



Switching Savings: How could consumers benefit?





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Executive summary

The Current Account Switch Service (CASS) was launched in 2013 to help address barriers to switching and to make the switch itself simple, timely and stress-free. CASS research considers how consumer attitudes differ when choosing to switch other financial products so we can understand the ecosystem and how consumers can be helped to switch products to their benefit.

Feedback from consumer representatives and firms within the CASS community has suggested that consumers would benefit from a switch service for savings accounts. Moreover, there has been increased dialogue within the regulatory community about the lack of competition in the savings market and the detriment caused by the 'loyalty penalty'. Could a savings switch service help reduce the final hurdle encountered by consumers in the switch journey?

CASS is pleased to share the outcomes from its research into switching other financial products and whether a switch service for cash savings accounts could assist with consumer choice.

The financial services market is at present faced with a wide range of technical changes and this has led to a number of competing priorities between change programmes. There is also no current regulatory requirement for support in the way that people can switch between cash savings accounts. It is with these issues in mind that we present our research so that the switch ecosystem can consider our findings and explore options and potential pragmatic action that helps to resolve a potential market failure in the cash savings switch market.

Research shows that barriers to competition exist in a range of markets, including in the market for savings products. The competitive advantage of larger players, price and product complexity and consumer inertia persist. Those worst affected by the lack of competition appear to be people in vulnerable consumer groups who may not be digitally or financially capable.

PwC Research undertook research for CASS to explore the nature of savings product holding by different consumer segments, barriers to switching, reasons that may trigger switching and the perceived benefits of a switching service in the savings market.

This research found that over 80% of the UK population hold current accounts and of these, half hold a savings account with their current account provider. Of the nearly 20% who don't hold a current account, only 7% were 'unbanked'. The remaining held at least one financial product.

The percentage of 'unbanked' population was significantly higher among the offline sample, unemployed respondents and students. But individual needs, attitudes and behaviours around savings products change over time, as their financial capabilities, understanding, goals and life stages change.

Multi-banked consumers are more likely to feel the benefits of technology and Open Banking services. Embedding an extended switch service within price comparison websites or personal financial management (PFM) platforms could facilitate more switching, when their PFM prompts them at the end of the bonus rate period. However, our research finds that for consumers who are less savvy but appear to have most to gain from switching, an 'extended switching journey' including research, comparison, and a seamless switching experience, is particularly attractive. This seemed to allay most fears and concerns about the switching journey.

Conversations with several research participants found that once most or all of their balance was moved across to the new savings account, they saw little or no value in making the effort to close their old accounts. A savings account switch service could help reduce the number of dormant accounts, by ensuring the old account is closed when the balance is transferred to the new account. For providers, this would reduce resources required to service dormant accounts and some exposure to fraud risk.

Of those under 45 with a savings product, 56% thought the proposal for an extended switching service was very appealing, with the figure rising to 60% among regular savers and those with multiple saving products. The research aligns with the feedback from the CASS community that the savings market is one that would benefit most from a switch service. A savings switch service could also help remove any perception of hassle or risk as a barrier to switching.

This paper is a contribution to the ongoing dialogue on how to improve outcomes for all consumers in the savings market. In April 2019, CASS led a roundtable discussion to consider the evidence presented in this paper. Following that we welcome views on whether a savings switch service would help.

About the Current Account Switch Service

Since its introduction in 2013, the Current Account Switch Service has played a leading role in the conversation about competition in the current account market.

By lowering the perceived barriers to switching and making the actual process of switching simple and stress-free, CASS has seen over 5 million successful current account switches in the last six years. With awareness of CASS among consumers consistently higher than 75%, it has evolved into an integral part of the switch ecosystem.

CASS Strategic Vision and Key Pillars 2017-2020

To foster a simple and stress free way to get the best from financial providers

Through effective engagement, trusted reputation and choice

CASS Vision and Key Pillars



Pillar 1

Put the **customer** at the heart of our product and service delivery



Pillar 2

Drive **innovation** on behalf of our partners and from the central service



Pillar 3

Continue to deliver **operational excellence** across our infrastructure both now and in the future

Aware of the barriers to switching in a range of other markets, CASS commissioned research with PwC Research to explore how a switch service could be of benefit to consumers when switching savings accounts

Introduction

There are challenges to competition in consumer retail markets, evidenced by the plethora of regulatory reports and remedies focused on these markets. CASS was launched in 2013 to help address barriers to current account switching, in particular, to make the switch itself simple, timely and stress-free. To this end, CASS continues to work with the switching ecosystem to identify ideas and innovation which may improve consumers' ability to engage and switch financial products, to their gain.

