

Researching the Savings Market

The Savings Champion Way



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Introduction

The savings market can be a complicated place, full of different options, both in terms of the types of account available and the companies that offer those accounts. It can be difficult to know exactly which account you currently hold (many have similar names), let alone what the current rate of interest is. This is where Savings Champion comes in. We do the research on your behalf, so you know exactly which account you have, what the current interest rate is and whether there is a better alternative out there for you.

In order for us to be able to do this, we study and research the savings market in great detail; in fact it is a full time job for our Research Department. To give the size of the market some context, we monitor over **10,700 different interest rates, spread over more than 4,000 accounts across 127 different providers**. The scale of the task is immense, but our systems have been built precisely to do this and enable us to be confident that we have up to date interest rates and account information for all UK based savings accounts, each day, every day.

It is one thing to get the information in the first place, but quite another to ensure that the information is accurate and up to date. That is why we constantly monitor those accounts, ensuring that we are aware of any rate changes, new accounts coming onto the market and accounts that providers have made obsolete.

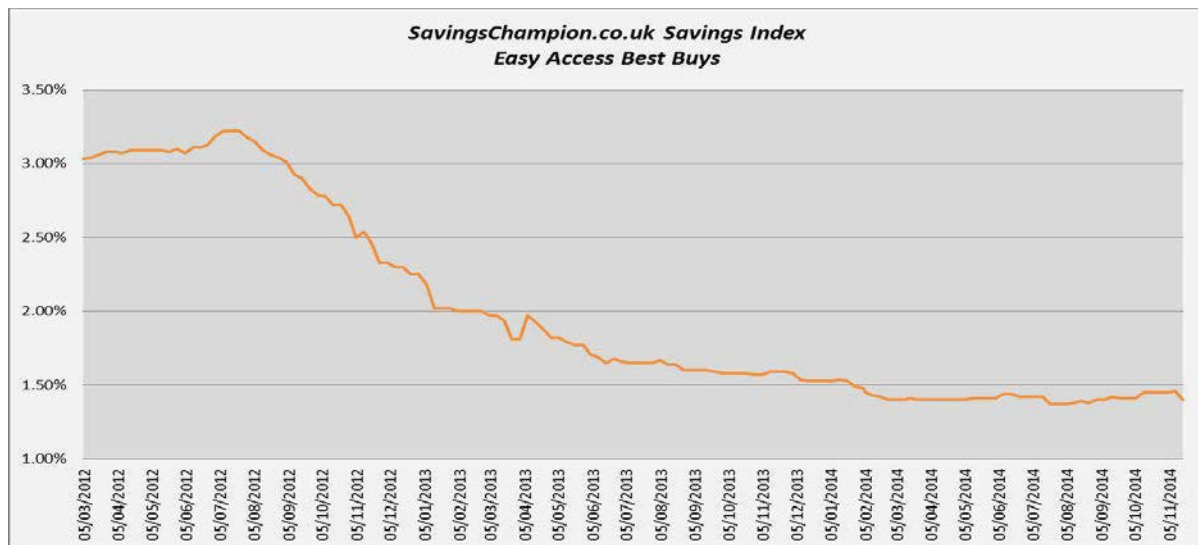
The information is not always easy to obtain, which is why we have vigorous processes in place.

This paper aims to show you how we research the savings market and gives you an insight into the processes and techniques that we use to ensure that our data is as accurate as it can be.

