater clarity on the definitions of the type of the two accounts (easy-access cash savings accounts and easy-access cash ISAs).

2.13 Some respondents suggested we should collect more data such as the proportion of firms' customers earning the lowest rate.

2.14 There was also a concern about a focus on interest rates at the expense of other factors that mattered to consumers.

2.15 One firm and one trade body suggested reviving the provisions of the Banking Code on 'superseded' accounts (accounts closed to new customers or which the firm no longer promotes). The Banking Code provisions required a firm to keep the interest rate on a superseded account at the same level as another account with similar features or switch the superseded account to another account with similar features.

Our response

We are proceeding with the pilot phase of this remedy and have published alongside this paper the first set of data on firms' lowest interest rates offered on easy-access cash savings accounts and easy-access cash ISAs.

We collected information on firms' lowest interest-paying open and closed accounts from a sample of 32 providers (totalling 39 brands). These firms represent the vast majority of the cash savings market. We also offered providers of easy-access cash savings accounts and easy-access cash ISAs that were not captured by our sample the opportunity to respond to our data request on a voluntary basis.

When designing our information request to firms, we took into account the feedback received on the sunlight remedy. This included providing firms with clear definitions for accounts in scope and guidance on how to treat different product structures and features. Specifically, we asked firms to provide information on their lowest interest-paying easy-access cash savings account and easy-access cash ISA which has no restrictions on deposits or withdrawals (other than those imposed by the ISA regulations), no notice period, and no minimum balance requirement higher than £100. We recognise that a range of values could have been specified as the minimum balance requirement and while some respondents suggested alternative minimum balances, the purpose of specifying this was to ensure products are compared on a commensurate basis and we opted for a simple nominal amount of £100 to achieve this.

We also specified that firms should provide the lowest interest that applies within any tiered structure that is paid on balances of £100 or above, and provide the rate which applies when conditions of the product are not met if meeting the conditions results in a higher rate of interest being paid.

Further, we requested a breakdown by accounts that can and cannot be managed in branch where the lowest interest rate offered differs. This was to reflect the possibility that an account which can be managed in branch is provided at greater cost to a firm than an account which cannot be managed in branch (i.e. can only be managed via post/phone/online).

We will continue to publish data on firms' lowest interest rates on a trial basis over the next year at six-monthly intervals. During this time we will evaluate our approach and assess the impact of publishing this information on firm behaviour and customer outcomes. If this remedy is found to be effective we will consult on whether the publication of this data should be undertaken on a more permanent basis.

2.16 In the discussion paper we set out the current regime in respect of the AER Code, and what the AER calculation is used for, and asked firms for feedback on whether FCA ownership of the Code would bring any benefits and whether they found it useful as a comparison tool.

2.17 We asked:

> ***Q3:*** ***Do you think the AER is a useful tool in helping consumers compare the interest rates offered on different savings accounts? Are any changes needed to the current AER Code? What benefits do you think FCA regulation of the AER Code would bring?***

2.18 The majority of respondents agreed the AER was a useful tool for allowing customers to compare rates on savings products so that they can shop around for the best deal. However, two responses suggested that AER was only helpful to those consumers who had a high level of financial literacy. One respondent suggested consumer research should be carried out to assess its value and another that an industry wide guide or leaflet to raise consumer awareness of AER may be helpful. Another firm pointed to the importance of wider consumer financial education.

2.19 A consumer representative pointed out that consumers understand monetary terms rather than interest rates and urged us to look at how information like this can be provided alongside interest rate information to provide a more straightforward method for consumers to compare products.

2.20 As the accepted market standard methodology for comparing the expected returns for savings products, the importance of AER to competition was highlighted. Respondents also noted the need to ensure a consistent application across the market to avoid consumer detriment. Most respondents wanted to ensure consistency in calculation between providers and there was a concern that if the AER Code is not monitored, new entrants to the market may not comply with it. A consumer group pointed out that while the AER continues as voluntary guidance it leaves providers free to follow a different standard, which could undermine the purpose of a single comparable interest rate. A provider suggested that firms should report to the FCA that they have complied with the Code.

2.21 Some responses highlighted the need for changes to the Code to take account of technological developments, changes in consumer behaviour and our Discussion Paper on smarter communications.[6]

2.22 A few responses suggested that the outcome of the ongoing discussions between the industry and the FCA on the AER Code should be aligned with the final package of remedies and disagreed that the use of AER in summary boxes should be voluntary, pointing out that areas of the Code that may need revision are relevant to the presentation of rates in summary boxes.

2.23 We received some feedback that other providers who are not deposit takers may be using an AER to indicate potential returns in financial promotions with a concern that this may imply a level of protection from the compensation scheme that is not relevant.

2.24 A small minority of respondents felt that FCA regulation of the AER Code was either not required, that the AER Code had limited use, or that FCA regulation would affect the responsiveness and flexibility of the Code and the ability to make quick changes if necessary.

Our response

We acknowledge that industry desires certainty on the requirements in relation to the AER Code. We will continue discussions with industry and other stakeholders, including consumer groups.

6 www.fca.org.uk/static/channel-page/dp-smarter-comms/dp-smarter-comms-index.html

3.
Feedback to Chapter 8 (consultation paper) of CP15/24

3.1 In this chapter we present the feedback to our questions in the consultation paper chapter of CP15/24, together with our response indicating how we are going to take the proposals forward, and any changes we have made to the proposed Handbook text.

Timing of implementation

3.2 We received comments from industry respondents about the cost and potential implementation difficulties arising from our proposals, particularly in the areas of redesigning the summary box and putting a reminder procedure in place to follow up on certain notifications. Some of these responses mentioned that the proposed 1 July 2016 implementation date was challenging, given other changes due to come into force (such as in relation to the taxation of savings products). Several respondents proposed that a 12-month lead time would be required for implementation, given the systems changes involved.

3.3 A trade body suggested that we may wish to take a phased approach to implementation, to assess the effectiveness of individual remedies, rather than implementing all the remedies at once.

Our response

We are aware that some firms may find it more difficult than others to implement the changes in time for the 1 July 2016 deadline, given that the changes involve modification of IT systems and amendments to statements and notifications, both in paper format and through other channels. We want to ensure our changes to rules and guidance do not disadvantage one group of firms over another, as they are intended to facilitate competition in the market. We are therefore changing the implementation date for these changes to 1 December 2016.

Our approach to implementation has been to provide certainty to firms as soon as possible on those remedies identified in the market study that we wish to bring forward straight away, while continuing to test other remedies where appropriate to assess the evidence of their effectiveness.

Scope of our proposed rule changes

3.4 In our 'scope' section we set out two new Glossary definitions for 'savings account' and 'fixed-term savings account' and why we considered some products fell outside this definition.

3.5 We asked:

> *Q4: Do you agree with our proposed definitions of 'savings account' and of 'fixed-term savings account'?*

3.6 Most respondents to this question suggested some change to the definitions. Some respondents were concerned that the definitions were not 'user-friendly', while others suggested that the definitions be made more flexible, so that accounts with various functionalities were included.

3.7 Suggestions for amendments fell into three broad areas:

- Including accounts that return value in other ways to customers within our definition (the consultation proposal referred only to interest being paid).
- The use of 'banking customer' in the definitions (some building societies felt that this was potentially inaccurate).
- A concern that the definition of 'fixed term savings account' did not cater for accounts that permit limited withdrawals with no loss of interest.

3.8 Other responses indicated concerns about whether a payment account could be a savings account or whether our definition of a savings account represented an effort to separate the two regimes, or to ensure that accounts can fall under both definitions. One respondent recommended that we define a savings account in a way that enables it to be classified as a non-payment account.

3.9 A trade body commented that the current landscape for savings products was becoming more complicated with current accounts increasingly being used as savings accounts by consumers.

3.10 There were a number of comments from respondents that the definitions did not meet a 'plain English' test.

Our response

We have sought to provide clarification on the type of accounts that will fall within the new definitions. Adding any further flexibility would risk losing certainty on the application of the definition.

We have made minor amendments to the definitions in order to reflect some of the feedback. In the definition of savings account we have included accounts that return value through dividends, and deleted some text that referred to payments from third parties, in order to make it clear that, for example, children's savings accounts are included within the scope of the definition. We have made a minor amendment to the definition to clarify that it does not include structured deposits, as these were outside the scope of the market study.