Feedback from consumers and firms within the CASS community has suggested that consumers could benefit from a switch service for savings accounts. Moreover, there has been increased dialogue within the regulatory community about the lack of competition in the savings market and the detriment caused by the 'loyalty penalty'. As such, CASS commissioned research to better understand the merits of a switch service for savings products.

PwC Research undertook the research to explore the nature of savings product holding by different consumer segments, barriers to switching, reasons for switching and the perceived benefits of a switch service. This paper details the current market dynamics, the research findings¹, and what a savings switch service could mean for consumers in the context of the overall switching journey. It is a contribution to the existing dialogue on how to improve outcomes for all consumers in the savings market.



CASS' role enables it to be a leading contributor in the debate about what represents a well-functioning market. In commissioning research and publishing discussion papers like this one on a savings switch service, CASS continues to engage widely to help lead the ecosystem to deliver a well-functioning market for everyone, especially those who are at risk of being left behind in our complex world.

Chris Pond

Independent Executive, CASS



¹ Research Methodology and Background

A multi-layered approach that included conversations and in-depth interviews with CASS participants, TPPs, internal and external stakeholders to assess the developments in the market and extensive desk research was the precursor to the primary research that followed. Analysis of desk research findings, conversations and interviews, revealed the need to focus on savings products presently, while maintaining an overarching agenda to study the financial services market broadly. PwC Research was commissioned by CASS to complete the primary research, with a goal to understand consumer attitudes towards financial products in general, with a specific focus on savings accounts and their understanding of the ability to switch between different financial products and providers.

Barriers to competition

A number of research reports have identified barriers to competition across several consumer markets. In financial services this can lead to consumers not receiving the best deals or being penalised for loyalty.

Barriers to competition are common across markets. “*Modernising Consumer Markets*”², a 2018 paper by the Department of Business, Enterprise and Industry Strategy, highlights a number of actions taken by regulators across telecoms, energy, water and financial services to improve competition and reduce consumer harm.

“*The Cost of Loyalty*”³, a 2018 report by Citizens Advice describes the loyalty penalty in various essential services market, its impact on the economy and how it further disadvantages the people who are financially vulnerable. It finds that compared to 18-24 year olds, 65+ year olds are more likely to pay a loyalty penalty in six essential services markets.

The SMF’s “*Concentration not competition: the state of UK consumer markets*”⁴ focuses on 10 key consumer markets that account collectively for 40% of all consumer

spending. It explores how concentrated markets hinder competition and lead to negative outcomes for consumers. The lack of transparency around pricing and product features, and the complexity within the actual process of switching, intensify consumer inertia, resulting in low switching rates.

The FCA found similar challenges to competition in the savings account market⁵. They identify the following as drivers of harm in the cash savings market:

- **Sensitivity to price and consumer inertia**
- **Price obfuscation and product replacement**
- **Competitive advantage of larger providers**

These market conditions result in customers holding on to financial products

for longer periods than ideal, improving liquidity for providers while limiting outcomes for customers. Citizens Advice found that when considering the savings market in particular, compared to those with higher incomes, people on lower incomes are 15% more likely to hold the same savings account contract for a minimum of 4 years. Customer inertia, fuelled by macro and micro market influences in the savings market (such as low interest rates), limit growth and dynamism in the market.

Despite the strong presence of a loyalty penalty in most markets, consumers don’t expect it, least so, it seems, in the financial services sector. 71% of consumers with a savings account expected their provider to charge the same or less than newer customers, from which it might be inferred, they expected the same or better rates (Figure 1).