The Savings Market Today

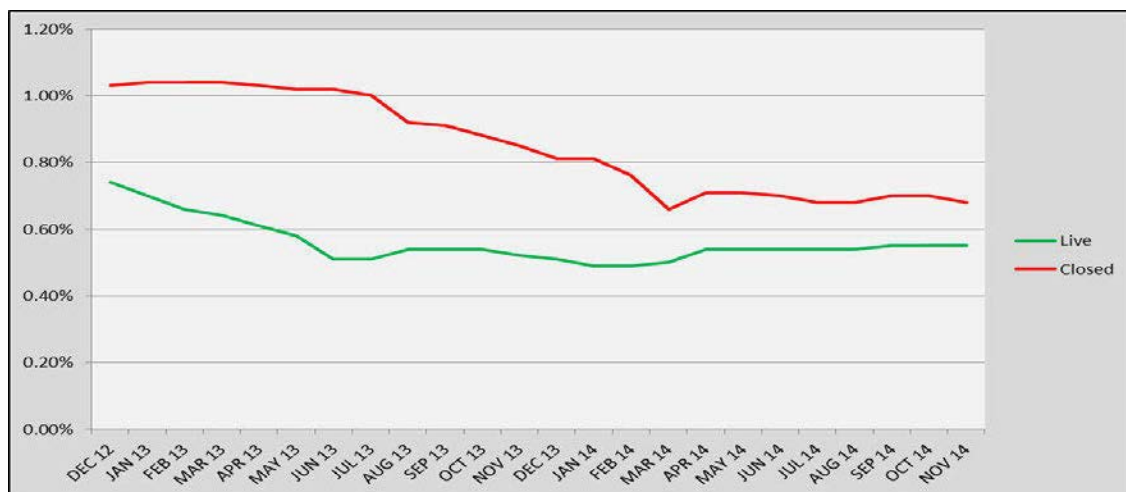
The outlook has been pretty bleak for savers for the last couple of years. The Bank of England base rate is still at the historic low of 0.5% and savers are still desperate for a decent return, so getting a good rate of interest on cash has never been harder.

Generally, interest rates have fallen over the last 2 years. If we take easy access accounts as an example, the average rate taken from our own best buy table has fallen and despite a recent stabilisation of rates, we are still waiting for rates to go back in the right direction for savers.



Source: Average of the top 5 easy access accounts, taken from Savings Champion best buy tables.

In the chart below we compare the average rate of interest that was being paid on 'Live' accounts (green line) versus 'Closed' accounts (red line). What this shows is that the accounts that have been closed were the ones paying a higher rate of interest, which means that savers have been hit not only by the drop in the Bank of England base rate but also by closure of accounts.



Average of all Live and Closed to new business Easy Access accounts over time.

A key factor affecting savers in the UK since its introduction in August 2012 is the Funding for Lending Scheme. This is a scheme designed to help the housing market and economy by encouraging providers to lend more money through mortgages. The mechanism was to provide cheap money to banks and building societies through the Bank of England.

Although the scheme has now largely ended, providers have not lent all of the money they have taken from the scheme. They therefore do not need to pay high interest rates to savers to attract further funds.

Traditionally savers' deposits were used to fund mortgages and although this is a fairly simplistic way of looking at it, it remained largely the case until the Funding for Lending Scheme was introduced. Consequently providers have sought to discourage savers from depositing money with them. The most effective way to discourage savers is to not offer attractive rates and to ensure that they do not appear in best buy tables.

With this in mind, it is vitally important that savers are aware of the interest rates that they are receiving and where they can find the best alternative rates. This is what is made possible by the depth and accuracy of our research.