We have also amended our definition of fixed term savings account to include accounts that place restrictions on but do not absolutely prevent withdrawals within the fixed term.

We have not changed the use of the glossary term 'banking customer' within the definitions as the term is widely used within the Banking Conduct of Business sourcebook (BCOBS) and its application is understood as referring to the type of service, not the institution.

Our definition of 'savings account' does not affect the scope of the payment services regime. Many accounts that fall within the new glossary definition of savings account will also be payment accounts. Chapter 15 of the Perimeter Guidance Manual (Q.16 in PERG 15.3) provides some guidance on what a payment account is. As explained in paragraphs 8.7 and 8.8 of CP15/24[7], we accept that the maximum-harmonising requirements of PSD restrict our ability to apply some of our new provisions to payment accounts. Chapter 4 of BCOBS, in which some of the new provisions sit, does not apply to payment services where Part 5 and 6 of the Payment Services Regulations 2009 apply.

We asked firms a specific question about whether our proposals would be voluntarily applied to both payment and non-payment accounts which are savings accounts (see Question 6 below) in order to determine the approach industry participants would take.

We recognise the change in the savings account market where traditional current accounts are operating as savings accounts, and equally that there are many savings accounts that offer the functionality to make payments. We have sought to make the scope of the definition clear by providing that an account is a savings account if (among other things) it is not generally used for the execution of day-to-day payment transactions to third parties.

We take on board comments about revising our definitions. We believe that the definitions (as amended in the final rules) provide the right balance of certainty regarding application with clarity.

3.11 Our approach to credit unions in the consultation paper was to exclude them from the scope of the market study and the majority of the rules and guidance we were proposing save for the notification of a disadvantageous rate change or bonus rate expiry.

3.12 We asked:

Q5: Do you think our proposed rules should also apply to credit unions who offer savings accounts with advertised interest rates?

3.13 Credit unions were excluded from the scope of the market study as most products they offered could not be substituted for others. Most credit unions offer a dividend rather than an advertised interest rate on their savings which can vary depending on how much profit the credit union has made in the year. In addition, membership of the credit union is restricted to

7 www.fca.org.uk/static/fca/documents/cp15-24.pdf

persons who fall within the common bond of the credit union. However, some credit unions, usually the larger ones, now offer savings accounts with advertised rates of interest.

3.14 In the consultation paper we asked whether our proposed rules should also apply to those credit unions that offer savings accounts with advertised interest rates and we proposed applying guidance about notification of interest rate changes to credit unions as part of these proposals.

3.15 Most respondents were in favour of extending the proposals to credit unions who offer savings accounts with advertised interest rates in order to ensure a level playing field and consistency in the market, enabling consumers to make fair comparisons.

Our response

We intend to proceed on the basis on which we consulted. The change to the guidance that already applies to credit unions, in relation to notifying a customer of a disadvantageous rate change or bonus rate expiry, will apply to credit unions which offer savings accounts with advertised interest rates. The remainder of the proposals do not apply to credit unions.

We intend to discuss the application of this guidance with some representatives of credit unions before the rules come into force.

Extending the scope of our rules and guidance more widely to credit unions who offer savings accounts would require a further consultation and cost-benefit analysis. We will consider the respondents' feedback to this question and discuss the wider application with credit unions and their representatives.

3.16 In the consultation paper we outlined how our ability to apply our proposed changes was limited by the PSD, due to its full harmonisation of the rules in some areas for payment accounts. We are interested in how firms intend to apply the changes to payment accounts.

3.17 We asked:

Q6: ***How do you propose to apply our proposed changes? Would you also apply these to savings accounts which are payment accounts?***

3.18 The consultation paper proposed applying the changes to savings accounts, as far as relevant European legislation permits. Several respondents commented that the existing distinction between payment accounts and non-payment accounts is unsatisfactory and makes application of the rules somewhat confused. Another mentioned that the current regulatory framework for savings is fragmented and unwieldy, given overlap with the Payment Services Regulation and other regimes.

3.19 Around a third of respondents were in favour of applying the same requirements to payment and non-payment accounts. Others would apply the changes to payment accounts 'where it was reasonable to do so' and a third group would consider what to do once the final rules were made.

3.20 One provider suggested that it would like to see a single regime exist for all savings accounts, recognising the challenges that come from European payments regulation and hoped that this could be achieved by a combination of customer focussed and proportionate regulation and by a willingness of firms to adopt key elements on a voluntary best practice basis.

Our response

We intend to proceed as outlined in the consultation paper and apply the remedies as widely as possible across payment and non-payment savings accounts, as permitted by the PSD. Please also see our response to Q4.

A table setting out how our changes apply to payment and non-payment accounts is set out below:

Table 2: application of rule changes to payment and non-payment accounts

Rule or guidance	Application
Summary boxes (Questions 7 & 8 of CP15/24)	In direct offer financial promotions: savings accounts that are payment and non-payment accounts In pre-contract information: non-payment accounts
More prominent display of interest rate information (Questions 9 & 10)	Savings accounts that are non-payment accounts
Guidance on clearer customer communications (Question 11)	Savings accounts that are non-payment accounts
Guidance on when a firm must notify a customer of a disadvantageous rate change or bonus rate expiry (Question 12)	Savings accounts that are non-payment accounts, and savings accounts with advertised interest rates offered by credit unions
Guidance that firms should notify customers in advance of the maturity of a fixed-term savings account (Question 13)	Fixed-term savings accounts (non-payment accounts)
Guidance on reminders of interest rate changes, the expiry of bonus rates and the maturity of fixed term savings accounts (Question 14)	Savings accounts and fixed-term savings accounts that are non-payment accounts
Providing an efficient service when switching to a new product (Question 15)	All savings accounts

Key information

3.21 We outlined in the consultation paper how we intended to take forward our proposals in respect of key information, by requiring firms to provide a summary box. We based the format and layout of this box on consumer testing that we published alongside the consultation paper.[8]

3.22 We asked:

> *Q7: **Do you agree with the proposed application, format, layout and content of our summary box? Is there alternative content that should be included?***

3.23 Most responses were broadly in favour of the summary box which is designed to provide a snapshot of key account information. Consumer groups and the majority of industry respondents supported the intended consumer outcomes of greater transparency and increased comparability between products. One provider suggested that if summary boxes worked in the way we intended then we might not need the switching box.

3.24 Some respondents raised concerns with particular areas of the proposal, mostly around the content and layout of the summary box shown in our draft rules. The most frequently-mentioned examples are set out below.

- Respondents thought more flexibility was needed in the layout to show the summary box on mobile phones and tablets.
- Firms wanted to be able to innovate to achieve effective consumer engagement.
- Firms were concerned that the amount of information contained within the summary box would not fit on one page.
- Some respondents thought that using £1,000 for the illustration was too low, others that it was too high. Respondents were also concerned that this illustration would not work for regular savings accounts.
- One trade body suggested that the summary box should be on a separate page from other account information to keep firms' costs down when interest rates started increasing.
- A few respondents were concerned that the summary box would become too complicated, for example when showing information on tiered or bonus rates.
- One respondent thought that it might not be clear when an account was a payment account, leading to different applications of the summary box if different firms came to different conclusions.
- One respondent stated that including information on tax would make the summary box too complicated. Another thought that tax information should be included in the summary box for all cash savings products in light of the new Personal Savings Allowance that takes effect from 6 April 2016.

8 www.fca.org.uk/your-fca/documents/research/cash-savings-remedies-consumer-research

Our response

We proposed the content of the summary box as the consumer research[9] published alongside our consultation highlighted the importance of consistent information to help consumers compare savings accounts.

We agree that flexibility is needed for small screens and mobile or other digital applications where firms consider the layout is not as helpful as it could be. Firms can innovate and improve the format of the summary box using these channels however the consumer research highlighted the primary importance of the interest rate and highlighting the rest of the information in the order specified. This information cannot be changed by firms.

The summary box must be clear, fair and not misleading and firms can add to the summary box to achieve this. Firms are free to add tools or interactive solutions for their digital and online channels, including calculators to provide the cash illustrations so consumers can see their planned savings on a sliding scale.