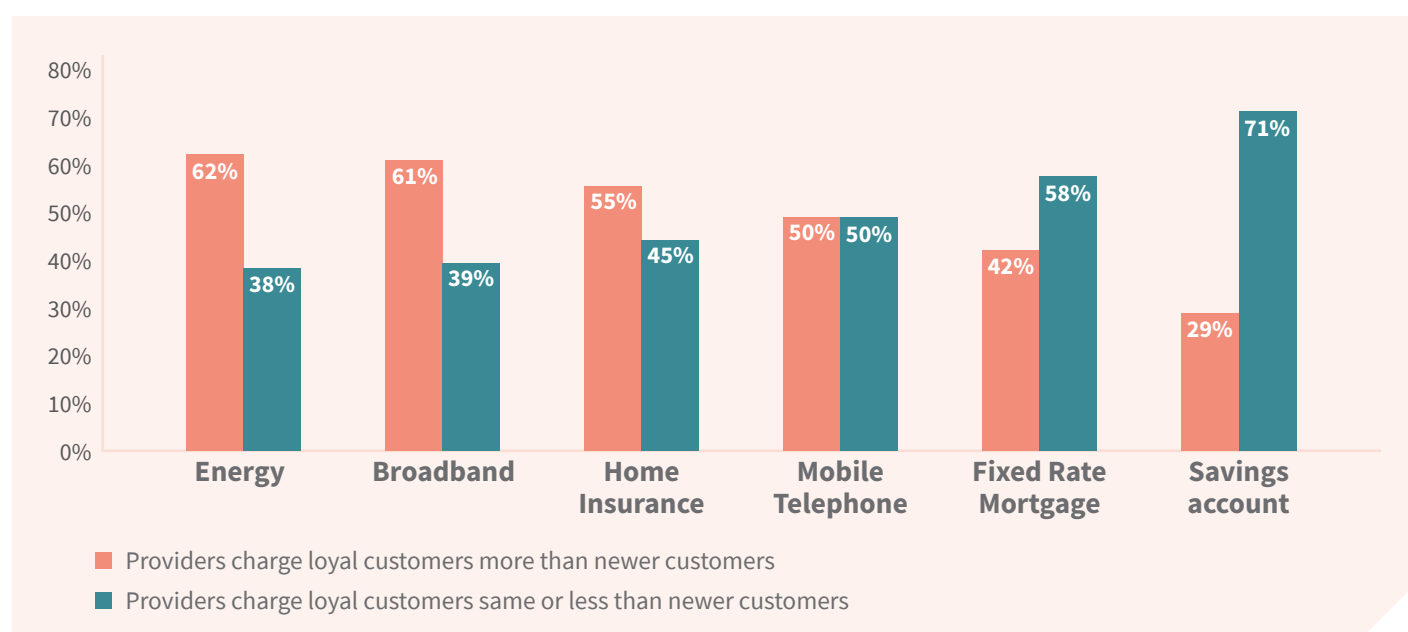


Figure 1³

² Modernising Consumer Markets, Consumer Green Paper, Department for Business, Energy and Industrial Strategy, April 2018

³ The Cost of Loyalty: Exploring how long-standing customers pay more for essential services. Citizens Advice, February 2018.

⁴ Concentration, not competition: The state of UK consumer markets. Social Market Foundation, October 2017.

⁵ Price Discrimination in the cash savings market: Summary. FCA, July 2018.

