
Cash Savings Remedies

Consumer testing to inform the FCA's proposal for summary boxes to improve the provision of consumer information at or before the point of sale in the cash savings market

RESEARCH REPORT

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The Financial Conduct Authority

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1 Executive Summary

In January 2015, the FCA published the final findings of its cash savings market study and proposed remedies. One of the key disclosure remedies was a proposal to improve the efficacy of summary boxes, which provide information on savings accounts, to facilitate easier comparison between savings accounts. Fresh consumer research was required to evaluate response to the proposed summary boxes and to gauge consumer understanding and awareness of savings terminology.

Optimisa Research was appointed to conduct a qualitative study consisting of seven consumer focus groups. The research took place in May 2015 in three locations: London, Leeds and Glasgow.

Four simple examples of summary boxes were tested, based on four hypothetical products:

- An easy access account with bonus
- A variable rate Cash ISA
- A 2 year fixed term bond
- A regular savings account with bonus

A number of example 'definitions' were also drafted to test the extent to which these could aid understanding of key terms such as 'Variable', 'Gross', 'Net' and 'AER'.

Full details of the sample profiles and the materials tested are provided in Section 8, the Appendix.

1.1 Key findings

While the key focus was the evaluation of the simplified summary boxes, a number of interesting contextual themes emerged from the discussions.

Among this audience there is little evidence of shopping around. Where research is conducted, consumers typically use search engines and comparison websites rather than going straight to a known provider. Willingness to shop around is relatively low, due in part to low rates and in part to the perceived difficulty in making comparisons. When looking for a new savings account, consumers need to know four key pieces of information: interest rate, rate type, any bonus offer, and any restrictions on making withdrawals.

The research showed that there would be value in developing simple, well designed summary boxes that can easily be used to aid comparison between products and providers.

There is little spontaneous recall of or reference made to summary boxes when spontaneously thinking about what to look for in a savings account. There is no single format that customers are used to seeing and as a result they appear not to be currently used as a comparison tool. At the same time, there are clear expectations on how the boxes should look and what information should be provided. Among the different considerations and calls for clear, consumer friendly language and ease of navigation, there is a strong and overarching call for consistency both within and across boxes. On the basis of this research, there is a desire for providers to present summary boxes in a consistent and uniform way, and a perception that this will really help consumers compare products and select the most suitable savings account for their needs.

The research identified a number of potential improvements to the summary boxes tested. More detailed findings are provided in Section 5.

The research showed that levels of understanding and awareness of savings terms are mixed, with a good deal of confusion.

Generally speaking levels of awareness and understanding of savings terminology was consistent across the groups, with terms such as Gross, Net, Fixed and Variable being the most familiar and best understood. That said, understanding tends to be at a fairly high level; for example many consumers correctly understood a variable rate to be one that could go up or down, but did not understand why fluctuations might occur. AER was highly familiar but not well understood, and Access was universally understood to refer to the ability to withdraw funds. Not surprisingly, more experienced savers tended to have better understanding but this appeared to be driven by experience rather than a result of having had things explained more clearly.

The research also showed that clear, concise definitions can be very useful in helping consumers to learn about and understand key savings terms.

Consumers were asked to explain selected terms in their own words, to gauge their understanding. They were then presented with and asked to provide feedback on suggested definitions. While a number of potential improvements to the definitions were identified, overall consumers felt that having definitions provided would help them understand the products they were looking at more effectively. Some felt that it would be particularly helpful to have industry standard definitions; this may merit further consideration. Full details of the exploration of the draft definitions can be found in Section 6.

2 Background

In January 2015, the FCA published the final findings of its cash savings market study and proposed remedies. The study had found that competition in this market was not working effectively for consumers. The remedies proposed included improvements to the information given to consumers about their savings product both at and before the point of sale. Specifically, the FCA recommended changes to the summary box that the majority of providers use to present key product information about savings accounts. The FCA commissioned research to explore consumer understanding of savings terminology and to evaluate consumer reactions to the proposed changes to summary boxes. This report sets out the findings of the research that was conducted.

2.1 Research objectives

The research set out to understand general consumer understanding and awareness of savings terminology, the responses to the proposed changes to the summary boxes and to identify areas for improvement and, where appropriate, priorities for these. Specifically, the research sought to:

- Explore consumers' spontaneous understanding of savings products and associated terminology
- Identify what information consumers want to be given about a savings product, what is important
- Identify consumers' understanding of savings products in the proposed simplified example summary boxes, and capture reactions to the format and language used
- Understand the relevance of the information presented in the summary box for consumers, in order to better assess what needs to be included and what does not, and how information should be organised
- Identify any information which consumers consider relevant and which is felt to be missing

3 Methodology

We conducted qualitative research over a two week period in May 2015 and covered three locations across the UK: London, Leeds, and Glasgow.

The research comprised a programme of seven consumer focus groups each lasting 90 minutes. Fifty-three consumers in total participated; all held savings products and represented a mix of regular and more ad hoc savers. Participants were selected to represent a spread of:

- Financial confidence – higher and lower*
- Savings account providers – a range
- Account type – Easy access, Cash ISAs, fixed term accounts, notice accounts, children’s accounts and regular saver accounts
- Channel type – mix of on- and offline for purchase and management
- Savings values – high, medium and low total savings held
- Age and socio-economic group
- Gender

* Financial confidence was derived from a series of attitudinal statements provided by the FCA and self-selected by research participants at the recruitment stage.

Each group included two non-native English speakers, to assess the impact of the materials being tested on comprehension for those for whom English was not the first language.

The research was designed taking into account how people compare and look for information on savings accounts. The discussions started by exploring at a high level savings account behaviours and understanding, as well as the information needs of consumers and experiences of comparing savings accounts. We then went on to test the FCA’s proposed summary boxes for four different types of account:

- Easy access savings account with bonus
- Variable rate Cash ISA
- 2 year fixed term bond
- Regular savings account with bonus

The research also explored levels of understanding for commonly used terms, such as variable and fixed interest rates, using a range of ‘definitions’. The definitions allowed us to identify words and phrases that helped clarify the meaning of key savings terms for consumers, as well as identifying those that hampered or did not aid

understanding. Full details of the sample structure, recruitment criteria and materials tested can be found in Section 8, the appendix to the report.

4 Key Findings

While the research focussed specifically on evaluating the summary boxes and exploring consumer understanding of savings terms, the contextual backdrop inevitably had a bearing on how consumers responded to the materials they were shown and highlighted some clear needs in terms of what consumers are looking for and what they expect in terms of product information.

4.1 Current behaviour

4.1.1 Little real shopping around

The research showed that savers are doing very little shopping around at present. There is a prevailing sentiment that while rates are so low there is little differentiation and little to be gained in looking around; a ‘why bother?’ mentality. Among consumers who conduct some degree of research, this typically means looking for ‘best savings rates’ in a search engine or consulting a price comparison website; the group discussions suggested that few undertake a side by side comparison of different accounts, and if they become discouraged by the level of interest they find on offer they will often

“I just looked at money saving expert then used Google to read up on the recommended ones”

Low confidence / Low savings, Younger, London

“I’ve got a savings account with my current account, so that I can transfer money between accounts as and when needed really, so just for ease of access rather than a great deal on interest”

High confidence / Medium savings, Younger, Leeds

“It would be a hassle to switch. You’ve got to go into the branch, do all the paperwork – all for a low interest rate”

Low confidence / High savings, Younger, Glasgow

default to opening an account with their current account provider simply for convenience.

While rate is claimed to be a key driver when opening a new savings account, consumers who are already saving will often stay with their existing provider rather than switch; ease and convenience are cited as more important than a potentially negligible financial gain. This is expected to change once rates start to improve, at which point consumers will need tools to help them shop around more easily.

“Because interest rates are so low, it doesn’t seem that interesting but if the interest rates were high then you’d probably look into it”

High confidence / Low savings, Older, Glasgow

As seen in previous research, the two key triggers to switching are suffering a bad experience/poor service or being approached with a better offer. This tends to be consistent across different financial products, a recent example being the current account switching research Optimisa conducted for the FCA and published in March this year¹. One impact of the current environment is that, in savings, better offers are not necessarily anticipated and rarely proactively sought out, so any product with an apparent standout rate is generally seized on, the rate sometimes overshadowing other considerations that are important for consumers such as the ability to withdraw funds without penalty. No real barriers to switching are mentioned other than a general perception of switching requiring a disproportionate amount of effort in terms of time and administration. References to onerous paperwork may be related to the different ‘know your customer’ and anti-money laundering requirements put in place by different providers.

Are there barriers to shopping around for savings?

The fact that consumers claim that it is not worth shopping around in a low rate environment is understandable. That said, the group discussions

“It’s difficult to compare two products because we have different variations which means you’re not always comparing like-for-like, so that can make it difficult to assess and see which is the best value really”

High confidence / Medium savings, Younger,

¹ <http://www.fca.org.uk/about/what/promoting-competition/current-account-switch>

also suggested that the perceived difficulty of shopping around may be the real – or at least a secondary – barrier. A number of references were made in particular to the difficulty of comparing savings accounts, and of navigating the many different types of account to find the most suitable one. This suggests that anything that can be done now to make shopping around and comparing accounts easier will stand consumers in good stead as rates start to improve.

“I just went onto a comparison website and it’s just a bit of a minefield, and there’s someone that’s advertising a 4% rate and there was someone advertising a 1.2% rate but when you look at the 4% rate it’s not quite what it seems to be.....it’s an offer that reduces after a while”

High confidence / Medium savings, Younger, Leeds

“It’s a minefield for a lot of people – all the terms and lengths of time, certain conditions with certain accounts and some of the words and descriptions can be really misleading”

Low confidence / Medium savings, Older, Leeds

“It’s not easy at all, I know from my own experience, you’re talking figures and percentages and halfway through they’ve lost me”

High confidence / Low savings, Older, Glasgow

4.1.2 Consumers have a clear hierarchy of information needs for savings

In the group discussions, it was clear that consumers are looking to answer four questions when thinking about a new savings account, in the following order of perceived importance:

1. What is the interest rate?
2. Is it fixed or variable?
3. Is there a bonus?
4. Are there any restrictions on withdrawing my savings?

The first three points are all interrelated and all help would-be savers work out what return they might get from their savings. This may explain why, although not explicitly

called for spontaneously, the idea of having a cash illustration proved popular in the research. The fourth point is slightly less closely related but still connected.

Interest rate: not surprisingly, the interest rate is a key piece of information consumers

“Some of these places give high interest but is it variable, is it fixed, for how long and that kind of stuff. Sometimes they give high interest but you can’t touch it for however many years”

Low confidence / High savings, Younger, Glasgow

need when considering a new savings account. Despite savers appearing resigned to ongoing low rates, at least for the time being, earning interest remains a primary motivator for saving and a key point of comparison.

Fixed or variable rate: savers have become accustomed to fixed rates being higher than variable ones, and the only way to be sure of what the return will be. Variable rates are perceived as both low and uncertain, with few savers in the groups expecting rates to rise in the very near future. Within the groups there were a small number of consumers who were not aware (or had perhaps forgotten) that their fixed rate was not open ended; some said that they would be going home to check whether or not their rate had already finished. It is also worth noting that consumers were generally not clear on why a variable rate might go up or down; the widely held perception being that any fluctuation would be triggered by changes to the Bank of England base rate. Very few recognised that the rate could be changed solely at the discretion of providers. Once this was understood, consumers were keen to know how much notice they would be given before this happened.