We agree that the summary box should be engaging, jargon free and easy to understand. The headings and required items of information are prescribed but firms have some flexibility over how to describe the content of the summary box and can add information that is necessary to make the summary box fair, clear and not misleading. There are some examples of good practice in this area and we encourage firms to build on these, using the information available and learning from disciplines such as behavioural economics. Our discussion paper on smarter communications[10] set out examples of good practice and innovative approaches for effective communications.

The summary box must contain the interest rate/rates available as well as the cash illustration as consumer research showed this would be helpful. The cash example should be based on a £1000 deposit unless the provider considers that this could be misleading, for example with regular savings accounts. For those accounts, firms may wish to give an illustration on the basis of a regular comparable amount deposited per month over the course of a 12 month period.

Firms can use online calculators to show amounts over or under these defaults.

Some of the feedback asked for guidance on how firms should show conditional bonuses or accounts that had multiple tiers, rates or restrictions, and expressed concerns that too much detail would add complexity to the summary box. We agree there is a need to keep the box simple and, therefore, if there is tension between the need to describe a product simply and the difficulty in doing so because the product has complicated product features, we would encourage providers to consider whether their product range provides good customer outcomes.

In our discussion paper on smarter communications we set out that we want firms to design communications with the needs of the product's target market in mind and ensure that the product features can be clearly communicated to

9 www.fca.org.uk/your-fca/documents/research/cash-savings-remedies-consumer-research

10 www.fca.org.uk/static/channel-page/dp-smarter-comms/dp-smarter-comms-index.html

that audience. We have been prescriptive when it comes to setting out the design and content of the summary box so that it is easier for consumers to compare different savings accounts.

In relation to the risk described by respondents that the dual regime of payment and non-payment accounts could lead to inconsistency and would detract from the impact of the summary box it should be noted that the direct offer financial promotion rules will apply to both types of account, helping to mitigate this risk.

We have sought to simplify our requirements for wording on tax. Firms should include tax information, where it is necessary to make the summary box fair, clear and not misleading, in the additional information section of the summary box.

We agree that the summary box could be included as a separate sheet in a direct-offer financial promotion on paper. It is designed to be seen by the customer before the customer buys the savings account.

We plan to engage with the industry and its representative bodies early in the new year to discuss any more detailed questions and to ensure there are no barriers to innovation.

3.25 The consumer research published alongside the summary box recommended that specific terminology and definitions be used. However we have decided not to proceed with this in our proposals as we felt industry may be better placed to develop this on a wider basis.

3.26 We asked:

> ***Q8:*** ***Do you agree that we should not prescribe specific terminology and definitions firms should use within the summary box?***

3.27 There was a mixed response to this question. The majority of respondents supported our intention not to prescribe specific terminology and definitions, as they felt there should be flexibility to tailor the language to suit the customers' needs and to provide an accurate description of the product. One provider summed it up as being keen to find a balance between a level of consistency of format for consumers and a level of flexibility to permit impactful messages in a provider's chosen "tone of voice".

3.28 However three respondents, including a consumer group, suggested that a variation in definitions could lead to inconsistency, a lack of comparability and customer confusion.

3.29 One firm noted an inconsistency between allowing flexibility with the wording in the summary box but including prescription with the words in the switching box.

3.30 A trade body and a consumer group suggested that wider harmonisation of terminology is something the industry should aim for and another respondent suggested the FCA and the industry work together in drafting and maintaining examples of best practice.

Our response

We are not prescribing standardised terminology or definitions for use in the summary box. We agree with firms that they need flexibility to adapt language to suit their customers' needs and to reflect their products. However, based on the results of our consumer research that consistent definitions should be adopted, we encourage firms and representative bodies to work together to consider an appropriate industry solution.

Being clear on the interest rates consumers are getting

3.31 The market study showed that firms' practices varied when providing information to customers on their interest rate. We therefore proposed that customers should be informed of their current interest rate online, on statements and on other communications.

3.32 We asked:

> ***Q9:*** ***Do you agree that a customer's current interest rate should be provided on statements, rate-related customer communications and on their online banking homepage?***

3.33 The majority of respondents supported the proposal. A number of respondents highlighted the potential cost implications of providing interest rates on statements, and the cost of changes to online systems. A number of respondents suggested that a rate should be available no more than 'one-click' away from the online banking personalised homepage, rather than having to be on the personalised homepage itself.

3.34 One trade body and a bank expressed the view that the currently applicable rate should not be the only one provided. Instead they argued that all relevant rates for the product (such as all the rates that apply to a tiered product) should be available alongside balance information so customers can be clear on the effect of making a deposit or a withdrawal.

3.35 One large bank was of the view that interest rate information could be out-of-date by the time it reached a customer, if that customer received a paper statement. It was also concerned that a number of interest rates may apply to the time period in a paper statement, as a result of balance fluctuations (for example on tiered products).

3.36 Another bank suggested that firms should provide a 'sign-post' to the complete interest rate history of a product.

3.37 Two firms expressed in their responses to Question 10 concerns that also responded to Question 9 on the costs of the proposals, with regard to the development of interactive IT systems (including online banking facilities for customers) if they do not offer this functionality.

Our response

Given the support for these proposals, we will proceed with the majority of them as consulted on. In order to take account of feedback received from respondents, and bearing in mind the cost implications highlighted by firms, we have amended our final guidance so that firms providing a customer's current interest rate no more than 'one-click' away from their online personalised banking homepage, rather than on the homepage itself, is in line with the guidance.

We want customers to know what interest rate they are currently receiving. We believe that providing only the current interest rate that applies to the account at the time is the simplest way of ensuring customers are aware of the interest rate on their accounts. In the case of tiered accounts, firms should already have provided clear information about the circumstances where different interest rates apply.

If firms wish to provide additional information about interest rates (such as in the case of tiered rates) they can do so, but the information should not detract from information that shows the current rate. It must be clear at all times what rate the customer is getting.

With regard to paper statements, we have made clear in our draft guidance that the rate of interest that applies at the time the information is sent should be the rate provided. We think this will be sufficiently clear to customers, who should be aware that subsequent transactions on the account may have changed the applicable interest rate, for example in the case of tiered products, provided the firm has already made clear the circumstances in which a customer moves to a different tier.

While we consider that 'sign-posting' to the complete interest rate history of a product is a good idea we do not, at this stage, intend to propose further rules or guidance.

We are not proposing that firms need to develop online banking portals where they do not already have them. The guidance for the presentation of interest rates online will only apply if customers can access their account and balance information online.

3.38 We also proposed that interest rate information should be easily available on request via branch and telephone banking.

3.39 We asked:

> ***Q10: Do you agree that the rate should also be easily accessible on firms' websites and available on request in branch and over the telephone?***

3.40 The majority of respondents agreed with this proposal. One respondent stressed the need for flexibility in the channel used to provide the information. Two respondents highlighted concerns that also related to Question 9 in their responses, specifically about the need to develop appropriate IT platforms, costs, the potential knock-on effect on competition and timing implications when issuing rate change notifications. A trade body supported transparency on interest rates for customers but requested an appropriate implementation timeline where changes are required.

3.41 A trade body registered concerns that display of interest rates may be difficult for firms if they did not have online banking portals. They were also concerned that interest rates may change depending on the timing of the communication.

Our response

We intend to proceed as outlined in the consultation paper. We accept the need for flexibility but in relation to this proposal the channel used to provide the information will be driven by the channel chosen by the customer to open or manage their account.

As discussed in Question 9 above, we are not proposing that firms should develop online banking portals if they do not currently offer them. Firms should be able to provide the current interest rates that applies to each savings account on their website and ensure this is kept updated. The interest rate is key information that a customer should be able to access easily. With regard to the interest rate having changed by the time of the communication, branch and telephone staff should always be able to inform a customer of the current interest rate applying to an account. In communications in a durable medium firms should make sure that the rate is correct at the time it is sent out.

Improved customer communications

3.42 We found the presentation and timing of customer communications varied significantly between firms. We proposed several changes on customer communications.

3.43 One of our proposals was to require firms to make their headings clearer – so requiring them to explicitly say in the heading that an interest rate was being reduced when that was the subject of the notification.

3.44 We asked:

Q11: Do you agree with our proposed guidance on clearer customer communications?