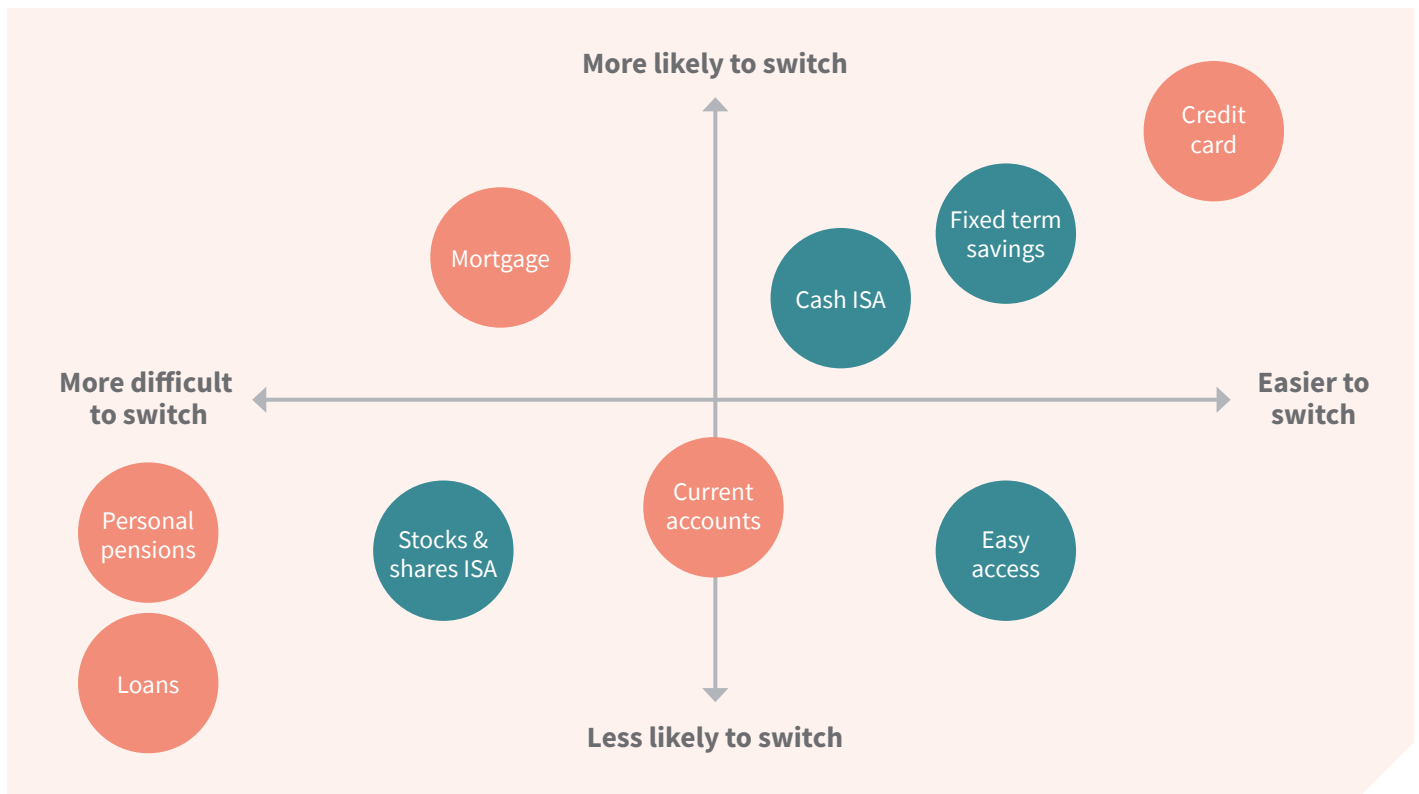


Figure 2: PwC Research

This explains the above diagram, with data from our research, comparing the ease of switching and likelihood of switching for different financial products.

Despite the fact that three savings products were marked as “easier to switch”, only 13% of all savings accounts were switched in the last three years. This indicates that even in the case of products where customers believe it is easier to switch, they are still hesitant to act.

71%

Of consumers with a savings account expected their provider to charge the same or less than newer customers, from which it might be inferred, they expected the same or better rates.

Financial and digital capability

The most recent Lloyds Bank UK Consumer Digital Index report⁶ estimated that 21% of the UK population (11.3 million adults) lacks at least one of the five basic digital skills, with 4.3 million of those having no digital skills at all.

*“The Economic Impact of Digital Inclusion in the UK”*⁷ by Good Things Foundation found that more than half of 65+ and 40% of those in social grade DE do not have basic digital skills. This number is expected to decrease progressively, still leaving nearly 7 million people who will be digitally excluded by 2028. However in a recent CMA investigation of digital comparison tools, it was found that the tools which could help consumers reduce the search costs are typically provided online, therefore not supporting the digitally excluded⁸.

*“Modernising Consumer Markets”*⁹, highlights four key barriers that define digital exclusion:

- **Access** – ability to connect to the internet and get online
- **Skills** – ability to use the internet and hence, online services
- **Confidence** – lack of trust, fear of crime
- **Motivation** – understanding how using the internet can be relevant, and helpful

People who are digitally excluded are unable to access or use the internet for basic banking tasks or everyday research, leaving this segment at a greater risk of financial exclusion. The CMA investigation also found that some vulnerable consumers are not able to access digital comparison tools and that some sites could do more to make their interfaces more user-friendly for vulnerable consumers.