Bonus: there appear to be two main reasons why information about any bonus on the account is important. Firstly, the bonus provides some sort of incentive as it increases the overall rate, and is useful in helping understand what the overall return might be. Secondly, knowing whether or not there is a bonus is important for understanding what the underlying rate is. More financially confident consumers and/or experienced savers are more likely to be alert to the fact that an advertised rate is an overall rate including bonus – and therefore likely to reduce at some point, whereas in some of the groups a minority appeared not to be

“You can have initial bonuses, so if a rate looks really good but that’s only maybe for one year and then it drops down.....”

High confidence / Medium savings, Younger, Leeds

aware that the bonus was fixed and not ongoing.

Restrictions on withdrawals: the reasons for wanting this information are twofold and

[What to look out for] “If they want to access their savings or not [ability to make withdrawals] and looking for the best interest rate”

Low confidence / Low savings, Younger, London

vary between more and less financially confident and/or experienced savers. Many want the reassurance of knowing that they can access their savings if necessary; the focus in this context is on knowing whether or not withdrawals are permitted. Those who are more knowledgeable and/or more

experienced are more likely to think about withdrawals in respect of two considerations; ‘Can I get my money out?’ and ‘Are there any penalties for doing so?’

Beyond the four key pieces of information, there are other details that, while not always top of mind, can create disappointment and/or be overlooked if not given sufficient prominence in communications:

- Eligibility (any age restrictions or requirements to hold another product with the provider i.e. tied to a current account)
- Minimum and maximum deposits required/allowed
- Any service channel restrictions (i.e. online only)
- What happens to fixed term accounts at maturity (with particular emphasis on timings/ notice periods)

4.1.3 Clear expectations of what a summary box should look like

No reference to summary boxes was made in the spontaneous discussions around savings and what to look for, suggesting that they are not top of mind for consumers or something that they spontaneously look for or use. Once examples of summary boxes were presented, however, many recalled having seen them used – not just for savings but for other financial products as well. All felt they were – or had the potential to be – very useful in enabling consumers to find out key information quickly and easily. There was also a view from some that

“The banks and building societies used to have a ‘financial adviser’ present in the branch all the time and you could go and speak to them. Now financial advisers charge money and it’s very important that we understand everything clearly”

High confidence / Low savings, Older, Glasgow

the onus needs to be on the consumer to learn about products, and that summary boxes can help with this.

“There is certainly a benefit of giving this understanding to people, yes”

Low confidence / Low savings, Younger, London

Despite not having previously considered summary boxes as a comparison tool, summary boxes are

seen as a helpful way of obtaining key information about savings accounts. The research suggests that once summary boxes are more consistent in terms of format and content they will quickly become more recognisable and be adopted as a quick and easy way to compare different accounts being considered.

“It’s just simplified and it makes it more accessible to people I think”

Low confidence / High savings, Younger, Glasgow

Content is an important consideration; the research suggested that the key information needed in a summary box is the interest rate and type, cash illustrations, whether withdrawals are permitted, any eligibility requirements, any channel restrictions, and any minimum/maximum deposit conditions. For consumers, the order in which these should be displayed is also a consideration, and should reflect perceived importance to the saver: interest rate, rate type (i.e. fixed/variable/bonus), saving parameters/any exclusions/eligibility criteria, ability to withdraw funds, service/access channels and finally a cash illustration. While it could be argued that a cash illustration might sit more logically alongside interest rate and rate type, it is the desire to find out about any restrictions sooner rather than later that pushes the other information points up the priority list. It should be noted that the example summary boxes that referred consumers to a rate card were not popular, causing frustration and confusion.

Aside from content and to be most effective, summary boxes are expected to meet a number of requirements, most of which underpin an overarching need for **speed** and **ease**:

- Clear – clearly laid out in a reasonably sized font (not too small) and a strong enough colour to be easily read (i.e. black text / white background)
- Concise – short and simple, avoiding complex sentences and wordy explanations
- Consumer friendly language – plain English and avoiding jargon wherever possible
- Easy to navigate – clear signposting and an easy/logical layout

- Use of colour coding / symbols where appropriate – to draw attention and minimise wordiness, fit with existing/familiar conventions
- Consistency – the same approach in terms of language and layout should be used within and across summary boxes

Clear: The requirement for summary boxes to be clear and easy to read was unanimous and typically described in terms of ‘not being small print’. The key point here is that the information presented should be easy to read with care taken around font, font size and text vs. background colour contrast. For most people this means black text and white background, with some colour coding and use of symbols to break up the text and stop the summary box from looking too bland.

Concise: In this research, as in previous communications research, there is a clear and widespread call for information to be communicated as concisely as possible. Inevitably there is a balance to be found between something which is short and simple yet sufficiently comprehensive to be understood, but the key point is that any text presented needs to be easy and quick to read. This means avoiding complex sentences and general ‘wordiness’ wherever possible.

Consumer friendly language: Again a common request from consumers, plain English is a prerequisite. A good example of this is ‘tax treatment’, which most of the consumers in this research had not heard before. As a result, reading ‘tax treatment’ was

“It’s just not really clear. Tax treatment – what kind of word is that to use?”

Low confidence / Low savings, Younger, London

confusing and in a real life situation could deter consumers from reading on. This could have two consequences for consumers: missing out on a product that could be suitable for their needs but is seen as ‘too

complex’ or taking out a product without understanding the tax implications.

Easy to navigate: Given the desire for speed and ease of reading it is not surprising that consumers want summary boxes to quickly lead them to the key information without too much effort on the reader’s part. This means clear signposting in the form of straightforward, easily understood headings and a layout that lends itself to a logical and natural way of reading the information. For many, the research suggested a ‘horizontal’ layout, with headings down the left hand side and content across the page, so that the reader reads down then across rather than across then down, would be the most natural and comfortable layout. Two types of headings were tested, and personal question style headings were felt to be the most engaging, consumer friendly and easily understood format.

Use of colour coding and symbols: Despite the call for a clean, uncomplicated overall look such as black text on a white background, colour coding and symbols (such as ticks and pound signs) are welcome as a way of breaking up an otherwise dull page. Colour is felt to be a good way of achieving stand out and highlighting especially important points of information and symbols are a familiar construct that consumers are used to seeing/using on comparison sites.

Consistency: The desire for consistency is strong and cannot be overstated; it is seen as **key in facilitating comparability**. It was raised spontaneously and again when prompting consumers to read example summary boxes. If all savings accounts

“Consistent. Not that they are trying to trick me but you could have a consistent thing that all banks have to do the same”

Low confidence / Low savings, Younger, London

summary boxes looked the same and contained the same information, the perception is that making comparisons between products and providers would be much easier. Consistency is perceived as key to increasing understanding within a single box, but is

“Make sure that summary boxes are as consistent as possible across the industry and use standard definitions as well, that’s really important”

High confidence / Medium savings, Younger, Leeds

also needed across boxes/columns – i.e. not referring to ‘AER Gross’ in one column and simply ‘AER’ in another, leaving the reader wondering if ‘AER’ means

Gross, Net or something else.

4.1.4 Subgroup differences largely attributable to experience

Overall feedback on the summary boxes tested and the example definitions used to aid discussion was consistent across the sample. **Age/lifestage** and most importantly **experience with savings** had the strongest influence on responses and on comprehension.

Older savers tended to have been saving for longer and were more familiar with products and product features. This generally led to them having a better grasp of what they were looking at as they were able to draw on first-hand knowledge of how products worked. At the same time, there were knowledge gaps, usually based on misinterpretation, assumptions and a lack of engagement with anything not perceived as relevant. One small difference was a greater interest in access among older savers, partly because they felt closer to wanting or needing to use their savings, and in some

cases because they recognised a need for flexibility and the ability to move funds quickly should a better offer present itself.

Younger savers tended to have less experience generally and specifically less experience of different types of accounts. This meant that while they hadn't necessarily made any assumptions, they tended to have knowledge gaps, and lack of familiarity with different product features meant that their spontaneous comprehension was lower.

On the whole not having English as a first language did not appear to have much impact; those with more or less experience of savings had very similar levels of understanding to English native speakers with the same levels of experience as savers. However, if more detailed findings are required for this audience, more research should be conducted.

4.1.5 Awareness and understanding of savings terminology

The following chart illustrates the extent to which different savings terminology was recognised and understood:

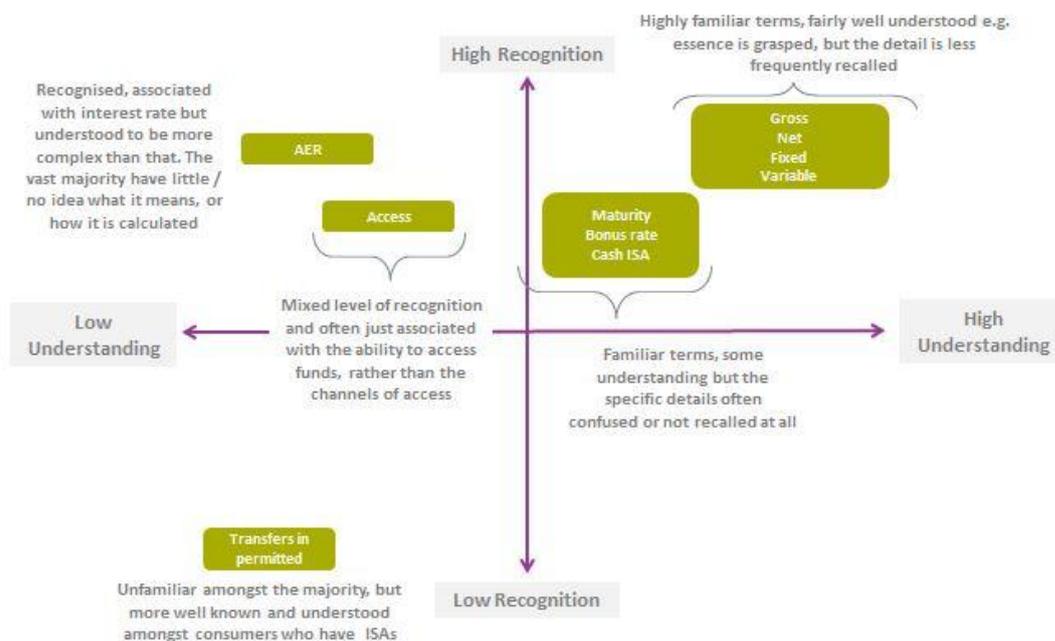


Figure 1 Recognition and understanding of terms

The terms Gross, Net, Fixed and Variable are very familiar to savers, and broadly understood. That said, the level of understanding can be relatively superficial, i.e. a basic grasp of the term in essence but with lower awareness or understanding of the

detail. Good examples of this are Gross and Net, which are clear for most and commonly explained as 'before and after tax'. There is less clarity however around what is withheld in terms of tax – is it basic rate tax or different?

AER in contrast is highly familiar but rarely understood. **Access** is recognised by most but more often interpreted as 'access to funds' than channels for account take up and management. **Transfers-in** is both less familiar and less well understood; it is generally only correctly understood by savers who have been affected by it and learned it 'in practice'.

Section 6 looks at consumer understanding of savings terminology in more detail and sets out the results of the evaluation of the draft definitions suggested by the FCA.

The next section, **Section 5**, looks at the evaluation of the summary boxes tested in the research.