3.45 All respondents agreed with this proposal. Some respondents did express concerns over unintended consequences, for example, additional complexity arising from multiple letter variations for products such as those with a tiered interest rate. Some respondents suggested we include additional flexibility in our guidance, giving firms the ability to send out a single communication for customers with multiple accounts.

3.46 One bank said the proposed guidance created a simpler, more consistent approach for firms and consumers, and struck an appropriate balance between the timeliness and effectiveness of customer communication.

Our response

Given the support for these proposals, we will proceed with the guidance as drafted. We do not believe that making the heading of a notification clearer will lead to additional complexity, nor do we believe that additional flexibility is required in the wording of the guidance. We remain of the view that producing multiple variants of a notification should not be particularly complex for firms with tiered products. If it is too complex then firms may want to consider whether this complexity is delivering a good consumer outcome.

3.47 We also proposed a definition of what constituted a 'material' interest rate change that had to be notified to a customer.

3.48 We asked:

> ***Q12:* *Do you agree with our proposed amendments to define when a rate decrease or bonus rate expiry should be considered 'material'?***

3.49 The majority of respondents were in favour of this measure. Most firms supported this proposal, and several stated that they currently go further by notifying all customers of decreases to interest rates. A consumer responding to this question also expressed strong support for our proposals, while suggesting that we might wish to provide a definition of 'reasonable notice'.

3.50 Some firms disagreed with our proposed definition of material, although the majority of respondents supported using a minimum balance of £100. Some firms considered £100 to be too low as for postal notifications it could cost a greater amount to notify the customer than the amount the customer would lose in interest. One firm wanted retention of the current £500 limit in industry guidance while another suggested that £1,000 was more appropriate. Three firms supported notification to all customers regardless of their balance.

Our response

We will proceed with making guidance that a change to a rate of interest should always be considered 'material' for the purposes of BCOBS 4 except where the balance of the account is less than £100. We have made clear that this does not prevent firms from going further and notifying all customers should they want to but we do not intend to require this.

In relation to providing a definition of 'reasonable notice', we consider that the current wording provides appropriate flexibility for firms.

3.51 We proposed new guidance, specifying that firms should notify customers when a fixed-term savings account was set to mature.

3.52 We asked:

> ***Q13:* *Do you agree with our proposal that providers notify customers before maturity of fixed-term savings accounts?***

3.53 All respondents indicated support for this proposal. Various timescales for such a notification were suggested, mostly falling within the period of 14 to 30 days before maturity.

3.54 One firm suggested that the guidance should be expanded to include how the provider takes account of any instructions the customer may have previously provided in relation to maturity. The same firm indicated that two weeks should be sufficient time for this notification to be provided, and expressed the view that a longer time period could affect the firm's ability to guarantee any rates offered on alternative products at maturity.

3.55 One consumer representative stated that firms should be required, on the expiry of a fixed or teaser rate, to move their customers onto the next best available rate.

Our response

Given the support for the proposal, we will proceed with the guidance as consulted on. The guidance in relation to the maturity of fixed-term savings accounts requires the notification to be sent out in a durable medium 'in good time' before the end of the fixed term. If this is more than 14 days before the end of the fixed term, then our guidance in relation to reminders will become relevant. For more on this point, please see our response to Question 14.

We consider that the proposed wording of our guidance is sufficient to allow firms to include information on any previous instructions the customer may have provided. As mentioned in the guidance, firms must provide details of the options available to the customer for dealing with the balance in the fixed term savings account. If the customer has provided a previous instruction, one of the options for the customer would be to stick with the preference given in their previous instruction.

While it may be an attractive option for some customers, moving all customers onto the next best available rate would not take into account a customer's expressed preferences, and may result in some customers being moved onto certain products that did not meet their requirements in other areas (such as method of access to the account).

3.56 Currently firms are not required to send out reminders in respect of notifications for the expiry of fixed-term accounts, the ending of a promotional or bonus rate of interest, and a decrease in a customer's interest rate. We therefore proposed new guidance to require firms to send out such a reminder.

3.57 We asked:

> ***Q14: Do you agree with our proposals in respect of reminders?***

3.58 The respondents had mixed views on this. Providers highlighted operational difficulties with ensuring that a postal reminder was received within 14 days of the interest rate change, or firms not having the appropriate customer information in order to be able to send email or text reminders.

3.59 Other respondents thought that 14 days was insufficient time for consumers to make an informed decision on what to do next and suggested 28 days as a more appropriate timeframe. One trade body indicated that some firms currently dispatch communications about account maturity (where these are sent by post) either weekly or fortnightly, and suggested that a 28 day window would enable firms to continue this process.

3.60 One respondent suggested that our proposals should be modified to be more pragmatic and to require reminders to be sent 'in good time', representing a good outcome. The respondent suggested that two weeks would not necessarily be 'in good time'; taking into account examples such as if a customer was on holiday. Another respondent suggested that it may be more effective to send reminders to customers after the event (such as a rate change) rather than before.

3.61 A respondent was concerned that our proposals in this area may be disproportionately burdensome for larger firms.

3.62 Consumers commented on our statement that firms may wish to consider using channels such as text message for reminders, where this was the customer's expressly preferred medium of communication. These consumers emphasised that the method of communication should be the customer's choice.

3.63 Another respondent emphasised that firms should take account of the needs of customers who wanted to continue receiving reminders and other notifications by post. They pointed to behavioural research that indicated that consumers were more likely to understand financial information when receiving it via paper, rather than digital.

3.64 One trade body referred to previously-provided cost estimates in respect of reminders, stating that their estimates highlighted the impact of the proposals.

Our response

We intend to proceed with the guidance as consulted on. We understand firms have concerns over the timing of reminders as well as the cost implications of this proposal and this is one of the reasons that we have provided a longer period of implementation, to allow firms time to make the system changes that this guidance might demand.

In respect of these proposals being burdensome on larger firms, we accept firms with large customer bases may have operational challenges, however given that we have proposed flexibility for all firms in terms of the channel of communication and the timing of the initial notification we do not feel that the burden is disproportionate. The delayed implementation of this package of remedies is designed to give firms time to make any relevant changes.

We mentioned in CP15/24 that firms could use channels such as text message for reminders, and should take account of any preferences expressed by the customer about the medium of communication.

However, firms concerned about their ability to reach all affected customers in a 14-day period might consider the issuing of reminders to some customers through alternative channels, and may wish to obtain alternative contact methods for customers in order to do this where these details are not already held.

We discussed our estimates of the potential cost impacts of these proposals in our cost-benefit analysis in CP15/24. Responses regarding costs are discussed more fully in the feedback and our response to Question 16 below.

Easier switching within firms

3.65 Our rules currently require a firm to provide a prompt and efficient service when a customer switches to another firm, but do not require the same service when a customer switches to a new account within the same firm. We proposed a new rule to address this.

3.66 We asked:

> ***Q15:*** ***Do you agree with our proposal to require firms to provide a prompt and efficient service when a customer switches to another product within that firm?***

3.67 The vast majority of respondents supported this proposal, although a few respondents disagreed that a new a rule would be required. There were some requests for clarification on whether internal switching required the closure of the old account, and whether switching between different brands that may be offered by the same group would constitute switching between firms or switching within firms.

3.68 One firm supported the reduction of cash ISA transfer times (mentioned on pages 19 & 20 of CP15/24). The firm however suggested that a seven day switching timetable would be impossible to achieve for paper transfers.

Our response

We intend to proceed with this proposal, which forms part of our switching remedies and aims to ensure that customers will be able to move from lower-paying savings accounts to higher-paying savings accounts in an efficient manner.

We wish to make it clear that firms are expected to provide an efficient service to customers wishing to move to another product with their firm, and we consider that a rule that is in line with the existing rule on the treatment of customers switching to a new firm will achieve this.

This requirement applies whether or not the customer closes their existing account. The existing BCOBS rule on switching between firms does not require the closure of the existing account and the purpose of the new rule is to increase the ease with which customers can open new products with their existing provider. Whether or not the existing account is closed is a decision for the customer to make.

We consider that switching between different 'brands' constitutes switching between firms, where those firms are separate legal persons. However, moving between different brands offered by the same legal entity would fall within the scope of the new rule.

We have conducted a trial to assess whether a simple form for customers to complete and send back to their provider indicating a preference to switch accounts is effective. We are currently analysing the results and will report on this in a consultation paper in early 2016.