Parallels can be drawn to the challenges found in the current account market. For example, the CMA’s retail banking investigation¹⁰ which in 2016 highlighted barriers to accessing information on PCA charges and service quality, low levels of consumer engagement and incumbency advantages. The impact is especially felt by those with overdrafts and more vulnerable segments. Since then, CASS has delivered an integrated communications campaign to ensure that the consumer awareness of its service is at 75% or above. It has also targeted awareness raising efforts at SMEs, overdraft users, the young and the financially disadvantaged.



⁶ UK Consumer Digital Index 2018 – Key Findings. Lloyds Bank. 2018

⁷ The Economic Impact of Digital Inclusion in the UK. Good Things Foundation. September 2018.

⁸ Digital comparison tools market study. CMA. September 2017

⁹ “Modernising Consumer Markets”. Department of Business, Energy, and Industrial Strategy. April 2018. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/699937/modernising-consumer-markets-green-paper.pdf

¹⁰ A Retail Banking Market Investigation Full Final Report. CMA. 2016

Remedies to facilitate switching

According to ‘Five Steps to Switching’ by TNS¹¹, consumers are known to go through an extensive multi-step process, prior to making a switching decision.

TNS demonstrate that for remedies and actions to make meaningful, long-lasting changes in the market, interventions are required at all stages of the switching journey.

The background market research to make an informed decision, deciding on a provider/product, account opening, switch initiation and completion are all considered part of the ‘switching journey’. A hurdle at any part of that journey can discourage the consideration or act of switching. Findings from the PwC Research show that the most common barriers people experience as they consider switching savings accounts are inertia, perceived hassle of account opening and the process of switching itself. **Figure 3** provides more detail about the barriers people face which drive overall disengagement in these areas.

In the current account market, CASS has been extremely effective in demonstrating the simplicity and value in using its switching service, with a satisfaction rate that is consistently above the 90%¹² mark among users of the service. Therefore perhaps a similar savings accounts switch service could lower or remove some of the barriers to switching.



Throughout our work with consumers we have found that often, people generally do not have much trust in ‘the financial services sector’ as a whole – but do trust ‘their bank’. This is a core driver of switching inertia – a transparent, trustworthy, easy-to-use switching service is vital in helping to alleviate this.