5 Summary Boxes Evaluation

Four different summary boxes were tested for the following products. Summary boxes were based on hypothetical accounts of each product type listed below:

1. Easy access account with a bonus
2. Variable rate cash ISA
3. Two year fixed term bond
4. Regular savings account with a bonus

Summary boxes 1 and 4 displayed the interest rate, while boxes 2 and 3 referred readers to a look-up rate card. The summary boxes and rate card are shown in the Appendix to this report.

To avoid participants becoming disengaged and to prevent the discussions from feeling too repetitive – both of which can lead to poorer quality of responses – two summary boxes were tested per group and the boxes were rotated across the groups, with each group seeing one box displaying the interest rate and one box referring readers to the rate card. The Summary boxes were simplified; as an example, only one interest rate (the gross rate) was shown.

Across the groups, reactions to the summary boxes were consistent, with four key areas or themes emerging: layout, order, headings and content.

5.1 Layout

To understand the impact of and preference for different types of layout, two formats were tested – ‘landscape’ and ‘portrait’.

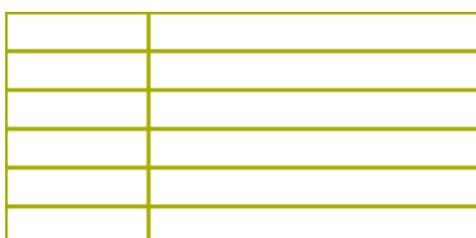


Figure 2 Horizontal layout

Across the groups a preference was expressed for a layout with predominantly rows; that is with headings down the left hand side and content across. The summary boxes tested were predominantly laid out in columns. Generally, participants felt that it was easier to read down then across rather than across then down. The

preferred layout would also work well with ‘question style’ headings – read down the left hand column for a list of questions then read across for the answers. It was also felt that a ‘horizontal’ layout would be more

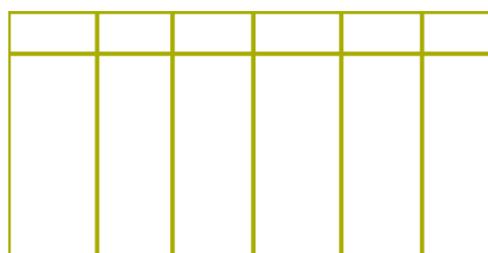


Figure 3 Vertical layout

aesthetically appealing, fewer gaps meaning that the content would look more balanced.

"I personally prefer reading across the page [landscape]....it's just a personal preference but I'd rather see 'interest rate' and then read across rather than down in columns"

Low confidence / High savings, Younger, Glasgow

5.2 Order

The research suggested that the summary boxes would benefit from some reordering of the sections/headings in order to align to what savers perceive to be the order of importance.

The order tested does not follow the typical consideration journey savers go through when assessing a savings account, with the two key questions being what's the interest rate and is it fixed or variable? The example below shows the order tested with Summary Box 2:

Current order

Interest Rate	Can the interest rate change?	Estimated balance after 12 months (based on £1,000 deposit)	Access	Save from	Can I withdraw money?
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Figure 4 Summary Box 2 headings in order tested

For many, it is important to find out the minimum deposit required for the rate in question; some have felt frustrated in the past when they have found out relatively late in the process that the level of funds they have make them ineligible for the product they are considering. The ability to withdraw funds is also high on the list of priorities for many and needs to appear early. Access is helpful, especially if there are any restrictions on the channels that can be used. Finally, if a cash illustration is given, this should be last once all of the key features have been highlighted. This is not a reflection on cash illustrations themselves since they are expected to be very helpful; it is rather that consumers are very keen to know as soon as possible about any restrictions. For example, many felt they would be very annoyed to find out "at the eleventh hour" that having a current account with the provider offering the savings account was a prerequisite; they would feel their time had been wasted.

"It's in the wrong order"

High confidence / Medium savings, Younger, Leeds

Again taking Summary Box 2 as an example, the recommended revised order would be:

Revised order					
Interest Rate	Can the interest rate change?	Save from	Can I withdraw money?	Access	Estimated balance after 12 months (based on £1,000 deposit)

Figure 5 Summary Box 2 headings suggested order

5.3 Headings

The summary boxes tested contained a mix of straightforward titles and question style headings. The question style headings were universally more popular:

- They mirror the savings account consideration journey
- They represent typical questions a consumer is likely to have in mind when assessing a savings account – questions that they are likely to ask themselves.

As such, they aid navigation of the summary box. They also create a warm tone of voice, making the summary box more consumer-friendly and more informal, and as a result they encourage reading.

“It’s the kind of things you’re asking yourself as you read it. You ask things like, will the interest rate change etc.? The questions are good in the headings....it’s good that you’re just reading an answer.”

Low confidence, Low Savings, Younger, London

The figure below shows the headings tested with Summary Box 1:

Interest rate	Can the interest rate change?	Bonus rate	Estimated balance after 12 months (based on £1,000 deposit)	Access	How much can I save?	Can I withdraw money?
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Figure 6 Summary Box 1 heading formats tested

For a term that is less easily understood or liable to be misinterpreted, such as ‘Access’ – using a question format would make it clearer and less likely to be misconstrued.

Finally and importantly, the question style headings are reminiscent of a Question & Answer or Frequently Asked Questions format, a familiar format that consumers are comfortable with and that is recognised as an effective way of communicating information. This creates greater confidence in the content. Given the popularity of question style headings and the preference expressed for consistency of approach when testing the definitions, the research suggests that it would be helpful to adopt question style headings throughout.

The figure below gives an idea of how the headings tested above could be adapted so that they all use a question style format:

A consistent style of heading throughout is preferable

What is the interest rate?	Can the interest rate change?	Is there a bonus rate?	What is the estimated balance after 12 months (based on £1,000 deposit)	How can I access the account?	How much can I save?	Can I withdraw money?
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Figure 7 Examples of recommended heading format

5.4 Content

In the research it was clear that the interest rate was paramount in terms of required information, together with any detail about the type of rate and availability of a bonus. Additionally, the key information points are saving parameters/any exclusions/eligibility criteria, ability to withdraw funds, service/access channels and finally a cash illustration.

Beyond this and in terms of the content more generally, there are six areas to consider:

1. Cash illustrations
2. Switching messages
3. Rate card
4. Maturity
5. Supporting text
6. Specific detail

5.4.1 Cash illustrations

Estimated balance after 12 months (based on £1,000 deposit)
£1,012.57 with bonus and all the conditions are met.
£1,007.53 without bonus
We have worked this out assuming a £1,000 deposit is made on account opening and no further deposits or withdrawals are made throughout the year.

In the research, the worked up examples aided understanding and as such were seen as a crucial component of summary boxes.

They provide savers with a ‘practical’ example to complement the ‘theory’; they give consumers a clearer understanding of how the savings account being described will work in practice, i.e. what interest it will earn, the bonus amount if applicable, and so on. It is especially helpful for less experienced or confident savers as it helps them to calculate the figures.

“I like the breakdown of the figure of what money you’d have, where it says ‘estimated balance after 12 months’.”
Low confidence, High Savings, Younger, Glasgow

Figure 8 Example cash illustration

While it is understood that summary boxes need to work on and offline, there was spontaneous recognition that cash illustrations would lend themselves particularly well to an online summary box. This gave rise to some calls for a cash illustration ‘calculator’ that would allow consumers to input their own figures and work out what they might end up with. This was not intended to replace cash illustrations provided by the savings provider; having a consistent figure for comparison i.e. based on £100 or £1,000 would simplify comparability for everyone. The addition of an online cash illustration calculator would enable consumers who were interested to identify their personal potential estimated balance and to see the impact of saving more or less. A sliding scale tool would have the same effect. Although this might not be practical for offline summary boxes, the development of more interactive solutions for online boxes is generally recommended.

As already discussed, the end of the summary box is felt to be the most logical location for the cash illustration, once the product features have been provided and consumers know that the product meets their needs in terms of any eligibility criteria or restrictions in place.

5.4.2 Switching message

The suggested switching message, shown below, did not work well overall. The relevance of the message was not clear, and caused some confusion.

Moving your savings to another provider is easy, simply open a new account and transfer your balance across

Figure 9 Example switching message tested

Most of the participants did not understand the rationale for including this message; the tone was widely associated with ‘marketing speak’ and as such seen as contradictory. It felt as though it was advising against the purchase of the product being described. It was also misconstrued in some cases; for a minority it was taken to mean switching into the account being described.

“Just leave it out because that’s not why I’m looking at a summary box. Unless it needs to be there under the FCA regulations, it’s just odd”

Low confidence, High Savings, Younger, Glasgow

The relevance of the message was also questioned; it was not felt to be a product feature and as a result it was not considered an element that should be included in a summary box.

Once the message was understood, i.e. that it could be useful information for a consumer shopping around with a view to switching savings rather than opening a new

account, it was still felt to be confusing in some respects. For example, for accounts offering a bonus rate the switching message as it stands does not make it clear that switching during the bonus period may result in the bonus rate being forfeited.

Overall the research suggested that in order to be effective the message would need to be reworded to become more explicit, particularly with regards to any accounts where misunderstanding could result in financial detriment, such as where interest could be lost as a result of switching out.

To avoid distracting readers from the key product features, it is also worth making the switching message less explicit.

Recommended definition

Should you wish to move your savings account to another provider at any point it is easy to do so. Simply open a new account and transfer your balance across

Consider adding a sentence to explain implications to bonus rate (if applicable)

Figure 10 Suggested switching message

5.4.3 Rate card

Two of the summary boxes tested did not include the interest rate but instead referred consumers to a simple rate card. The figure shown here is the rate card presented to participants to give them an idea of what a typical rate card might look like.

The most common reaction to being referred to a rate card was sheer annoyance. Most participants could not understand why they would need to do this. It was also confusing for those who would typically look at savings accounts online – why would they need to be referred elsewhere? The perceived inconvenience could lead to drop out among consumers who would not bother to look elsewhere to find the rate card. When asked to read on, the rate card itself caused confusion and irritation. Participants were surprised to see a list of rates for different accounts, from which they would need to identify the correct rate for the account they were interested in. Aside from the perceived inconvenience of having to

Firm name	Interest Rate Card for savings accounts	Interest Rate (AER, Gross)
Easy access accounts		
<i>On-sale accounts:</i>		
Easy access savings account with a bonus		1.25% (including a fixed bonus of 0.5% for the first 12 months)
Flexible savings		0.5%
<i>Off-sale accounts:</i>		
Easy access savings		0.3%
Online saver		0.2%
Cash ISAs		
<i>On-sale accounts:</i>		
Variable rate cash ISA		1%
E-ISA		1.25%
<i>Off-sale accounts:</i>		
Variable rate cash ISA with bonus		0.5%
Regular savings accounts		
<i>On-sale accounts:</i>		
Regular savings account with a bonus		4% (including a fixed bonus of 3% for the first 12 months)
Fixed-term bonds		
<i>On-sale accounts:</i>		
2 Year Fixed Term Bond Issue 56 (maturity date 5 May 2017)		1.5%
<i>Off-sale accounts:</i>		
2 Year Fixed Term Bond Issue 55 (maturity date 5 November 2016)		1.6%
2 Year Fixed Term Bond Issue 54 (maturity date 5 May 2015)		1.65%

Figure 11 Rate card tested

find the rate rather than being provided with it, some may have been concerned about the risk of getting it wrong/identifying the wrong rate.

"That rate card isn't very aesthetically pleasing, it's like an Excel spreadsheet with a load of empty boxes... it's pretty pointless, because you've got to literally follow your finger across the line to find the rate you're getting"

Low confidence, Medium Savings, Older, Leeds

To summarise, in this research there was universal preference for the AER and any supporting information such as rate type to be included in the summary box rather than referring consumers to a rate card or to any other source.