In relation to the point raised by one firm on Cash ISA switching, we have been in discussions with industry regarding the setting of a deliverable target for this process. We provide a further update on this work in Chapter 4.

Cost-benefit analysis

3.69 We asked:

Q16: Do you have any comments on our cost benefit analysis?

3.70 A majority of respondents to this question expressed concerns with the cost-benefit analysis (CBA).

3.71 Respondents were concerned that the cost estimates had been underestimated, though the vast majority of respondents did not provide any figures or details. One respondent commented that applying an average to all providers from a sample collected from 10% of all providers was a simplistic way of formulating cost estimates.

3.72 One trade body and several firms were concerned that our figures did not take into account the potential impact on lending as a result of higher rates on savings accounts. Many of the same respondents were also concerned that higher rates on closed accounts would potentially have an impact on the rates they would be able to offer on new accounts.

3.73 One large bank suggested the CBA may underestimate the costs given that some of the remedies were not fully defined.

3.74 Another bank said that all interventions should be considered together in one CBA rather than separately. The same firm expressed a concern that the margin of error in respect of our figures may be considerable, given that our benefits were calculated on the basis of the results of a field trial. A building society noted that too much weight was given to the results of the RCTs on reminders in respect of rate expiry in Occasional Paper 7 (OP7), stating that many firms already issued such letters around 14 days before a rate ends.[11] They therefore felt that the benefits were overstated.

3.75 One trade body referred to previously-provided cost estimates for interest rate changes with a £100 de minimis, and reminders for fixed rate accounts, stating that their estimates showed the potential impacts of the remedies we proposed.

3.76 A number of the largest providers commented that costs should have been estimated separately for small and for large firms before deriving the aggregate costs for the industry, as they felt costs would be disproportionately high for larger firms.

11 www.fca.org.uk/news/occasional-paper-no-7

Our response

We discussed, in both the CBA and the market study, whether we anticipated an effect on lending and interest rates on new savings accounts as a result of our proposals. In relation to the impact on lending, we set out in the CBA in CP15/24 that we consider the size of the estimated benefits to be relatively small compared to the total funding of the industry. As we concluded in the CBA[12] we therefore consider the impact on the cost of lending to be minimal.

With regard to the possibility of a 'zero-sum game' (that higher interest rates on older accounts would lead to lower interest rates on newer accounts), we discussed the likelihood of this in the market study (paragraphs 7.9 and 7.10). As we mentioned, we did not find reason to believe that the effects of our intervention would net out to zero across accounts.

Regarding the view that the remedies have not been fully defined, and that we may have underestimated the costs, we consider the remedies (and more importantly, the parts of the remedies on which we are consulting) to have been defined in sufficient detail for the purposes of public consultation. It should be noted that we have only provided a CBA for those items we are consulting on. Any further action in respect of other parts of the remedies not consulted on in CP15/24 will be subject to a separate CBA.

We agree that interventions should be considered together cumulatively and we will be using the position under the latest version of the FCA Handbook (including the rules and guidance consulted on in CP15/24 as now made) as our baseline in any future consultation on other remedies identified in the market study, so any future CBA will look at the position as a whole, in terms of costs and benefits. We believe that highlighting the costs and benefits in two separate cost-benefit analyses provides increased transparency.

We consider the field trials to have used a representative sample of population. Therefore, the margin of error is minimised and increasing the sample size or conducting further field trials is not expected to materially change the results. The sample used in the trials were the type of accounts affected by our changes to rules and guidance. On the point raised by a building society, which felt we had given too much weight to the conclusions of OP7, we have taken into account in our calculations firms which already issue notifications to customers close to the period of rate expiry (see paragraph 23 of the CBA to CP15/24).

In respect of our proposals on reminders we intend to proceed with our guidance in this area; however we believe that the longer implementation period should ease any cost implications to firms by providing a longer timeframe to allow firms to move to 14 day reminder process. We did consider the costs in this area in CP15/24[13], however given that firms do not have to send a reminder if the initial notification is sent less that 14 days before the event and reminders do not have to be sent in a durable medium we did not view these costs as significant.

12 www.fca.org.uk/static/fca/documents/cp15-24.pdf – Annex 2, Paragraph 27
13 www.fca.org.uk/static/fca/documents/cp15-24.pdf – paragraph 46

On the issue of costs for larger and smaller firms, as a sensitivity test, we have estimated the costs for each group of firms by using the same methodology as CP15/24 (the figures provided by firms in their responses to the market study and our separate requests for cost information) and scaled up to the aggregate level. The results suggest very similar cost estimates for the four respective remedies.

4.
Next steps and related developments

4.1 In this chapter we provide a short summary of our next steps in relation to those remedies for which we have not made final rules in this Policy Statement and we provide as context an update on related areas which are currently subject to regulatory or legislative change.

Sunlight Remedy

4.2 We have set out the feedback we received in response to our discussion paper question on the sunlight remedy in Chapter 2. We took this feedback into account when designing our information request to firms. We have published alongside this paper the first set of data on firms' lowest interest rates offered on open and closed easy-access cash savings accounts and easy-access cash ISAs.

4.3 As set out in CP15/24 we will be publishing this information on a trial basis for 18 months at six-monthly intervals. During this time we will evaluate our approach and assess the impact of publishing this information. If this remedy is found to be effective in changing firm behaviour we will consult on whether the publication of this data should be undertaken on a more permanent basis.

Second consultation on cash savings remedies

Further measures to improve disclosure and increase shopping around and switching

4.4 In MS14/2.3 we highlighted that we would carry out a number of RCTs in order to inform a small number of further remedies. We have carried out trials in relation to

- the switching box,
- the effectiveness of reminders by channel, and
- a return switching form.

4.5 We have received challenge on the idea of a switching box, both in response to our discussion paper question, as summarised in Chapter 2 above, and also in response to the original proposal as set out in MS14/2.3. We are considering this feedback further as we analyse the results of the two RCTs we have conducted on the switching box. We have also gathered information from a cross-section of firms about the potential cost impacts of different variants of the switching box.

4.6 In light of the guidance on reminders of interest rate changes, the expiry of bonus rates and the maturity of fixed term accounts in MS14/2.3, we also initiated a trial in order to test the effectiveness of different channels for reminders.

4.7 Finally, in light of the proposal to introduce a new rule to make clear that firms are also expected to provide a prompt and efficient service to enable a customer to move to another retail banking service provided by the same firm, we also conducted a trial to test the effectiveness of a 'return switching form' – a simple form sent with customer communications that can be completed and returned to the firm using a pre-paid envelope.

4.8 We are grateful for the support offered by those firms that volunteered to support the trials and, in particular, those with whom we went on to run a trial. We will report on the findings of the trials and set out our proposed approach on each issue in early 2016.

Auto-renewal of fixed term accounts

4.9 We originally proposed in MS14/2.3 that firms should not automatically renew fixed term accounts (by placing matured funds into another fixed term account) unless the customer has given their consent to this. A majority of respondents to the market study were supportive of this proposal; however a number of firms that currently operate auto-renewal had objections, which we summarised in Chapter 2 of CP15/24. We stated at that point we would be developing our proposals in this area further, in addition to taking account of ongoing FCA work in this area on other products, and considering ongoing research on notification practices in relation to auto-renewal.

4.10 We have sought information from firms to better understand the scale of auto-renewal and the potential costs of, for example, requiring firms to ensure a customer 'opts in' to auto-renewal at the point-of-sale. A further update on this proposal will follow in a consultation paper in early 2016.

Speeding-up Cash ISA switching

4.11 In CP15/24 we announced that we were working with industry to deliver seven working-day switching for the vast majority of cash ISA transfers from January 2017.

4.12 We believe that a reduction in the time taken to transfer cash ISAs would lead to improved competition in the cash ISA market, enabling customers to switch more quickly when they find another account which better suits their needs and addressing many consumers' perceptions that switching takes too much time and effort.

4.13 We have not changed our view that for some smaller firms the costs involved in joining the electronic transfer system may be significant. We are not considering imposing a requirement to join the electronic transfer system but, as previously stated, we are keen to see an increased proportion of cash ISA transfers completed in a shorter timescale.