Carol Knight
TISA

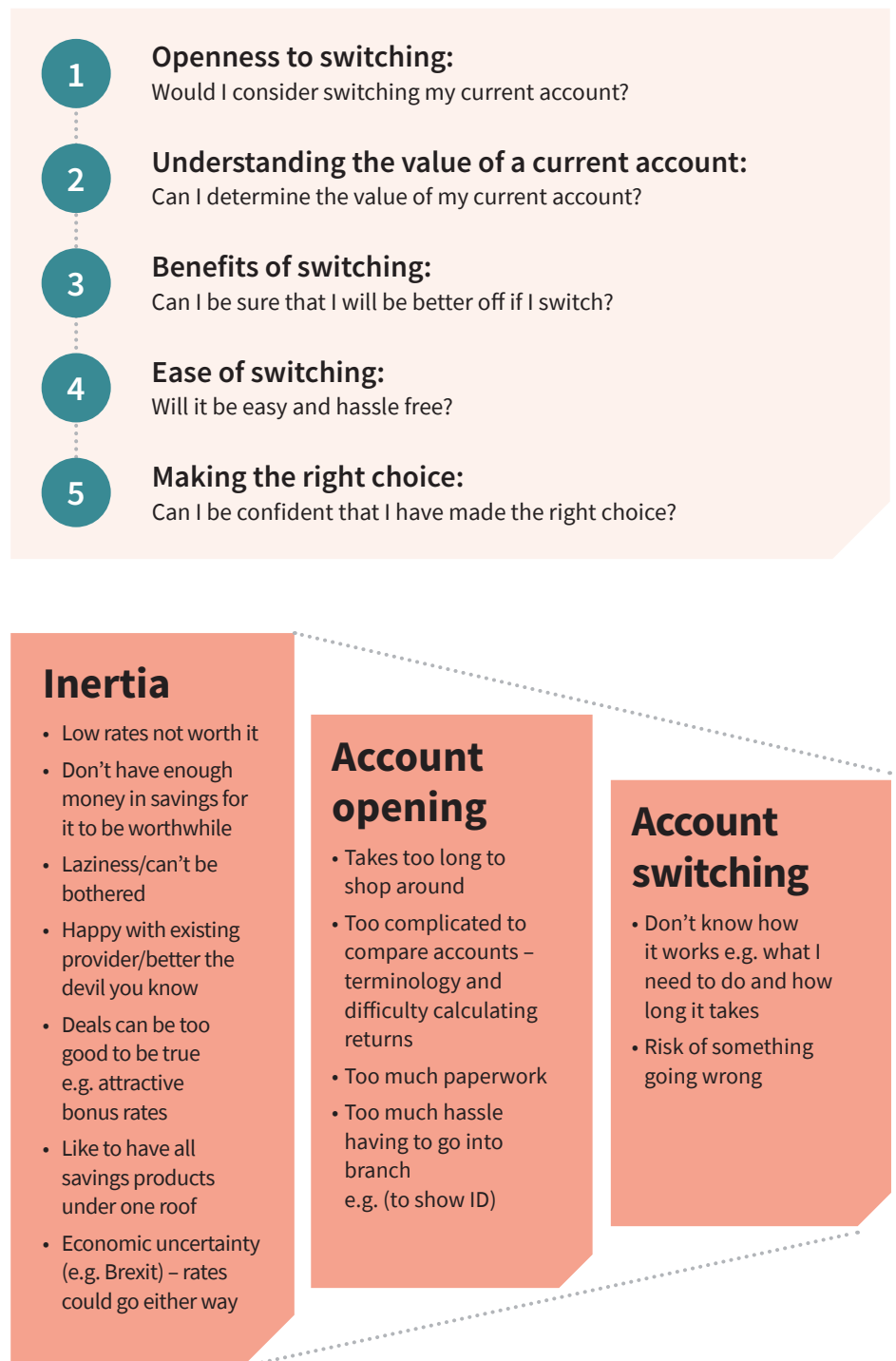


Figure 3: PwC Research

¹¹ Current Account Switching – ‘The Consumer Reality’, TNS –Tesco Bank, 2015, https://library.the-group.net/tesco_bank/client_upload/file/Tesco_Bank_TNS_White_Paper.pdf

¹² Monthly KPI and Switching Behaviour Research

FCA remedies for the savings market – tested and proposed

In 2018, the FCA released a discussion paper detailing the current status of the cash savings market, its shortcomings, tested and proposed remedies. The FCA proposed a series of remedies for the problems identified in the cash savings market which are identified below:

Problems in the market

- **Lower rates for longstanding customers** – loyalty penalty
- **Lack of transparency around alternate products and terms** – Price obfuscation and product replacement
- **Perceived hassle of switching** – effort vs value
- **Unfair competitive advantage of larger players** – ability to attract customers despite offering low rates

Implemented Remedies

- **Disclosure** – rules to improve quality, frequency and timing of customer communications
- **Switching** – rules to help customers switching accounts within their current provider
- **Switching** – agreement with industry to speed up Cash ISA transfers

Tested Remedies

- **Sunlight remedy** – publication of lowest interest rates on easy access cash savings accounts and easy access cash ISAs
- **Switching box** – periodic communication with the customer highlighting the potential gains from switching, prompting them to consider both products and providers
- **Return Switching Form** – a “tear-off” form and a pre-paid envelope prompting the customer towards making an internal switch to a better product

Potential Remedies

- **Basic savings rate** – an interest rate that would be decided by the provider, that would be paid to all easy access cash savings accounts and easy access cash ISAs which have been open for a set period of time. For front book customers, before the BSR would kick in, providers would be able to offer different rates. A provider will need to offer single rate (BSR) across all its mid-book and back-book customers

Figure 4: Summary of the FCA Discussion Paper – Price Discrimination in the Cash Savings Market

The FCA paper highlights the most common reasons for consumers not considering and/or not switching their savings accounts: customer inertia, the work and risk involved in switching and loyalty/familiarity with their current provider.

Our research identified that ‘end of bonus rate’ was one of the most dominant factors that could ‘push’ a consumer to switch.