5.4.4 Maturity

The information provided about maturity was seen as helpful but in order to ensure real clarity it needed more specific detail.

What happens at maturity?

Shortly before your account matures we will write to you setting out your options. You may choose to open another fixed-term bond with us or you may want to take your money out and move it to a different account or provider. If we do not hear from you we will move your savings to our Matured Funds account from which you can access them without notice or charge. Our matured funds account currently pays an interest rate of 0.5% AER gross. However this rate is variable – we can put it up or down (as described in our terms and conditions) and it may not pay the same interest rate at the point your fixed-term bond matures.

Figure 12 Maturity message tested

The information provided is seen as clear and relevant. It explains what will happen at maturity, what the options are and what happens if the saver does nothing. It doesn't however explain what maturity is; it assumes consumers will know this. Equally, it is lacking any information about timings. Participants wanted to know how far in advance of the account maturing they would be contacted, and how long they would have to respond before the funds would be moved into the Matured Funds account. In summary, the information would be clearer with three improvements:

"The first few sentences are fine but the last bit threw me. It's fine up until 'they will automatically move your money into matured fund account... The fixed term bond has already reached maturity for them to pull it over to the matured finds account. It feels contradictory"

Low confidence, Low Savings, Younger, London

1. Reminding consumers what maturity means
2. Telling them when they will be notified that maturity is approaching
3. Specifying what the time limit is likely to be for hearing back from consumers before moving the funds into another account

5.4.5 Supporting text

The supporting text that included a definition of the AER, information on tax and a warning that the examples given were illustrative appeared underneath the summary boxes, shown below, and was commonly confused with T&Cs or assumed to be ‘the

- The balances shown are examples – they can vary depending on the rate of interest and how much tax you pay.
- The rates shown are gross rates which means the rate of interest payable before income tax has been deducted. If you are a tax payer, tax will reduce the rate and the amount of interest you get. Tax treatment can change and it depends on your individual circumstances.
- AER stands for the annual equivalent rate and it shows what the rate of interest would be if interest was paid and compounded once each year. ‘Compounding’ is the process of adding together your savings and the interest you have already earned and calculating interest on the total sum. The AER allows you to easily compare the interest rates on savings accounts. The higher the AER, the better the return on your savings. You may earn less than the AER if your money is not invested for as long as a year.
- The rates are correct at 1 May 2015

Figure 13 Example supporting text tested

small print’; as a result it was often avoided or at best skimmed until the participants were asked to read them fully.

‘Tax treatment’ was an unfamiliar term for many and needs explanation.

The AER definition was considered to be the most helpful piece of information in the supporting text, but as discussed in Section 5.11.1 levels of understanding of the proposed definition were low.

“Ironically the font’s actually the same size, it’s not actually smaller, but psychologically it looks like small print because it’s right at the bottom of the page”
 Low confidence, Low Savings, Younger, London

Footnotes or asterisks within the summary boxes themselves could be used to draw attention to the supporting text and ensure they are read.

5.4.6 Specific detail

Some specific details in the summary boxes were singled out in the research as needing attention.

Information needs to be presented in a consistent manner in order to aid understanding.

<p>0.75% AER Gross</p> <p>Interest is paid yearly</p>	<p>Yes, this rate is variable. We can increase or decrease this rate of 0.75 % in the ways described in the terms and conditions.</p> <p>If we are decreasing the rate we will give you advance notice.</p>	<p>You can earn a fixed bonus rate of 0.5% for 12 months.</p> <p>The total interest rate including this bonus is 1.25% AER.</p> <p>In order to receive the bonus rate you must:</p> <ul style="list-style-type: none"> • Save over £500 each year • Make no more than four withdrawals in 12 months
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Figure 14 Example of inconsistency within summary box

Consistency of terms is key. As an example, displaying an interest rate Gross and an interest rate with no indication of Gross or Net causes confusion and makes consumers

question their own understanding. A similar reaction occurred when testing the definitions and slightly different explanations were given for corresponding terms, i.e. the mention of basic rate income tax when describing Net but not when describing Gross.

"I don't know what AER Gross is. What's the difference with AER? I struggle with it but everything else is fine"

High confidence / Low savings, Older, Glasgow

Similarly, although some participants like the use of symbols such as ticks and crosses – a familiar format for comparison tables for example in general insurance – it does not work well here as it can't be applied consistently across the different sections of the summary box.

"They've used the tick in that column, which is really good. Can the interest rate change? Whereas here they've put 'Yes [i.e. not a tick]', so if you're going to use ticks make it look a bit more consistent or if you're going to use words, make that consistent"

High confidence / Medium savings, Younger, Leeds

Drawing attention to eligibility criteria is vital. Where there is an eligibility requirement, this must be given prominence:

Firm name Summary Box 2 year fixed-term bond (issue 56)					
Interest Rate	Can the interest rate change?	Estimated balance after 12 months (based on £1,000 deposit)	Access	Save from	Can I withdraw money?
See the rate card	No – this rate is fixed for 2 years.	£1,015.10	Phone Online Branch	£1,000	✗
Interest is paid yearly	During this 2 year period the interest rate cannot be changed.	We have worked this out assuming a £1,000 deposit is made on account opening and no further deposits or withdrawals are made throughout the year.	You must have a current account with us before you can open this bond.		Not without a penalty. If you did withdraw money you would incur a charge which is equivalent to losing 180 days interest.

Figure 15 Example of important criteria with insufficient standout

In the example above, learning about the requirement to hold a current account with the provider caused annoyance

"You must have a current account with us before you can open this bond...well why don't they put that earlier or at the top? It's really important"

High confidence / Medium savings, Older, Leeds

and frustration. Reading the earlier information – which in this case involved going to a rate card – is perceived to have been a waste of time.

Others struggled to understand the rationale for this ‘condition’, and many were not willing to consider a savings account on this basis.

In summary, the condition needs to be communicated as early as possible and ideally before the product features. Ideally it should also communicate the rationale for the requirement, and potentially provide some sort of reassurance, for example ease/support setting up the current account.

All elements of the rate are of keen interest and need greatest standout:

The interest rate is perceived to be the most relevant

“I don’t understand ‘the total interest rate including this bonus is 1.25% AER...where does this come from?’”

Low confidence / Low savings, Younger, London

information by many; as such it is expected to have the

most standard, using bold font, larger font sizes and so on. This is equally true for any bonus rate, not just

Interest rate	Can the interest rate change?	Bonus rate
0.75% AER Gross Interest is paid yearly	Yes, this rate is variable. We can increase or decrease this rate of 0.75 % in the ways described in the terms and conditions. If we are decreasing the rate we will give you advance notice.	You can earn a fixed bonus rate of 0.5% for 12 months. The total interest rate including this bonus is 1.25% AER . In order to receive the bonus rate you must: <ul style="list-style-type: none"> • Save over £500 each year • Make no more than four withdrawals in 12 months

Figure 16 Example of multiple references to rate

for the underlying rate. Where the underlying rate is shown first without including the bonus, the link between the two elements needs to be as explicit as possible.

Any **parameters for saving** need to be very clear. For example, answering the question

How much can I save?
£1 +

‘How much can I save?’ with ‘£1+’ raises many questions for consumers:

- What does the £1+ relate to – is it the opening amount, monthly deposit?
- Is there a maximum amount?
- Is there a minimum and maximum level for monthly and annual savings?

“Reword as ‘anything over £1’ and say that there is no upper limit if there isn’t one”

High confidence / Low savings, Older, Glasgow

Figure 17 Example of incomplete information

In summary the 'How much can I save?' section should clearly detail the amount required to open the account, any limits in terms of monthly / annual deposits, and any minimum balance requirements for the account to remain active.

6 An exploration of key terms using draft definitions

Besides testing the summary boxes, the research also aimed to explore understanding of savings terminology and specific definitions. The research looked at these definitions to test if they might be useful for consumers in aiding understanding. We looked at the optimal wording of these definitions to identify what was and what was not working when explaining terms.

For each term explored, the research participants were first asked to explain the meaning in their own words – their spontaneous understanding. They were then presented with and asked to provide feedback on a number of definitions suggested by the FCA – to gauge prompted understanding. It was clear from the early discussions in the groups that levels of understanding were generally mixed; most participants had a reasonable understanding of the basics but once asked to explain what different terms meant, didn't necessarily have a full understanding. As such, and overall, having a definition was felt to aid comprehension, albeit with scope in some instances for improvement on the ones tested.

Sliding scales were developed based on a mix of individual ratings and group discussions and are used here to indicate levels of recognition, understanding and clarity:



Participants were asked to review the proposed definitions and use coloured pens to highlight text they found to be especially clear (**green**), areas that created some confusion and could potentially be improved (**orange**) and areas that were not at all clear and needed to be changed (**red**). These were then analysed to understand where the key issues were and what level of priority there was for making improvements.

Recommended definitions were developed based on full analysis of individual feedback in taskbooks and the ensuing group discussions.

6.1 Variable rate

This term was equally widely recognised, and automatically associated with interest,

Definition in consumers' own words

"The rate can change over time depending on the T&Cs"

Low confidence , Low Savings , Younger , London

"Interest rates change at bank's or Bank of England's decision"

High confidence , Medium Savings , Younger , Leeds

"Interest may change"

High confidence , Low Savings , Older , Glasgow

but it was less well understood than 'fixed rate'. At the most basic level, everyone was clear that a variable rate can go up or down, but there was much less clarity around why this should be. As seen in previous research, many participants felt a variable rate is linked in some way to the Bank of England base rate and as such only goes up or down as and

when the base rate fluctuates. Others thought it might be linked to inflation, some to activity on the account – in other words the rate could go down if funds were withdrawn. A minority understood it to be at the discretion of the provider but were



unsure as to what might trigger this. In summary, it performed very well in terms of recognition but less well on understanding.

6.1.1 Variable rate – prompted

The proposed definition was felt to be effective in explaining the term but many felt it

Definition

An interest rate is **variable** if your savings provider is able to increase or decrease it in the circumstances set out in your savings account terms and conditions. In most cases the provider must give you notice when they want to change your interest rate.

would benefit from some reordering and increased focus on key points. The language itself was seen as simple and succinct, and largely consistent with existing understanding. Referring

to T&Cs was generally accepted but felt to be lengthy for a definition. It also raised some concerns that different providers would have different T&Cs, and therefore did this need explaining also? 'If your savings provider is able to' caused a lot of debate because it implied that providers could change rates 'on a whim', which most participants did not realise could happen. Introducing the concept of notice also caused debate, with many wanting the notice period to be specified. Despite different elements of the definition working well in isolation, it didn't fully deliver clarity as a whole.



"Maybe instead of saying 'in most cases' they should just say that they must give you notice"

Low confidence / High savings, Younger,
Glasgow

"It's ok but it could've given you an example...for instance some would be wanting to know what kind of things will affect that decision on the interest rate, i.e. withdrawing money, or is it that their shares have gone up? I'd need an example"

Low confidence / Low savings, Younger, London

Despite participants' desire for definitions to be concise, the research showed that there are some instances where getting the explanation right is more important than brevity; this term is one of those instances. The feeling was that providers should be required to add into the definition how and when they would give notice i.e. 'by letter, 30 days before.....'

Recommended definition

A variable rate is an interest rate that can increase or decrease according to the circumstances set out in your savings account terms and conditions. In most cases the provider must give you notice when they want to change your interest rate. Notice is typically given in the form of X, X days/weeks before the interest rate will change.