The Scale of the Task

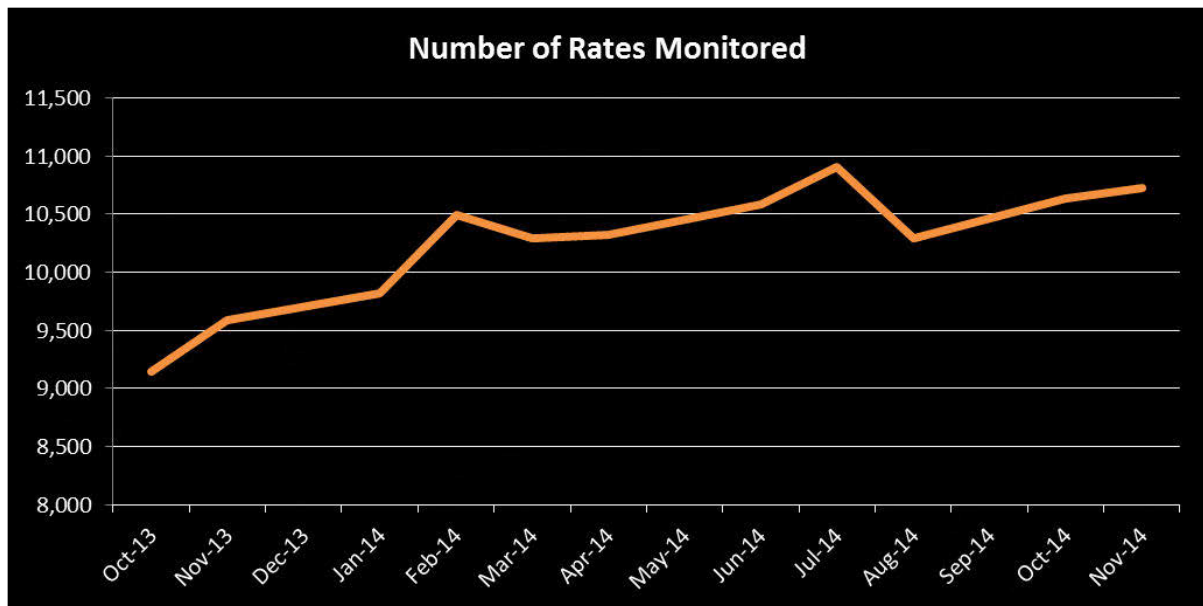
In order to be able to offer our clients the best possible value from our services and advice, it is essential that we have an accurate database behind it all. In order to do this, we meticulously research the whole of the UK savings market in great detail.

Not only do we keep up to date with all accounts on the market that are available to open, we also have details of all accounts no longer available to new customers. This means that we can advise clients not only on where the best place is to put their funds, but also what their current portfolio of savings accounts pay. This ensures that the advice we give takes full account of a client's savings situation.

This is why we research so widely - for personal accounts alone this involves 10,700 different interest rates, spread over more than 4,000 accounts across 127 different providers.

We also research and advise on accounts for:

- ◆ Businesses,
- ◆ Charities
- ◆ Trust Funds,
- ◆ Power of Attorney Deputyship



Not only that, but these figures are generally increasing, with every new account released representing a new entry on our database. Often these new accounts replace previously available versions, so the replaced accounts stay on our database.

The number of providers is also changing as new entrants to the savings market emerge, such as Paragon Bank in June 2014. We also actively seek out less well known providers who offer savings accounts and add them to our database. All of this work ensures that our database is as comprehensive as possible. Our philosophy is to cover all accounts - if a provider offers the accounts, we want to be able to advise and help those people who have them.

The Team

As in any team it is important to have the right people with the right skills and our Research Department contains a vast amount of experience of the savings market.

As well as knowing our database inside out, the team also includes members with direct experience of working for Banks and Building Societies. This experience means that we know the savings world inside out and it allows us to spot things that don't add up, and ensure we find the right answer.

The Process

The size of the database and the scale of the information required demand a systematic and stringent process to make sure that everything contained in the database is accurate and up to date.

Every account is checked against information obtained directly from the savings provider, either from the provider's website or through direct contact with the provider by telephone or email. The approach for obtaining data is tailored to each individual provider based on our experience of which process yields the most accurate data.

We have strong relationships with many of the providers. Although our process of obtaining and monitoring data is not reliant upon it, we are often told directly by providers when new accounts are launched and interest rates change. We never view this data as comprehensive, but it does trigger a more stringent check with the records being updated as the information is verified.

Account data is gathered and maintained through the basis of chasing, whereby we check all rates and information rather than solely relying on being updated by the providers, this gives us great confidence in our data.