4.14 We have continued to engage with industry via trade associations to develop our preferred solution of a voluntary target. Good progress has been made. Currently, industry estimates that around two-thirds of cash ISA transfers take place within seven working days, well within the 15 working-day target included in the industry-owned cash-ISA transfer guidelines. Transfers taking place electronically account for the majority of those transfers completed within seven working days and a significant proportion of these are in fact completed within five days. However, there remains a significant tail of both electronic and manual transfers that take between 8 and 15 days, the majority of which we want to see reduced to seven working days. For simplicity, to aid consumer understanding and to align with the timetable for the Current Account Switch Service, the structure of the new target will be based on a clear pass or fail against a seven working day standard.

4.15 In the first quarter of next year, industry will be looking to understand the impediments to faster ISA transfers. We aim to announce a target in the second quarter of next year that will be deliverable from 1 January 2017.

The AER Code

4.16 As discussed in Chapter 2, we will continue to engage with industry and other stakeholders, including consumer representatives, concerning the AER Code.

The Convenience Remedy

4.17 In the Feedback Statement we explained that we would take this remedy forward through the implementation of PSDII. The remedy involved reducing barriers to account aggregation services or other potential solutions that would enable consumers to view and manage savings across more than one provider.

4.18 PSDII was officially signed on 25 November 2015. Publication of the final text in the Official Journal of the European Union is expected shortly, with the Directive's implementation deadline likely to be early 2018.

4.19 Under PSDII account aggregators accessing payment accounts will be regulated by the FCA to the extent that they are providing Account Information Services in relation to payment accounts. We will be working to progress the convenience remedy as part of our wider work on implementation of PSDII and we will be keen to engage with industry in the coming months

The revised Payment Services Directive (PSDII)

4.20 As noted above, the revised Payment Services Directive (PSDII) was officially signed on 25 November 2015 and is likely to take effect from January 2016. Member states will then have two years to implement. The Directive will update and amend the legal framework put in place by the existing Payment Services Directive, implemented in the UK via the Payment Services Regulations 2009.

4.21 The Directive governs the authorisation and prudential requirements of payment institutions and sets conduct of business rules for the provision of payment services, including the operation of payment accounts, by payment services providers.

4.22 The new Directive seeks to future-proof the regulation of payments in Europe, improve competition, drive down costs and increase the security of payment transactions. Key changes under PSDII include extending the scope of the conduct provisions to include payment services in non-EEA currencies, updating and narrowing the exemptions and introducing two new payment services: Account Information Services (AIS) and Payment Initiation Services (PIS).

4.23 To facilitate the provision of these two new activities, payment account providers offering online access to account holders will need to grant AIS and PIS access to a user's account in accordance with a user's explicit consent.

Annex 1
List of non-confidential respondents

Alastair Hart & Co

The Building Societies Association

Cambridge & Counties Bank

Cascade Cash Management

Chris Robinson

Coventry Building Society

Financial Services Consumer Panel

Keep Me Posted

Marion Chatfield

Nationwide Building Society

Penrith Building Society

Savings Champion

Skipton Building Society

British Banker's Association

Which?

Appendix 1
Made rules (legal instrument)

BANKING: CONDUCT OF BUSINESS SOURCEBOOK (AMENDMENT NO 4) INSTRUMENT 2015

Powers exercised

A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):

(1) section 137A (The FCA’s general rules);
(2) section 137R (Financial promotion rules);
(3) section 137T (General supplementary powers); and
(4) section 139A (Power of the FCA to give guidance).

B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on 1 December 2016.

Amendments to the Handbook

D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Conduct of Business sourcebook (COBS)	Annex B
Banking: Conduct of Business sourcebook (BCOBS)	Annex C

Citation

E. This instrument may be cited as the Banking: Conduct of Business Sourcebook (Amendment No 4) Instrument 2015.

By order of the Board
3 December 2015

Annex A

Amendments to the Glossary of definitions

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

savings account	an account, other than an account relating to a *structured deposit*, held for a *banking customer*: (a) on terms that interest or a dividend is to be paid on money standing to the credit of the account; and (b) which is not used for the execution of day-to-day payment transactions to third parties.
fixed-term savings account	a *savings account* where it is agreed that money is to be held in the account for a specified period and the customer is not permitted to withdraw the money before the expiry of that period, is restricted in making withdrawals in that period, or the customer's entitlement to interest is reduced or extinguished if the customer makes such a withdrawal.

Annex B

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, underlining indicates new text and striking through indicates deleted text.

4.7 Direct offer financial promotions

…

Guidance

…

4.7.2A	G	(1)	*BCOBS* 2A contains *rules* and *guidance* about the inclusion of a summary box in a *direct offer financial promotion* relating to a *cash deposit ISA* or *cash deposit CTF* provided by a *firm* other than a *credit union*.
		(2)	Where *BCOBS* 2A applies, *COBS* 4.7.1R(1)(b) does not require a *firm* to include information outside a summary box in a *direct offer financial promotion* to the extent that this would simply repeat information included in a summary box in the same *financial promotion*.

…

Annex C

Amendments to the Banking: Conduct of Business sourcebook (BCOBS)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

1.1 General application

…

Limitations on the general application rule

…

1.1.5 R *BCOBS* 2.2A, *BCOBS* 4.1.2G(2A) to (2E), (3A), (6A) and (6B), *BCOBS* 4.1.4AG(2)(a), *BCOBS* 5.1.3AG, *BCOBS* 5.1.3BG, *BCOBS* 5.1.5AR, *BCOBS* 5.1.5BG and *BCOBS* 5.1.13R do not apply to a *credit union*.

Insert the following new section after BCOBS 2.2. The text is not underlined.

2.2A Summary box for savings accounts

2.2A.1 R

(1) A *firm* must ensure that a *direct offer financial promotion* in relation to a *savings account* includes a summary box in the form set out in *BCOBS* 2 Annex 1R.

(2) In the case only of a *direct offer financial promotion* on paper, it is sufficient for the purposes of (1) if the *direct offer financial promotion* is accompanied by a summary box on a separate sheet.

(3) The summary box must contain, in the sequence of rows set out in the table in *BCOBS* 2 Annex 1R:

(a) the headings prescribed in the first column in the table in *BCOBS* 2 Annex 1R; and

(b) the corresponding information described in the second column in the table in *BCOBS* 2 Annex 1R.

(4) In the case of a *direct offer financial promotion* communicated by voice telephony:

(a) this *rule* (except for this paragraph) does not apply; and

(b) the *firm* must provide each of the items of information described in the second column in the table in *BCOBS* 2 Annex 1R (except for the information in the row that includes the heading "What would the estimated balance be after [x] months based on a £[x] deposit?") orally in clear, easily understandable language during the telephone communication.

(5) The *firm* must present the summary box in clear, easily understandable language and in a prominent way.

(6) In the case of a *direct offer financial promotion* communicated in an electronic medium which is constrained by space, a *firm* may amend the form of the summary box where to do so would make the presentation of the information clearer in that particular electronic medium.

(7) Where more than one rate of interest may apply to a *savings account*, the summary box must show each rate of interest with equal prominence. In particular, the lowest rate of interest that may apply to the *savings account* must not be given any less prominence in the summary box than the other rate or rates of interest shown in the summary box.

(8) The summary box must not include any information other than the information described in the table in *BCOBS* 2 Annex 1R.

(9) The summary box may relate to more than one *savings account* provided that the information in relation to each respective account is presented in a separate column in the summary box and is clearly distinguishable from information in relation to other accounts.

2.2A.2 G (1) The summary box should be completed in accordance with the *guidance* set out in the notes to the summary box in *BCOBS* 2 Annex 1R.

(2) The requirement under *BCOBS* 2.2A.1R is to include the rate or rates of interest that apply to the *savings account* in the summary box itself. It is not, therefore, permissible to simply refer in the summary box to a separate webpage or document where the rate or rates of interest can be found.

(3) Where the rate of interest that applies to a *savings account* may change depending on the period that has elapsed since it was opened or on whether certain conditions are met, a *firm* should incorporate the table set out in *BCOBS* 2 Annex 2G in the row of the summary box that includes the heading "What is the interest rate?" unless it would be misleading to do so.