6.2 Fixed rate – spontaneous

The term 'fixed rate' is widely recognised and understood, but once again, some consumers' understanding is not always complete. While the concept of a fixed rate per se is clear and well understood, it is commonly but not automatically associated with a period of time. It became clear in the group discussions that some savers were not aware that the fixed rate on their own savings was not continuous and that the fixed rate period might have already finished. This is consistent with the shock that some savers report when they realise that their savings have moved to a (usually much lower) variable rate. More positively, it is associated with interest and not influenced by associations in other contexts.

Definition in consumers' own words

"The rate will remain the same for the full term"

High confidence , High Savings , Older, London

"You know what rate you will be getting"

Low confidence , Medium Savings, Older, Leeds

"A set rate of interest"

Low confidence , High Savings, Younger, Glasgow

The term performs well in terms of spontaneous recognition and understanding.



6.2.1 Fixed rate – prompted

The proposed definition manages to communicate the key message but it could be even clearer. It

mirrors participants' own understanding in spelling out that the rate cannot be changed, and is felt to use simple succinct language. In referencing a specific period of time, it adds clarity. That said, some participants found the ordering of the wording made the definition less effective than it could be.

Definition

An interest rate is fixed if it has a set interest rate for a specified term (for example, one year). During this period the interest rate cannot be changed

Clarity



Some felt intuitively that the definition should lead with a reference to 'fixed rate'.

"That doesn't seem like very good English to me"

Low confidence, High Savings, Younger, Glasgow

'During this period' caused debate, with some feeling that it added clarity and others feeling it made the definition unnecessarily wordy. 'For example one year' was also felt to be unnecessary by some, but did not cause any confusion or concern.

The recommended definition leads with the term name and removes text considered to be superfluous. 'For example, one year' can be kept or removed depending on the FCA's preference.

Recommended definition

A fixed rate is an interest rate that is set for a specified term (for example, one year)

6.3 Gross – spontaneous

Gross is a familiar term commonly seen in the context of payslips and other financial products. As a result there is a high level of understanding and participants found it easy to describe the meaning in their own words. That said, it is not necessarily connected to 'interest rate' at a top of mind level; more commonly it is simply associated with an amount. A minority in the sample confuse Gross with Net as they see the two words as corresponding and have to stop to think about which means what.

Definition in consumers' own words

"Amount before tax"

High confidence / High Savings, Older, London

"Before tax and any deductions"

High confidence / Medium Savings, Younger, Leeds

"More than what you'll get"

Low confidence / High Savings, Younger, Glasgow

Overall, Gross performs very well on spontaneous recognition and understanding.



6.3.1 Gross – prompted

Not surprisingly given the level of spontaneous understanding, the proposed definition was well received with only a minor improvement suggested. The definition was judged

Definition

Gross rate is the rate of interest payable before income tax has been deducted

by participants as clear, using simple language and for the most part succinct. There was some feeling that the word 'rate' was used twice where once would suffice, but overall the definition performed very well on clarity.



As a standalone definition, the only recommendation was to remove the words 'rate of' before 'interest', as these were considered by participants to be superfluous.

Recommended definition

Gross rate is the interest payable before income tax has been deducted

"Why does it not say 'basic rate income tax' like it does for Net?"

High confidence, High Savings
Older, London

Once we moved on to discuss 'Net', however, a further consideration emerged. Participants commented that the definition for Net is better than that for Gross because it makes the tax position clearer. As a wider consideration, it became clear throughout the research that consistency is an extremely important factor for

communicating clearly and well, and that inconsistency can disrupt and inhibit understanding as it creates confusion. With this in mind we recommend that the FCA considers the regulatory importance of including the reference to basic rate income tax and either include it in both definitions or in neither.

6.4 Net – spontaneous

The term Net is widely recognised and understood in essence, but the link to savings interest is not always made; seen most frequently (and understood from) on payslips. Nevertheless, most participants found it relatively easy to explain Net in their own words. Again, participants use 'amount' rather than 'rate'; interest rates per se are not of interest – what is important for savers is knowing what they will get back. While recognition of 'Net' is very high, understanding is not quite as good as for Gross; many had to stop and think before offering up a definition. Some were also confused as to whether the term related purely to tax or to tax and other deductions such as charges. A minority confused Net and Gross, understanding what both terms meant but having to think about which meant what.



Definition in consumers' own words

"Actual amount less tax etc."

Low confidence, Low Savings, Younger, London

"I think it's what you might come out with at the end of the term"

High confidence, Medium Savings, Younger, Leeds

"Amount after tax"

High confidence, Low Savings, Older, Glasgow



6.4.1 Net – prompted

The proposed definition worked well overall but it was felt that it could be simplified. As seen with the previous term, 'rate of' is considered unnecessary, as is 'allowing for'. This is consistent with the desire expressed for explanations to be concise and avoid wordiness. The inclusion of a reference to basic rate income tax caused some debate and discussion. Some liked it for making the tax position clearer, others, for example those in higher tax brackets, felt it made the definition too narrow. As it wouldn't apply to everyone, it could then be construed as lacking transparency. Despite these concerns it performed well in terms of clarity.



Definition

Net rate is the rate of interest payable after allowing for the deduction of basic rate income tax

"Does it really have to include 'basic rate'? Could it just be income tax?"

Low confidence, High Savings, Younger, Glasgow

The recommended definition in this case is not fixed but requires the FCA to consider the need (or not) to include a reference to basic rate income tax. As a first step, the words seen as superfluous should be removed, and the reference to 'basic rate' either removed or retained. If it is retained, it should be added to the definition for Gross also, and the FCA might want to consider whether further explanation is needed to ensure clarity for higher rate tax payers.

Recommended definition

Net rate is the interest payable after the deduction of (basic rate) income tax

6.5 AER – spontaneous

AER was the term least well understood across all of the focus groups. The term itself is widely recognised, and familiar to all, at least to the extent of being 'something to do with the interest rate'. As such, there is a prevailing sentiment of 'the higher the better', although this is an assumption rather than founded on knowledge. When asked for a definition of AER in their own words, few manage an accurate description, with most attempting only to work out what the acronym stands for. Typically, 'annual' and 'rate' are known – although some think the 'A' stands for 'average' – and the 'E' is the word that causes most confusion.

Definition in consumers' own words

"Annual earning rate?"

Low confidence , Low Savings , Younger, London

"Annual ... rate"

High confidence , Medium Savings, Younger, Leeds

"Annual something"

High confidence , Low Savings, Older, Glasgow

"I remember what it means by thinking of it as AER is what you earn and APR is what you pay"

High confidence, High Savings, Older, London

Some confuse 'AER' and 'APR', although one participant shared a tip with the rest of the group (see the quotation on the left).

Overall it is considered to be an unnecessarily complex term that for some, despite being a familiar term, feels relatively new. There is also some concern that the meaning of the term hasn't been made clear by the banks.

Recognition



Understanding



Clarity



6.5.1 AER – prompted

The proposed definition was the least successful of all of the definitions tested to describe other terms. The definition was considered complex, and one that

"I don't like that there's the definition for compounding, within the definition. It makes it too complicated"

Low confidence, High Savings, Younger, Glasgow

created more confusion than clarity. Positively, the definition makes it clear what the acronym stands for. It also makes it clear that the AER relates to a one year period, and that less interest will be earned if the funds are not invested in the savings account for a whole year. The use of the term 'compounded' itself and then the explanation of 'compounding' causes confusion; as a definition within a definition it can distract from participants' overall understanding of AER.

The reference to using AER as a point of comparison creates interest but lacks clarity; it does not explain why AER can be used to compare different accounts.

"I'm sorry but that is confusing....if I go and open a savings account today and put £5k in, how am I going to get interest, it doesn't work...the whole compounding has no bearing on me with the AER on the account because there won't be any previous interest earned on it"

Low confidence, Low savings, Younger, London



"Surely the reason they've had to explain 'compounded' is because people haven't understood what it is, so surely the solution to that is taking 'compounded' out and replacing it with something that people do understand, rather than adding an explanation for 'compounding'"

Low confidence, High savings, Younger, Glasgow

Given the complexity of the definition tested, the recommendation is to break down and reorder all of the key components with the aim of building comprehension step by step. For added clarity in the report, the components are numbered; the recommendation is not for numbering in the final, consumer-facing definition. For now, the words 'compounded' and 'compounding' have been included.

If, however, the FCA feels that on balance it is not essential for consumers to understand these words specifically, the recommendation would be to remove them.

Recommended definition

1. AER stands for annual equivalent rate and it shows what the rate of interest would be if interest was paid and compounded once each year
2. The AER allows you to easily compare the interest rates on savings accounts
3. The higher the AER, the better the return on your savings. You may earn less than the AER if your money is not invested for as long as a year
4. 'Compounding' is the process of adding together your savings and the interest you have already earned and calculating interest on the total sum

The rationale for breaking the definition down into distinct components is as follows:

- Keeping all of the points about AER together and upfront helps to make the definition more impactful
- Moving the explanation about compounding to the end helps to prevent it from being a distraction
- If the final AER definition references compounding it will be important to clarify what it means as explicitly as possible; for many savers it is an unfamiliar term and a difficult concept to grasp

6.6 Bonus Rate – spontaneous

The term ‘bonus rate’ is widely recognised and a familiar feature of savings accounts. At a high level, it is seen as fairly self-explanatory; a reward of some sort. Participants’ understanding of how it works in practice can be quite variable. In particular there is some confusion around the relationship between the bonus rate and underlying rate, when a bonus rate is offered, and when and how it is paid. Importantly, some participants in the research claimed to have understood their bonus rate to be a continuous, not a time limited feature of their savings account.

“You can have bonuses, initial bonuses, so if a rate looks really good but it’s only for maybe one year and then it drops down, actually you’d be better off maybe going for something just a little bit less than longer term”

High confidence, Medium savings, Younger, Leeds

Definition in consumers’ own words

“A rate paid after the full term”

High confidence , High Savings , Older, London

“A loyalty bonus rate”

Low confidence , Medium Savings, Older, Leeds

“Possibly a bonus interest rate on top of the set interest rate”

Low confidence , High Savings, Younger, Glasgow

Recognition



Understanding



Definition

A bonus rate is a higher introductory rate of interest paid usually for a specified period and only if certain conditions are met. When the bonus rate ends the interest rate will reduce (quite considerably in some instances).

6.6.1 Bonus Rate – prompted

The proposed definition worked well in terms of aiding understanding but a small number of amends could be

“Would you get it repetitively each year? It’s not that clear. Is it every 12 months or just a bonus for the first 12 months from joining?”

Low confidence, Low savings, Younger, London

made to ensure that the key information stands out more effectively. Although it performs relatively well on clarity overall, it is not fully clear to all.



The part of the definition in brackets creates some debate. Although it is seen as transparent, it can be construed by some as judgmental. For others, the use of brackets signifies lower importance. The recommended definition removes the brackets and uses slightly more consumer-friendly, impartial language.

"I think it does tell you what it is by telling you what it isn't....if you know what I mean? It makes it a real expectation"

Low confidence, High savings, Younger, Glasgow

Recommended definition

A bonus rate is a higher introductory rate of interest paid usually for a specified period and only if certain conditions are met. When the bonus rate ends the interest rate will reduce. This reduction can sometimes be significant

6.7 Access – spontaneous

Although the word access per se is not perceived as complex or unusual, in the context of savings accounts it is less familiar than many other terms and frequently understood to mean something different than it means to providers. Specifically, in most cases it is understood to mean the ability (or not) to withdraw funds. In a minority of cases it has a secondary nuance incorporating how funds can be withdrawn. It is rarely spontaneously associated with account opening or management channels. One of the key drivers for this appears to be the more or less universal recognition of 'easy or instant access savings' which are firmly associated with the ability to withdraw funds as needed and with no penalties.