The accuracy of the data gathered or updated by individual members of the data research team is also audited internally.

Some of the issues and problems we encounter

Of course, it goes without saying that researching so many accounts is not without its difficulties. One of the main problems we encounter is getting the information from providers. Not all providers are happy to give us the information we need, particularly if they have made changes to the detriment of account holders. This is why we work tirelessly on building up good relationships with the providers, so that we can get the information we need in a timely manner.

Not all provider websites are easy to use, so finding the correct account information can be a real minefield.

There are many accounts that are missing from providers' websites, for one reason or another. Therefore we do not rely on the websites for information and instead we speak to the providers to query where the account information is. We have even had providers add accounts to their website after we informed them of their omission.

It is quite common for different accounts to have the same name but a different 'issue number'. For example, BM Savings recently had issue 16 of its Internet Extra account available to new customers. Different interest rates may apply according to its issue number. There are also plenty of very similarly named savings accounts out there, in some cases the addition of an 'S' in the account name results in a different interest rate applying.

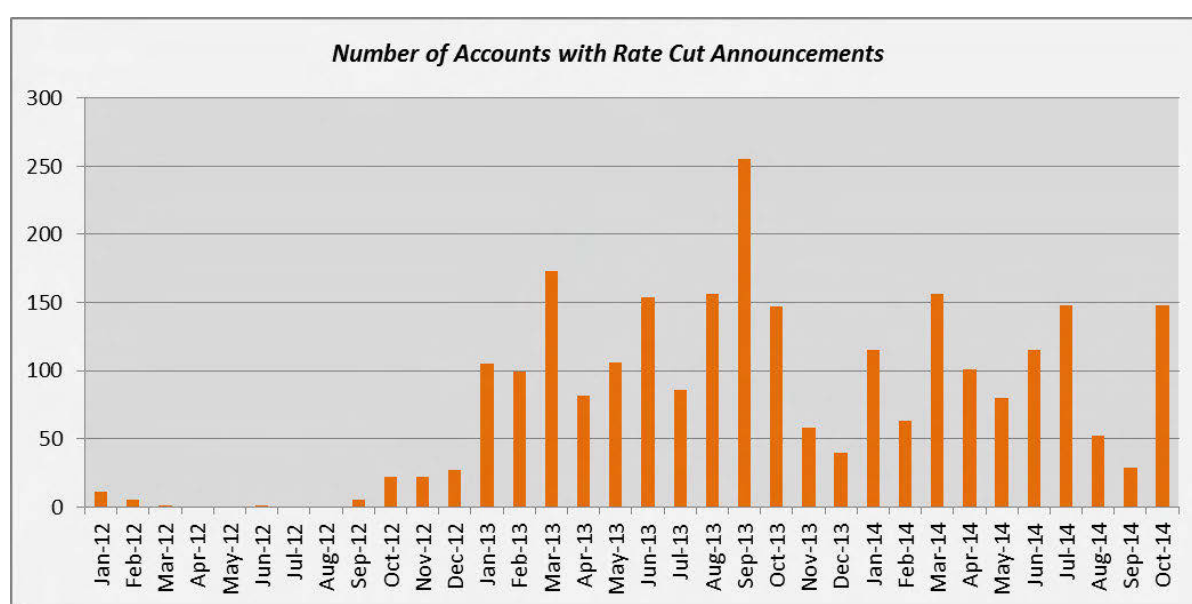
It is little wonder that some of our customers are unsure which account they actually hold and that is where we come in. Our experience of the savings market ensures that we can track down this information and find out what interest rate applies right now.

Another point is that we all know mistakes happen, and we sometimes find that the information that a provider displays is inaccurate. Our experience and the fact that we constantly monitor these accounts mean that we can raise these queries with the provider. In fact, on a number of occasions, we have been thanked for letting them know and they have changed their own information accordingly.