(4) The effect of *BCOBS* 2.2A.1R(1) is that the summary box must be incorporated in the *direct offer financial promotion* itself. It is not sufficient, for example, to include in a *direct offer financial promotion* that appears on a website a link to a separate page

containing the summary box. *BCOBS* 2.2A.1R(2) provides a limited exception to this where a *direct offer financial promotion* is on paper, in which case the summary box may accompany the *direct offer financial promotion* as a separate document.

(5) The effect of *BCOBS* 2.2A.1R(8) is that any additional information in relation to a *savings account* that a *firm* chooses to provide must appear outside the summary box.

(6) A *firm* may wish to include a statement in close proximity to the summary box that the information provided in it is a summary of the key features of the *savings account* and is not intended to be a substitute for reading the terms and conditions that apply to the account.

Insert the following new annexes after BCOBS 2.4. The text is not underlined.

2 Annex 1R Form of Summary Box for Savings Accounts

This annex is referred to in *BCOBS* 2.2A.1R.

Summary Box	
Account name	Name of *savings account*
What is the interest rate?	The rate or rates of interest that apply to the *savings account* (see note 1). Where different rates of interest apply to the *savings account* in different circumstances, an explanation of the circumstances in which each of the different rates applies (see note 2). Where an interest rate automatically tracks a reference interest rate (see note 3): - a statement that this is the case, identifying the reference interest rate; - an explanation of how the applicable interest rate is calculated on the basis of the reference interest rate; - an explanation of how the customer can access and monitor the level of the reference interest rate from time to time, including a website link to where the latest level of the reference interest rate can be found, where

	practicable. The times at which interest payments are calculated and credited to the *savings account*.
Can [name of *firm*] change the interest rate?	Whether or not the *firm* has the right to change the rate or rates of interest. Where the *firm* has the right to change the rate of interest, brief details of the circumstances in which that right may be exercised and how and when notice of the change will be given (see note 4).
What would the estimated balance be after [x] months based on a £[x] deposit?	One or more projections of the future balance of the *savings account*, which provide a representative illustration of the cash returns that the account will generate (see notes 5 to 9). A statement of the assumptions on which the projection is based.
How do I open and manage my account?	Details of any eligibility criteria that apply to the *savings account* (see note 10). A brief description of how to open the *savings account*, including a reference to any service available that enables a *banking customer* to switch to the *savings account*. Whether a minimum amount must be deposited to open the *savings account* and, if so, that amount. Whether a minimum amount must be deposited in the *savings account* on a regular basis and, if so, that amount, the frequency with which it must be paid, and any consequences of not doing so. Whether a maximum amount may be deposited in the *savings account* in any specified period of time and, if so, the amount and the period. Whether there is a maximum amount that may be held in the *savings account* and, if so, that amount (see note 11). A reference to the channels through which the *banking customer* can communicate with the *firm* and give instructions in relation to the *savings account* (see note 12).
Can I withdraw money?	An explanation of how money may be withdrawn from the *savings account*, including any conditions or consequences for making withdrawals (see note 13). For *fixed-term savings accounts*, an explanation of what

	happens at the end of the fixed term.
Additional information	Any other information, the inclusion of which is necessary to make the summary box fair, clear and not misleading including, where applicable, information regarding tax deductions or treatment (see note 14).
Notes:	
Note 1: A *firm* may wish to use the annual equivalent rate of interest and, where it does so, it should take account of the British Bankers' Association/Building Societies Association Code of Conduct for the Advertising of Interest Bearing Accounts.	
Note 2: If, for example: - an introductory, promotional, or preferential rate of interest applies to the account until a specified future date or the end of a fixed period; or - there are ascending or descending tiers of interest rates that apply to certain increments of the balance of the account, or that are determined by reference to the total balance of the account; or - there are graduated rates of interest, the application of which depends on certain conditions being met or on the *banking customer* taking or refraining from taking certain action; the summary box should include details of this.	
Note 3: 'Reference interest rate' has the same meaning as in the *Payment Services Regulations*.	
Note 4: A *firm* may wish to direct the *banking customer's* attention to the relevant clause in the terms and conditions that sets out the reasons for which the *firm* may change the interest rate and the procedure for doing so.	
Note 5: - In the case of a *fixed-term savings account*, the *firm* should include a projection of the balance of the *savings account* on the date on which the fixed term expires. - Where there is to be a reduction in the rate of interest that applies to the *savings account* on a specified future date, or at the end of a fixed period, as the result of the expiry of an introductory, promotional or preferential rate of interest, the *firm* should include a projection of the balance of the *savings account* on the date of the expiry of that introductory, promotional or preferential rate of interest and a second projection of the balance of the *savings account* on the first anniversary of that date. - In any other case, the *firm* should include a projection of the balance of *the savings account* on the first anniversary of the opening of the account.	
Note 6: In making the projection, a *firm* should assume that £1000 is deposited in the account	

at the time it is opened and that no further deposits or withdrawals are made, unless this would make the projection misleading. This may be the case, for example, where a *banking customer* is required to make a minimum deposit in excess of £1000 at the time the account is opened or is not permitted to deposit that sum at that time. Where a *banking customer* is required to make periodic deposits at specified intervals, the projection should be based on a pattern of deposits that is representative of the terms and conditions that apply to the account.
Note 7: If different rates of interest apply to the *savings account* in different circumstances, a *firm* should include a number of projections to illustrate the cash returns that the account will generate in those different circumstances. If, for example, there is an uplift in the rate of interest on the condition that the *banking customer* does not make a withdrawal from the *savings account*, a *firm* should include in the summary box both a projection that assumes that the condition is met and a lower projection that assumes that the condition is not met. If different bands of deposit in the *savings account* attract different tiers of interest, a *firm* should include in the summary box several projections that illustrate the cash returns that deposits up to each balance band will generate.
Note 8: The *firm* may wish to include in the summary box that the projection is provided for illustrative purposes only and does not take into account the individual circumstances of the *banking customer*.
Note 9: Where the rate of interest automatically tracks a reference interest rate, the projection may be based on the level of the reference interest rate as it stands at the time the projection is made. Where this is the case, the summary box should indicate that the projection is based on the reference interest rate as it stood on the relevant date and that it does not take into account that the level of the reference interest rate may fluctuate over the period that the projection covers.
Note 10: The summary should, for example, indicate if it is a requirement to open the *savings account* that the *banking customer* holds another account or product with the *firm*.
Note 11: If the *banking customer* is not required to deposit a minimum amount to open the *savings account*, the summary box should include a statement to this effect. Similarly, if there is no limit on the amount that may be held in the *savings account*, the *firm* should state this in the summary box.
Note 12: The summary box should, for example, indicate if the *banking customer* can give instructions to the *firm* about the *savings account* in branch, over the telephone, by electronic mail or through a website.
Note 13: The summary box should indicate if the *banking customer* is required to provide a certain period of notice of an intention to withdraw money from the *savings account*. If interest to which the *banking customer* is entitled is reduced or extinguished, or if a charge is imposed, as a result of withdrawing money from the *savings account*, details of this should be included in the summary box.
Note 14: Where appropriate, a *firm* may wish to include information on the tax implications for the *banking customer*, such as a brief explanation of the tax implications of an *individual savings account*.

2 Annex 2G Guidance on presentation of interest-rate information in savings account summary box

This annex is referred to in *BCOBS* 2.2A.2G(3).

What is the interest rate?	Interest rate without bonus	X%
	Interest rate with bonus (includes a bonus of X%)	X%

What is the interest rate?	Interest rate where all conditions are met	X%
	Interest rate where one or more conditions are not met	X%

Amend the following as shown.

4 Information to be communicated to banking customers

4.1 Enabling banking customers to make informed decisions

The appropriate information rule

…

4.1.2 G …

(2A) (a) A *firm* should provide a summary box in the form set out in *BCOBS* 2 Annex 1R on paper or in another durable medium in good time before a *banking customer* is bound by the terms and conditions of a *savings account*, except where the *firm* has already provided the summary box to a *banking customer* on a previous occasion.

(b) If the contract for the *savings account* has been concluded at a *banking customer's* request using a means of distance communication that does not enable the provision of the summary box in that form in good time before the *banking customer* is bound, the *firm* should provide the summary box on paper or in another durable medium immediately after the conclusion of the contract.