Definition in consumers' own words

"Instant or immediate availability"
Low confidence , Low Savings , Younger, London

"Availability of funds and how you can access"
High confidence , Medium Savings, Younger, Leeds

"Being allowed to withdraw and deposit"
High confidence , Low Savings, Older, Glasgow



In analysis this led to the recognition that market conditioning can be a key barrier to understanding; if assumptions have been made and become entrenched it can be difficult to achieve a shift in mindset. It could be argued that it might be simpler to ask providers to change their interpretation of the word 'Access' than to re-educate consumers who largely have a fixed, clear view of what access means in the context of cash savings.

"I've got accounts that can give me access and tell me how many times I can withdraw money"

Low confidence, High savings, Younger, Glasgow

6.7.1 Access - prompted

If changing the way providers use the word access is not an option, the research suggests that the definition is fit for purpose overall in that it does explain clearly what access means in provider terms. It is recognised as somewhat lengthy compared to some of the other definitions, but on the whole the language is considered simple and succinct. One minor sticking point is the word 'operate', which jars with participants as this is 'bank speak' rather than a word they would use to describe how they use their savings accounts. The ensuing discussions suggested that 'manage' feels more natural and is more easily understood.

Definition

Access refers to the way in which you can **operate** your savings account, for example how you can obtain account information such as statements, make deposits or withdraw money. Some savings accounts only allow online access whereas others are also accessible in branch and on the telephone

"I understand it all...I think it's clear"

Low confidence, Medium savings, Older, Leeds



Recommended definition

Access refers to the way in which you can manage your savings account, for example how you can obtain account information such as statements, make deposits or withdraw money. Some savings accounts only allow online access whereas others are also accessible in branch and on the telephone

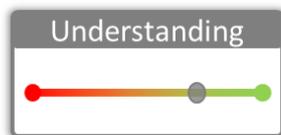
The recommended definition, if the decision is made not to ask providers to change their use of the term to fit with how consumers widely understand it currently, is essentially as tested but with 'manage' replacing 'operate'.

That said, our own view is that if it is possible to ask providers to drop the use of the word access in relation to purchase and service channels, this would be the best course of action.

6.8 Maturity – spontaneous

The term maturity is widely recognised and makes sense in both a financial and non-financial context. It is largely seen as ‘the end of something’ or something ‘coming to fruition’. It is not however always immediately associated with the end of a fixed period / a fixed interest rate. As such, understanding is mixed as to the implications for maturity on access to funds and what happens to the interest rate.

Interestingly, although recognised, maturity in this context is not something that consumers themselves would typically use in their own conversations.



Definition in consumers' own words

“At the end of the period”

High confidence , High Savings , Older, London

“Your savings will mature and at that time you can withdraw after that date”

Low confidence , Medium Savings, Older, Leeds

“You can't make any more interest”

Low confidence , High Savings, Younger, Glasgow

“If I was explaining this to my wife, she'd say, ‘What happens at the end of 2 years?’ and I'd say ‘Don't worry, they'll send us a letter and we'll deal with it then’, so that's really what I'm picking up there”

Low confidence, High savings, Younger, Glasgow

6.8.1 Maturity – prompted

The proposed definition is generally understood and felt to be relatively clear, but it is felt to be wordier than it needs to be and could benefit from being shortened.



It clearly connects maturity with fixed interest rates, and as seen with some of other terms, participants feel that leading with the term being defined is more effective than having it in

Definition

Where the interest rate on an account has a fixed term, maturity refers to the end of this term. An account ‘matures’ when the specified term ends

“To me personally, in the context of the other savings information, it's clear what maturity is”

Low confidence, Low savings, Younger, London

the middle of the definition. The second sentence is felt by some to be unnecessary and doesn't add to understanding. For most participants however, it performs relatively well in terms of clarity.

The recommended definition reorders and simplifies the proposed version, removing the second sentence.

Recommended definition

Maturity applies to savings accounts that have a fixed term interest rate, and refers to when the term ends

6.9 Transfers-in permitted – spontaneous

Levels of spontaneous recognition and understanding are both low. Not surprisingly the term is more readily recognised by participants who hold ISAs, but even among ISA holders, recognition is low and generally limited to those who have had previous experience of moving ISA savings. Those who don't know what transfers-in means make a literal interpretation; funds can be moved into the account.

Definition in consumers' own words

"You can top up during the term time of the savings account" High confidence, Medium Savings, Younger, Leeds

"Allowed to move money from a different account" High confidence, Low Savings, Older, Glasgow

"I didn't get 'transfers in', I know a wee bit and 'transfers in' is not the right terminology, I just didn't recognise it at all" Low confidence, High Savings, Younger, Glasgow



Some associations are made with savings accounts terms and conditions; some make reference to timing conditions, i.e. ability to pay in funds at any time, only at

specific times, or within a specific time frame.

6.9.1 Transfers-in permitted – prompted

The definition goes some way to explaining the term 'transfers-in' but needs to be more specific. The essence of the term – transfers are allowed from one account to another – is grasped. However, starting the definition with 'an account' does not communicate clearly that the term relates to an ISA in this case. The later reference to 'another ISA account' feels a little vague; participants do not take out

Definition

Where an account states that transfers-in are permitted, you are able to transfer balances held in another ISA into that account

"It's not clear whether you can only transfer money up to a certain amount....it doesn't say exactly how much"

High confidence, Low savings, Older, Glasgow

from this that the term relates to ISA transfers. ‘Transfer balances’ is understood per se but does create some confusion around the parameters of any funds transferred. Can the full balance be transferred, or only part? Can the transfer be only up to the ISA allowance, or can it exceed the annual limit? Additionally, the ordering of the words seems slightly illogical to some participants and may benefit from reordering. In summary, the clarity could be improved.

The recommended definition reorders the text, starting with the term and making it clear very quickly that it relates to ISAs. It also allows for the parameters of the permitted transfer to be included.

Recommended definition

Transfer in permitted relates to ISA accounts, and are when you can transfer the balance held in another ISA account in to the account, up to a value of X

6.10 Cash Individual Savings Account (ISA) – spontaneous

Since all of the participants in the research were savers, the term ‘cash ISA’ was familiar. That said, there was some confusion around the precise breakdown of the acronym, with a minority thinking the ‘I’ stands for ‘Instant’. Beyond this, the most varied levels of understanding were around the mechanics of ISAs; how they work and how they fit with the tax year, what the allowance is and what the different types of ISA are.

Definition in consumers’ own words

“A tax free investment offering an interest rate that’s fixed or variable”
 High confidence / High Savings , Older, London

“An easy access savings account”
 Low confidence / Medium Savings, Older, Leeds

“It’s individual savings, with no tax and it is a non-sharing account”
 Low confidence / High Savings, Younger, Glasgow



6.11 Cash Individual Savings Account (ISA) – prompted

The proposed definition for the cash ISA met with a relatively muted response. While participants recognised the need for the definition to contain a lot of information, some elements carried confusion and did not aid understanding of the main term being defined.

Definition

A cash ISA is a savings account which pays interest which is exempt from income tax and capital gains tax. There are limits (referred to as an 'ISA allowance') on the maximum amount you can save in ISAs in a tax year. In the UK a tax year runs from 6 April to 5 April every year. There are three types of ISA, cash ISAs, junior ISAs and stocks and shares ISA

Clarity



Most participants grasped the essence of the definition – for most, a tax free savings account – the references to non-cash ISAs created some confusion, as did the reference to capital gains tax which most people in the groups had not considered before in the context of ISAs.

“Why refer to a ‘cash individual ISA’ and then describe the other three at the bottom?”

High confidence, Medium savings, Younger, Leeds

While a recommended definition was provided to the FCA at the end of the research, it is likely that this can be further improved upon once the FCA has considered some of the issues raised in discussions around the definition. The working recommendation removes the reference to ‘cash’ in the heading and opening sentence

Recommended definition

An ISA is a savings account which pays interest which is free from income tax and capital gains tax. *There are three types of ISA; cash ISAs, junior ISAs and stocks and shares ISA.* There are limits (referred to as an 'ISA allowance') on the maximum amount you can save in ISAs in a tax year. In the UK a tax year runs from 6 April to 5 April every year.

Consider adding a sentence to explain the relevance of capital gains tax in this context

and focuses the first sentence on communicating the tax implications of ISAs. It then introduces the three types of ISA. If these can be removed – leaving the definition to focus on cash ISAs – the reference to ‘cash’ can be reinstated in the heading and opening sentence. The group discussions suggested that aside from savers not necessarily thinking about capital gains tax (CGT) in the context of ISAs, some did not understand what CGT is and therefore what implications of a CGT-free product might be. As such, it is worth considering whether the reference to CGT needs to be retained and if it does, whether it needs to be explained.

6.12 Location of the definitions

Opinions on where the definitions (if adopted) should appear are mixed; some feel that it would be convenient to have all definitions alongside the summary box, although this can create information overload for others.

A comprehensive, clearly signposted list of definitions elsewhere – to click through if online or to look up if paper based – would avoid information overload, but if perceived as inconvenient is likely to result in some key definitions not being looked up. As a result, some key features could be misinterpreted or glossed over.

On balance the recommendation is that where key features are less well understood, the definitions should be presented alongside the box: for AER, fixed rate, variable rate, bonus rate, and transfer in permitted – when applicable.

7 Conclusions and recommendations

The research showed that there is value in well-designed summary boxes and in providing consumers with clear definitions of key savings terms. One of the most important themes to consider for the summary boxes is consistency.

7.1 Improving the summary boxes

Driving consistency in the way providers present product information is advantageous for two reasons.

Comparability: consistency makes it easier for consumers to navigate the market and the wide range of savings accounts available, and to compare different products across providers.

Comprehension: consistency – and the resulting familiarity – makes it easier and quicker for consumers to learn and understand information.

Together these will create greater transparency and facilitate the ability for consumers to make informed choices - fostering a greater sense of trust and empowerment.

More generally, while the summary boxes were helpful, the examples tested did not necessarily reflect the way in which consumers assess products. Changing the layout from vertical to horizontal would make reading easier and create more balance, so that key features are not assumed to have less importance because they have less content. Using a question style format for the section headings engages consumers, encourages reading and aids comprehension. Supporting text can be important and provide useful shortcuts for consumers, but in its current form looks like small print and is either ignored or skim read. Using bold, large font and colour to create standout of key information could help, as could footnotes or asterisks within the box itself to lead the consumer to the supporting information. Rate cards proved deeply unpopular, with most participants unwilling to be directed to these. There was a strong preference to have key definitions such as AER displayed in the summary box.