Rate Reductions

You may think that assembling a database of all UK savings accounts is a one-off task, which when completed needs little updating. The realities of the current savings market mean that this approach would not be appropriate and what is needed is constant monitoring of that database to look out for changes made by providers.

One of the main reasons this is needed is the regular cutting of existing account holders' interest rates. In the past we would only see rates changed in the event of a movement in the Bank of England Base Rate. Now providers regularly cut rates for existing account holders. The number of these rate cuts also increased with the introduction of the Funding for Lending scheme in August 2012, as the following table shows:



Funding for lending gave providers access to 'cheap' money to lend. As a result, providers do not need to attract and keep savers' hard earned cash to lend money, effectively sucking the competition out of the savings market.

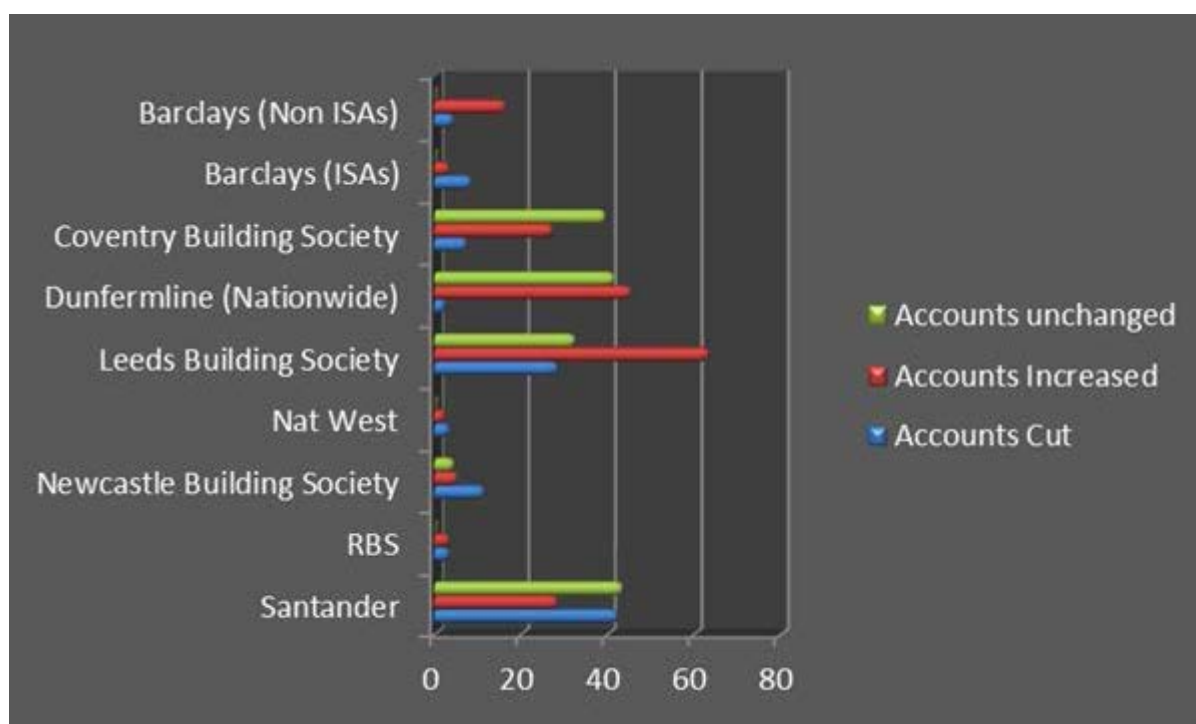
Account Simplification

Another recent phenomenon amongst providers is the simplification or rationalisation of their savings range. In effect these providers are reducing the number of accounts that they have on their back book, by transferring customers into alternative accounts.

In theory this is great news for customers because it should make it easier for a customer to find their account. However in practice, much depends on whether the account the customers are being moved to pays a higher or lower rate of interest than the one that they had originally. Of course, most people would prefer to stay in the existing account if it meant earning a higher interest rate.