(c) In the case of a *savings account* that is a *cash deposit ISA* or a *cash deposit CTF*, the *firm* may include the summary box in a *key features document* provided to the *banking customer* in line with the *rules* and *guidance* in *COBS* 13 and *COBS* 14.

(d) In preparing the summary box, a *firm* should have regard to the provisions of *BCOBS* 2.2A.1R as if they were guidance.

(2B) A *firm* should ensure that the rate of interest that applies to a *savings account* is prominently shown alongside, or in close proximity to (or, in the case of (b), on a page accessed directly through a link that appears prominently alongside or in close proximity to) any account balance information included in:

(a) any paper or online statement of account provided or made available by the *firm*;

(b) where the *firm* provides an online banking service to the *banking customer*, the first personalised page of the *firm's* website that the *banking customer* accesses when using this service;

(c) any notification of a material change to a rate of interest provided in accordance with (3)(c);

(d) any notification of the expiry of an introductory, promotional or preferential rate of interest provided in accordance with (5); and

(e) any notification of the expiry of a fixed term of a *fixed term savings account* provided in accordance with (6A).

(2C) For the purposes of (2B):

(a) (i) unless (ii) applies, the *firm* should show the rate of interest that applies to the *savings account* as a numerical figure (and not merely the method for determining the current figure under the terms and conditions);

(ii) where the rate of interest that applies to the *savings account* automatically tracks a reference interest rate (within the meaning of the *Payment Services Regulations*), the *firm* should indicate how the rate of interest is calculated and direct the *banking customer* to where the level of the reference interest rate may be accessed from time to time; and

(b) (i) in the case of account balance information made available online, the *firm* should show the rate of interest that applies to the account at the time the *banking customer* accesses the information; or

(ii) in the case of account balance information provided in a *durable medium*, the *firm* should show the rate of interest that applies to the account at the time the information is sent.

(2D) A *firm* should inform a *banking customer* of the current rate of interest that applies to a *savings account* on the telephone or in a branch of the *firm* at the request of the *banking customer*.

(2E) A *firm* should publish the current rate of interest that applies to each *savings account* it provides on its website (whether or not the *savings account* is available to new customers) and ensure that this is kept continuously up to date and is easily accessible by a *banking customer*.

(3) Where a *firm* proposes to exercise a power to make:

(a) a change to any term or condition of the agreement; or

(b) a change to any charge; or

(c) a material change to any rate of interest;

that applies to the *retail banking service* and that will be to the disadvantage of a *banking customer*, the *firm* should provide reasonable notice to the *banking customer* on paper or in another durable medium before the change takes effect, taking into account the period of notice required by the *banking customer* to terminate the contract for the *retail banking service*. ~~Whether a change to a rate of interest is "material" should be determined having regard to the size of the balance of the account and the size of the change in the rate.~~ A change to a rate of interest should always be considered ‘material’ except where the balance of the account is less than £100 at the time when the *firm* would provide the notice.

(3A) When providing a notice under (3)(c), (5) or (6A), a *firm* should ensure that the heading of the notice clearly indicates the main substance of the change to which the notification relates. When providing a notice under (3)(c) relating to a decrease in the rate of interest, for example, a *firm* should ensure that the heading of the notice clearly indicates that the rate of interest is decreasing.

…

(5) ~~Where~~ Subject to (5A), where, under a contract for a *retail banking service*, an introductory, promotional or preferential rate of interest applies to the *retail banking service* until a specified future date or the end of a fixed period, a *firm* should~~, where appropriate,~~ provide notice of the expiry of the application of that rate of interest to the *banking customer* on paper or in another durable medium within a reasonable period before that rate of interest ceases to apply.

(5A) Paragraph (5) does not apply where the balance of the account is less than £100 at the time when the *firm* would otherwise provide the notice.

(6) ~~In determining whether it is appropriate to provide the notice referred to in (5), a *firm* should consider:~~

~~(a)~~ ~~whether there is a material difference between the introductory or promotional rate of interest and the rate of interest that will apply to the *retail banking service* following the expiry of the introductory or promotional rate of interest;~~

~~(b)~~ ~~the size of the balance of the account; and~~

~~(c)~~ ~~the period of time that has elapsed since the *firm* last provided information to the *banking customer* in relation to the period for which the introductory or promotional rate of interest is applicable and the effect of its expiry.~~ [deleted]

(6A) In relation to a *fixed-term savings account*, a *firm* should provide notice of the expiry of the fixed term to the *banking customer* on paper or in another durable medium in good time before the end of the fixed term. This notice should explain, in easily understandable language and in a clear and comprehensible form:

(a) the consequences of the expiry of the fixed term, including whether the *firm* proposes to transfer the balance of the account to another *fixed-term savings account* if the *banking customer* does not provide further instructions to the *firm* while the customer has an opportunity to do so; and

(b) the options available to the *banking customer* for dealing with the balance in the *fixed term savings* account, including when and how these options may be exercised.

(6B) Where a notice under (3)(c), (5) or (6A) is provided by the *firm* more than 14 days before the change to which the notice relates takes effect, a *firm* should also provide a reminder to the *banking customer* within a period beginning 14 days before the relevant change takes effect and ending on the day before it does so. The *firm* may choose the medium in which the reminder is provided. In doing so, the *firm* should take account of any preferences expressed by the *banking customer* about the medium of communication between the *firm* and the *banking customer*, for example, if the *banking customer* has indicated a preference to receive information by mobile telephone text message.

…

…

4.2 Statements of account

…

4.2.2 G A *firm* should indicate the rate or rates of interest that apply to a *retail banking service* in each statement of account provided or made available to a *banking customer* in respect of that *retail banking service* in accordance with *BCOBS* 4.2.1R(1). *Firms* are also reminded of the provisions of *BCOBS* 4.1.2G(2B) and (2C).

…

5.1 Post-sale requirements

…

Moving a retail banking service

…

5.1.5A R A *firm* must provide a prompt and efficient service to enable a *banking customer* to move to another *retail banking service* (including a *payment service*) provided by that *firm*.

5.1.5B G (1) In taking steps to ensure a service is prompt and efficient, in line with *BCOBS* 5.1.5AR, a *firm* should make appropriate use of the information and documents it already holds in relation to a *banking customer*.

(2) Where, for example, an existing customer wishes to move to another account with the same *firm* and the *firm* already holds data and documents in relation to customer due diligence measures, including data and documents to verify the identity of that customer that are suitable for the purposes of anti-money laundering requirements, the *firm* should consider whether it would be unnecessarily duplicative to apply the same account opening procedures in that case as would apply to a new customer (although a *firm* should ensure its policies and procedures are consistent with the requirements of the *Money Laundering Regulations* and other legislation in relation to financial crime).

(3) Where a *firm* provides an online or mobile telephone banking facility to a *banking customer*, the *firm* may wish to consider how the electronic process for moving to another account provided by that *firm* can be made most simple.

…

TP 1 Transitional ~~Provision~~ Provisions

(1)	**(2) Materials to which the transitional provision applies**	**(3)**	**(4) Transitional provision**	**(5) Transitional provisions: dates in force**	**(6) Handbook provisions: coming into force**
…					
1A	…				
1B	*BCOBS* 2.2A, *BCOBS* 2 Annex 1R and, *BCOBS* 4.1.2G(2A)	R	This provision applies where a *firm* has in its possession, as at the date the Banking: Conduct of Business Sourcebook (Amendment No 4) Instrument 2015 is made, a stock of *direct offer financial promotions* on paper or a stock of pre-sale material on paper that incorporate a summary box that meets the standards in the 'Industry Guidance for FCA Banking Conduct of Business Sourcebook' of September 2013, confirmed by the *FCA* in accordance with PS07/16, as it stood as at 3 December 2015.	1 December 2016 to 31 May 2017	1 December 2016
1C	*BCOBS* 2.2A, *BCOBS* 2 Annex 1R and *BCOBS* 4.1.2G(2A)	R	Where *BCOBS* TP 1B applies, until 31 May 2017, the *direct offer financial promotion* or pre-sale material referred to in 1B may be treated by the *firm* as including a summary box in the form set out in *BCOBS* 2 Annex 1R that complies with the rules in *BCOBS* 2.2A.	1 December 2016 to 31 May 2017	1 December 2016
…					

Financial Conduct Authority

PUB REF: 005141

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