An example recommended summary box:

Easy access savings account with a bonus	
What is the interest rate?	0.75% AER*
Can the interest rate vary?	<ul style="list-style-type: none"> • Yes, this rate is variable. • We can increase or decrease this rate of 0.75 % in the ways described in the terms and conditions. • If we are decreasing the rate we will give you advance notice. To notify you we will X in X days/week before rate is due to change
How much can I save?	<ul style="list-style-type: none"> • Minimum deposit of X to open the account (with maximum if applicable)
Is there a bonus rate**?	<ul style="list-style-type: none"> • You can earn a fixed bonus rate of 0.5% for 12 months • The total interest rate including this bonus is 1.25% AER (0.75% AER + 0.5% bonus rate) • In order to receive the bonus rate you must: <ul style="list-style-type: none"> • Save over £500 each year • Make no more than four withdrawals in 12 months
Can I withdraw money?	<ul style="list-style-type: none"> • Yes - but if you make more than four withdrawals you will not get any of the bonus interest
How can I access the account?	<ul style="list-style-type: none"> • Phone, online, branch
What would the estimated balance look like after 12 months (based on a £1,000 deposit)	<ul style="list-style-type: none"> • £1,012.57 with bonus and all the conditions are met. • £1,007.53 without bonus • We have worked this out assuming a £1,000 deposit is made on account opening and no further deposits or withdrawals are made throughout the year.

*** Asterisks used to lead readers to the supporting text and definitions

7.2 Learning from the suggested definition testing

While definitions were felt to be helpful, not all of the definitions tested were clear, and in some cases created more confusion than comprehension. For terms that are not easily understood such as AER the definition needs to be close to the summary box, whereas simpler terms can be included in a comprehensive glossary consumers can be directed to.

The research to test the definitions of key savings terms identified a number of priorities for development. These have been categorised into High, Average and Low priority depending on the level of clarity achieved in testing and the amount of work needed to improve the definition. The definitions could be further refined by the FCA based on this research or passed on to providers as tools for guidance when developing definitions for consumers to aid understanding. Before any decision is taken on which option will work best, it is worth considering that from a consumer perspective consistency across key definitions is likely to be most helpful in increasing understanding and awareness of important savings terminology.

"I think all banks should have to use the exact FCA definitions, so they're all concise"

High confidence / Medium savings, Younger, Leeds

On the following page the priorities for development are shown.

Priority	Definition	Original	Recommended
High Low clarity needs significant rework	AER	AER stands for the annual equivalent rate and it shows what the rate of interest would be if interest was paid and compounded once each year. 'Compounding' is the process of adding together your savings and the interest you have already earned and calculating interest on the total sum. The AER allows you to easily compare the interest rates on savings accounts. The higher the AER, the better the return on your savings. You may earn less than the AER if your money is not invested for as long as a year	AER stands for the annual equivalent rate and it shows what the rate of interest would be if interest was paid and compounded once each year. The AER allows you to easily compare the interest rates on savings accounts. The higher the AER, the better the return on your savings. You may earn less than the AER if your money is not invested for as long as a year. 'Compounding' is the process of adding together your savings and the interest you have already earned and calculating interest on the total sum

Priority	Definition	Original	Recommended
Average Essence of the definition understood but some areas of confusion, could be expressed more clearly	Fixed Rate	An interest rate is fixed if it has a set interest rate for a specified term (for example, one year). During this period the interest rate cannot be changed	A fixed rate is an interest rate that is set for a specified term (for example, one year)
	Variable rate	An interest rate is variable if your savings provider is able to increase or decrease it in the circumstances set out in your savings account terms and conditions. In most cases the provider must give you notice when they want to change your interest rate	A variable rate is an interest rate that can increase or decrease according to the circumstances set out in your savings account terms and conditions. In most cases the provider must give you notice when they want to change your interest rate. Notice is typically given in the form of X, X days/weeks before the interest rate will change.
	Maturity	Where the interest rate on an account has a fixed term, maturity refers to the end of this term. An account 'matures' when the specified term ends	Maturity applies to savings accounts that have a fixed term interest rate, and refers to when the term ends

Priority	Definition	Original	Recommended
Average Essence of the definition understood but some areas of confusion, could be expressed more clearly	Cash ISA	A cash ISA is a savings account which pays interest which is exempt from income tax and capital gains tax. There are limits (referred to as an 'ISA allowance') on the maximum amount you can save in ISAs in a tax year. In the UK a tax year runs from 6 April to 5 April every year. There are three types of ISA, cash ISAs, junior ISAs and stocks and shares ISAs	An ISA is a savings account which pays interest which is free from income tax and capital gains tax. <i>There are three types of ISA; cash ISAs, junior ISAs and stocks and shares ISA.</i> There are limits (referred to as an 'ISA allowance') on the maximum amount you can save in ISAs in a tax year. In the UK a tax year runs from 6 April to 5 April every year. <i>Consider adding a sentence to explain the relevance of capital gains tax in this context</i>
	Transfer in permitted	Where an account states that transfers in are permitted, you are able to transfer balances held in another ISA into that account	Transfer in permitted relate to ISA accounts, and are when you can transfer the X balance held in another ISA account in to the account

Priority	Definition	Original	Recommended
Low Definition understood, minor amends to optimise it	Gross	Gross rate is the rate of interest payable before income tax has been deducted	Gross rate is the interest payable before income tax has been deducted
	Net	Net rate is the rate of interest payable after allowing for the deduction of basic rate income tax	Net rate is the interest payable after the deduction of basic rate income tax
	Bonus rate	A bonus rate is a higher introductory rate of interest paid usually for a specified period and only if certain conditions are met. When the bonus rate ends the interest rate will reduce (quite considerably in some instances)	A bonus rate is a higher introductory rate of interest paid usually for a specified period and only if certain conditions are met. When the bonus rate ends the interest rate will reduce. This reduction can sometimes be significant
	Access	Access refers to way in which you can operate your savings account, for example how you can obtain account information such as statements, make deposits or withdraw money. Some savings accounts only allow online access whereas others are also accessible in branch and on the telephone	Access refers to the way in which you can manage your savings account, for example how you can obtain account information such as statements, make deposits or withdraw money. Some savings accounts only allow online access whereas others are also accessible in branch and on the telephone

8 Appendix

8.1 Sample Profile

8.1.1 Overview of the sample structure

- 7 x 90 minute group discussions split across 3 locations
 - 3 x London
 - 2 x Leeds
 - 2 x Glasgow
- Groups were split on the basis of their level of confidence in managing their personal finances, their level of savings, and their age

Criteria	Definition
High confidence	All had to agree with the following statement to qualify: <ul style="list-style-type: none">• <i>I am generally confident when dealing with my money and finances. I feel I understand the various product offerings and often make the correct decision about which will be best for my needs</i>
Low confidence	All to agree with one of the following statements to qualify: <ul style="list-style-type: none">• <i>I am fairly confident when dealing with my money and finances, but I do sometimes struggle to know which financial products are right for my needs</i>• <i>I'm not at all confident dealing with my money and finances, and I often find choosing which financial products are for me a real challenge</i>
High savings	All had to have savings over £15,000
Medium savings	All had to have savings within the range of £5,001 - £14,999
Low savings	All had to have savings up to £5,000
Younger	All had to be between 18yrs – 39yrs
Older	All had to be between 40yrs – 65yrs

8.1.2 Overview – additional sample criteria

- All were either solely or jointly responsible for managing and making decisions on the account
- Mix of different savings accounts; Regular savings, Easy access, Cash ISA, Fixed term accounts, Notice accounts, Children’s savings
- Mix of different account providers including a range of banks and building societies
- Mix of types of savers (building up savings vs. using to manage their money)
- 1-2 per group had recently opened a new savings account or had switched savings accounts in the previous 12 months
- Mix of gender, socio-economic group across the groups (AB/C1/C2/D)
- 2 per group were non-native English speakers, defined as their mother tongue (the first language they grew up speaking) was not English
 - Within this subset a mix of nationalities was recruited
- Standard industry exclusions were imposed
 - None worked, had ever worked or had a close friend or family member working in marketing or finance related industries

8.1.3 Profiles specific to each group

Group	Profile	Location	Detail
Group 1	High confidence High savings Older	London (viewed)	<ul style="list-style-type: none"> • 8 respondents • Even gender split • 2 non native English speakers <ul style="list-style-type: none"> ○ 1 Portuguese ○ 1 Gujarati • 6 claimed to be saving for a specific purpose • 2 claimed to be saving to generate income from the interest • 6 had regular savings accounts • 4 had cash ISAs • 1 had a premium bond • 1 had e-savings • Mixed of savings providers included; Nationwide, NatWest, Lloyds Bank, Post Office, First Direct, Halifax, Santander, Barclays • 1 had opened or switched their savings account in the previous 12 months

<p>Group 2</p>	<p>Low confidence Low savings Younger</p>	<p>London (viewed)</p>	<ul style="list-style-type: none"> • 8 respondents • Even gender split • 2 non native English speakers <ul style="list-style-type: none"> ○ 1 Lithuanian ○ 1 Italian • All claimed to be saving for a specific purpose • 6 had regular savings accounts • 4 had cash ISAs • 1 had a children’s savings account • Mix of savings accounts providers included; Barclays, Natwest, Halifax, HSBC, Santander • 2 had opened or switched savings accounts in the previous 12 months
<p>Group 3</p>	<p>High confidence Medium savings Younger</p>	<p>Leeds</p>	<ul style="list-style-type: none"> • 8 respondents • 5 males, 3 females • 2 non native English speakers <ul style="list-style-type: none"> ○ Spanish ○ Bengali • 3 claimed to be saving for a specific purpose • 5 claimed to be saving to help them manage their money • 7 had easy access saving accounts • 5 had cash ISAs • 4 had regular savings accounts • 2 had children’s savings accounts • Mix of savings accounts providers included; Nationwide, Barclays, Skipton Building society, Lloyds Bank, Nutmeg, First Direct, NatWest, Halifax, Leeds City Credit Union • 5 had opened or switching savings accounts in the previous 12 months

<p>Group 4</p>	<p>Low confidence Medium savings Older</p>	<p>Leeds</p>	<ul style="list-style-type: none"> • 8 respondents • Even gender split • 2 non native English speakers <ul style="list-style-type: none"> ○ Polish ○ Chinese • All claimed to be saving for a specific purpose • 6 had easy access accounts • 1 had a fixed term bond • 6 had cash ISAs • 7 had regular savings accounts • 3 had children savings accounts • Mix of savings accounts providers included; Lloyds Bank, Halifax, Yorkshire Bank, NatWest, Santander • 4 had opened or switched savings accounts in the previous 12 months
<p>Group 5</p>	<p>High confidence Low savings Older</p>	<p>Glasgow</p>	<ul style="list-style-type: none"> • 8 respondents • Even gender split • 2 non native English speakers <ul style="list-style-type: none"> ○ Dutch ○ Punjabi • 7 claimed to be saving for a specific purpose • 1 claimed to saving to help manage their money • 3 had fixed term bonds • 3 had cash ISAs • 4 had regular savings accounts • Mix of savings account providers included; RBS, Bank of Scotland, Santander, Credit Union, Halifax, Clydesdale, Yorkshire bank • 2 had opened or switched savings

<p>Group 6</p>	<p>Low confidence High savings Younger</p>	<p>Glasgow</p>	<ul style="list-style-type: none"> • 7 respondents • 5 males, 3 females • 2 non native English speakers <ul style="list-style-type: none"> ○ Zambian ○ Indian • 4 claimed to be saving for a specific purpose • 2 claimed to be saving to help them manage their money • 2 had easy access accounts • 4 had cash ISAs • 3 had regular savings accounts • Mix of savings account providers included; Nationwide, Bank of Scotland, Lloyds Bank, Clydesdale bank, TSB, RBS, • 3 had opened or switched savings accounts in the previous 12 months
<p>Group 7</p>	<p>High Confidence High Savings Older</p>	<p>London</p>	<ul style="list-style-type: none"> • 6 respondents • Even gender split • 4 claimed to be saving for a specific purpose • 2 claimed to be saving to generate income from the interest • 2 had easy access accounts • 2 had fixed term bonds • 3 had regular savings accounts • Mix of savings accounts providers included; Lloyds bank, M&S bank, Post Office, Santander, Chelsea Building Society, The Co-operative Bank, Britannia, Barclays, Santander, Tesco • 2 had opened or switched savings accounts in the past 12 months

8.2 The summary boxes

In this section, we present the four simplified summary boxes, the rate card and the definitions that were tested.