Obviously, the changes vary from provider to provider, some making very few rate cuts through the simplification process, others making extensive and/or large cuts.

The following table below gives an idea of the range of changes made by a selection of providers.



We update our database to reflect these changes, ensuring that we are only displaying accounts that have customers in them. We still retain our full notes on accounts which are now empty in a 'historic' section of the database, in case we need to track what has happened to an account over time.

By having details of what accounts were paying before and after simplification, we can see the effect that these changes have had, ensuring that rate cuts are not hidden in the process.

Catering for different types of clients

Our database contains information for many different types of clients that are on the lookout for suitable savings accounts and for information on the accounts they already hold. In addition to information for personal customers, our database includes accounts for businesses, charities and various types of trust. This ensures that whatever the client circumstances are, we are able to give information and advise them.

Providers often have different accounts for different types of customers. On the other hand some providers note that the same account is available to various types of customer, so again we ensure that this is reflected in the information we hold and use when advising our clients.

There are plenty of examples where the information is not clear cut and we can use our experience to ensure that we probe deeper to ensure that the information is added

correctly to the database. This is particularly apparent when looking at accounts for Trust Funds, due to the wide variety of Trust types and the different ways that providers cater for them.

Many providers do not accept Trust Funds at all, others will accept any Trust Type and there are lots of variations in between. Sometimes providers accept certain types of trust but not others and some simply state that they will look at each enquiry and decide on a case by case basis. The types of account that can be opened by trusts vary greatly between providers as well. Some providers allow trusts to open any account, some allow trusts to open accounts from their business accounts range, whereas others exclude particular types of accounts. One provider for example only allows Trusts to open their branch-based accounts.

All of these challenges are faced by savers looking for accounts suitable for their circumstances. Using our experience, we have done the research on our customers' behalf so that they do not have to go through this, at times, frustrating process.

What do we do with the research?

The information we hold enables our advisers to help clients every day with their savings queries. Our concierge service uses the information we hold to ensure that people using the service have access to the very best rates on the market, taking into account their individual needs and circumstances.

Besides providing the services that our customers have come to rely on us for, our research can be used in various other ways.

The breadth of data that we hold, going back over our lifetime allows us to produce lots of interesting statistics. This information is often used to write articles that highlight the issues and problems faced by savers today. Journalists are often looking for reliable sources to use in their articles on savings and many rely on us for that very purpose. The fact that we are regularly featured in the national press is testament to the accuracy and breadth of our research.

We also supply information to other companies, allowing them to use our research for their own reports, statistics and services. Again this is a testament to the quality of our research and a validation of our efforts.

A final word

Hopefully this paper has given you an insight into the way we do our research and how we keep our information up to date and accurate. We are very proud of our data and believe the quality to be unsurpassed.

Testimonials

Our extensive knowledge of the UK savings market and the quality of our data is highly valued by the national media, which is why Savings Champion features regularly in various newspapers and on the BBC.

"Savings Champion is the best innovation in savings I have seen in recent years - comprehensive rate tracking, coupled with unbiased help in finding better deals, is exactly what savers crave"

Dan Hyde, Deputy Personal Finance Editor, Telegraph Media Group.

"Savings Champion is a great website for the beleaguered saver. Independent, unbiased and informative"

Jeff Prestridge, Personal Finance Editor, Mail on Sunday.

"You can check on cash interest rates on several websites. I use the best buy tables from www.savingschampion.co.uk which does not promote products on the basis of commission or commercial deals and has a genuinely helpful free helpline answered by experts – if you have more than £100,000 it will even manage it for you to get the best rates for a small fee."

Paul Lewis, Freelance Finance Journalist and Broadcaster, SAGA Magazine

Contact

If you have any comments or suggestions, or would like to discuss any aspect of your savings, please do not hesitate to get in touch.

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