8.2.1 Summary box 1

Firm name Summary Box - Easy access savings account with a bonus						
Interest rate	Can the interest rate change?	Bonus rate	Estimated balance after 12 months (based on £1,000 deposit)	Access	How much can I save?	Can I withdraw money?
0.75% AER Gross Interest is paid yearly	Yes, this rate is variable. We can increase or decrease this rate of 0.75 % in the ways described in the terms and conditions. If we are decreasing the rate we will give you advance notice.	You can earn a fixed bonus rate of 0.5% for 12 months. The total interest rate including this bonus is 1.25% AER . In order to receive the bonus rate you must: <ul style="list-style-type: none"> • Save over £500 each year • Make no more than four withdrawals in 12 months 	£1,012.57 with bonus and all the conditions are met. £1,007.53 without bonus We have worked this out assuming a £1,000 deposit is made on account opening and no further deposits or withdrawals are made throughout the year.	Phone Online Branch	£1 +	✓ Yes - but if you make more than four withdrawals you will not get any of the bonus interest.
Moving your savings to another provider is easy, simply open a new account and transfer your balance across.						
<ul style="list-style-type: none"> • The balances shown are examples – they can vary depending on the rate of interest and how much tax you pay. • The rates shown are gross rates which show the rate of interest payable before income tax has been deducted. If you are a tax payer, tax will reduce the rate and the amount of interest you get. Tax treatment can change and it depends on your individual circumstances. • AER stands for the annual equivalent rate and it shows what the rate of interest would be if interest was paid and compounded once each year. ‘Compounding’ is the process of adding together your savings and the interest you have already earned and calculating interest on the total sum. The AER allows you to easily compare the interest rates on savings accounts. The higher the AER, the better the return on your savings. You may earn less than the AER if your money is not invested for as long as a year. • The rates are correct at 1 May 2015. 						

8.2.2 Summary box 2

Firm name Summary Box - Variable rate Cash ISA					
Interest Rate	Can the interest rate change?	Estimated balance after 12 months (based on £1,000 deposit)	Access	Save from	Can I withdraw money?
See the rate card You do not pay tax on the interest you earn. Interest is paid yearly.	Yes, the rate is variable. We can increase it or decrease this rate in the ways described in the terms and conditions. If we are decreasing the rate we will give you advance notice.	£1,010.05 We have worked this out assuming a £1,000 deposit is made on account opening and no further deposits or withdrawals are made throughout the year	Phone Online Branch	£1 up to £15,240 in the 2015/2016 tax year (ending 5th April 2016). Transfers in to this ISA are permitted	✓ Yes, however any savings deposited and later withdrawn will still count within your £15,240 annual allowance and cannot be replaced.
<p>Moving your savings to another ISA provider is easy: simply open a new ISA and complete an ISA transfer form. Your new ISA provider will arrange for the ISA to be transferred in no more than 15 days. Check that your new ISA allows transfers-in. You must use the transfer process to ensure you do not lose the tax advantages. The process also ensures you don't lose any interest throughout the transfer period.</p>					
<ul style="list-style-type: none"> • The balances shown are examples – they can vary depending on the rate of interest. • The rates shown are gross rates which means the rate of interest payable before income tax has been deducted. Interest in this ISA is exempt from income tax and capital gains tax. Tax treatment can change and depends on your circumstances. • AER stands for the annual equivalent rate and it shows what the rate of interest would be if interest was paid and compounded once each year. 'Compounding' is the process of adding together your savings and the interest you have already earned and calculating interest on the total sum. The AER allows you to easily compare the interest rates on savings accounts. The higher the AER, the better the return on your savings. You may earn less than the AER if your money is not invested for as long as a year. • The rates are correct at 1 May 2015. 					

8.2.3 Summary box 3

Firm name Summary Box 2 year fixed-term bond (issue 56)					
Interest Rate	Can the interest rate change?	Estimated balance after 12 months (based on £1,000 deposit)	Access	Save from	Can I withdraw money?
See the rate card Interest is paid yearly	No – this rate is fixed for 2 years. During this 2 year period the interest rate cannot be changed.	£1,015.10 We have worked this out assuming a £1,000 deposit is made on account opening and no further deposits or withdrawals are made throughout the year.	Phone Online Branch You must have a current account with us before you can open this bond.	£1,000	X Not without a penalty. If you did withdraw money you would incur a charge which is equivalent to losing 180 days interest.
<p>What happens at maturity? Shortly before your account matures we will write to you setting out your options. You may choose to open another fixed-term bond with us or you may want to take your money out and move it to a different account or provider. If we do not hear from you we will move your savings to our Matured Funds account from which you can access them without notice or charge. Our matured funds account currently pays an interest rate of 0.5% AER gross. However this rate is variable – we can put it up or down (as described in our terms and conditions) and it may not pay the same interest rate at the point your fixed-term bond matures.</p> <ul style="list-style-type: none"> • The balances shown are examples – they can vary depending on the rate of interest and how much tax you pay. • The rates shown are gross rates which means the rate of interest payable before income tax has been deducted. If you are a tax payer, tax will reduce the rate and the amount of interest you get. Tax treatment can change and it depends on your individual circumstances. • AER stands for the annual equivalent rate and it shows what the rate of interest would be if interest was paid and compounded once each year. ‘Compounding’ is the process of adding together your savings and the interest you have already earned and calculating interest on the total sum. The AER allows you to easily compare the interest rates on savings accounts. The higher the AER, the better the return on your savings. You may earn less than the AER if your money is not invested for as long as a year. • The rates are correct at 1 May 2015. 					

8.2.4 Summary box 4

Firm name Summary Box - Regular savings account with a bonus						
Interest Rate	Can the interest rate change?	Bonus rate	Estimated balance after 12 months (based on £100 initial deposit and £200 a month thereafter - £2,500 in total)	Access	How much can I save?	Can I withdraw money?
1% AER Gross Interest is paid yearly	Yes, this rate is variable. We can increase it or decrease this rate of 1% in the ways described in the terms and conditions. If we are decreasing the rate we will give you advance notice.	You can earn a fixed bonus rate of 3% for 12 months. The total interest rate including this bonus is 4% AER. In order to receive the bonus rate you must: <ul style="list-style-type: none"> • Save at least £200 each month and at the most £500 • Make no more than one withdrawal in a year • Hold a current account with us. • Don't close your regular savings account in the first year. 	£2,548.57 with bonus and all the conditions are met. £2,512.04 without bonus We have worked this out assuming no withdrawals are made throughout the year.	Online	Minimum of £200-500 each month. If you save less than £500 and more than £200 each month you can carry your remaining limit over to the next month only.	Only once a year. If you make more than one your rate falls to 1% AER variable. If you close your account in the first year you receive no interest.
Moving your savings to another provider is easy, simply open a new account and transfer your balance across.						
<ul style="list-style-type: none"> • The balances shown are examples – they can vary depending on the rate of interest we pay and how much tax you pay. • The rates shown are gross rates which means the rate of interest payable before income tax has been deducted. If you are a tax payer, tax will reduce the rate and the amount of interest you get. Tax treatment can change and it depends on your individual circumstances. • AER stands for the annual equivalent rate and it shows what the rate of interest would be if interest was paid and compounded once each year. 'Compounding' is the process of adding together your savings and the interest you have already earned and calculating interest on the total sum. The AER allows you to easily compare the interest rates on savings accounts. The higher the AER, the better the return on your savings. You may earn less than the AER if your money is not invested for as long as a year. • The rates are correct at 1 May 2015. 						

8.2.5 Rate card

Firm name Interest Rate Card for savings accounts	
	Interest Rate (AER, Gross)
Easy access accounts	
<i>On-sale accounts:</i>	
Easy access savings account with a bonus	1.25% (including a fixed bonus of 0.5% for the first 12 months)
Flexible savings	0.5%
<i>Off-sale accounts:</i>	
Easy access savings	0.3%
Online saver	0.2%
Cash ISAs	
<i>On-sale accounts:</i>	
Variable rate cash ISA	1%
E-ISA	1.25%
<i>Off-sale accounts:</i>	
Variable rate cash ISA with bonus	0.5%
Regular savings accounts	
<i>On-sale accounts:</i>	
Regular savings account with a bonus	4% (including a fixed bonus of 3% for the first 12 months)
Fixed-term bonds	
<i>On-sale accounts:</i>	
2 Year Fixed Term Bond Issue 56 (maturity date 5 May 2017)	1.5%
<i>Off-sale accounts:</i>	
2 Year Fixed Term Bond Issue 55 (maturity date 5 November 2016)	1.6%
2 Year Fixed Term Bond Issue 54 (maturity date 5 May 2015)	1.65%

- The rates shown are gross rates which means the rate of interest payable before income tax has been deducted. If you are a tax payer, tax will reduce the rate and the amount of interest you get. Tax treatment can change and it depends on your individual circumstances.
- AER stands for the annual equivalent rate and it shows what the rate of interest would be if interest was paid and compounded once each year. 'Compounding' is the process of adding together your savings and the interest you have already earned and calculating interest on the total sum. The AER allows you to easily compare the interest rates on savings accounts. The higher the AER, the better the return on your savings. You may earn less than the AER if your money is not invested for as long as a year
- .The rates are correct at 1 May 2015.

8.3 The definitions tested

Term	Definition tested
Fixed rate	An interest rate is fixed if it has a set interest rate for a specified term (for example, one year). During this period the interest rate cannot be changed.
Variable rate	An interest rate is variable if your savings provider is able to increase or decrease it in the circumstances set out in your savings account terms and conditions. In most cases the provider must give you notice when they want to change your interest rate.
Net	Net rate is the rate of interest payable after allowing for the deduction of basic rate income tax.
Gross	Gross rate is the rate of interest payable before income tax has been deducted.
AER	AER stands for the annual equivalent rate and it shows what the rate of interest would be if interest was paid and compounded once each year. 'Compounding' is the process of adding together your savings and the interest you have already earned and calculating interest on the total sum. The AER allows you to easily compare the interest rates on savings accounts. The higher the AER, the better the return on your savings. You may earn less than the AER if your money is not invested for as long as a year.
Bonus rate	A bonus rate is a higher introductory rate of interest paid usually for a specified period, and only if certain conditions are met. When the bonus rate ends the interest rate will reduce (quite considerably in some instances).
Maturity	Where the interest rate on an account has a fixed term, maturity refers to the end of this term. An account 'matures' when the specified term ends.
Access	Access refers to way in which you can operate your savings account, for example how you can obtain account information such as statements, make deposits or withdraw money. Some savings accounts only allow online access whereas others are also accessible in branch and on the telephone.

Term	Definition tested
Transfers in permitted	Where an account states that transfers-in are permitted, you are able to transfer balances held in another ISA into that account.
Cash Individual Savings Account (ISA)	A Cash ISA is a savings account which pays interest which is exempt from income tax and capital gains tax. There are limits (referred to as an 'ISA allowance') on the maximum amount you can save in ISAs in a tax year. In the UK a tax year runs from 6 April to 5 April every year. There are three types of ISA, cash ISAs, junior ISAs and stocks and shares ISAs.