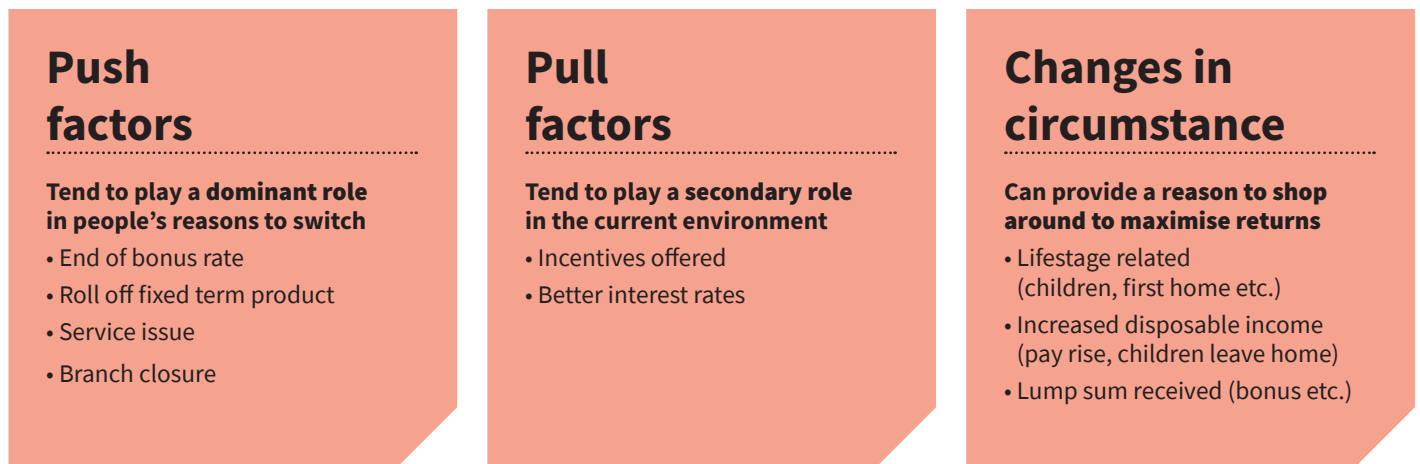


Figure 5: PwC Research

What is the Basic Savings Rate?

The Basic Savings Rate requires providers to offer a single rate across their mid-book (accounts opened between one and two-and-a-half years earlier) and back-book customers (accounts opened more than two-and-a-half years ago). While individual providers will be able to decide the level of their BSR, the solution, if implemented, is expected to improve outcomes for customers in multiple ways:

- For new/front book customers, providers can still offer an introductory rate, which could be higher than the BSR
- After the set period, these customers would be offered the BSR. While it is not likely to be as high as the introductory rate, the BSR is expected to be better than the present back book rates
- Back book customers who are now on the lowest rates would be moved up to receive the BSR on their deposits

Overall, the BSR is set to work in a way so that it benefits all customers – ending price discrimination for back-book customers, and improving agility for those customers who have just been introduced to the BSR.

Measures such as the sunlight remedy (tested), switching box (tested) and BSR put forward by the FCA could have the potential to enhance and improve the switching journey. A savings switch service could complement these measures. It would ensure that once consumers have decided that switching is the right thing, they are not put off by the last hurdle of making the switch itself.

As research has shown, ensuring that the switch process is well understood, trustworthy, simple and hassle-free is a key component of a successful switch journey. Effective supply side remedies, such as those suggested by Citizens Advice and the FCA, together with a switch service, could improve customers' perception of what a switch entails.

Against this backdrop, PwC Research explored consumer attitudes towards a savings switch service. It investigated the relationship between current account holding and savings account holding and the demographics of key consumer segments. It discussed the issues of dormant accounts before considering consumer views on switching in the savings market and their attitudes towards an expanded switch service.

Savings account holding

General financial behaviours and attitudes of consumers have always depended on the overarching market sentiment and macro and micro influences. In contrast, what financial products an individual chooses to hold, what their financial future could look like and who they choose to work with towards achieving their set goals depends largely on individual circumstances, financial literacy and, equally importantly, digital literacy and access.

Our research found that over 80% of the UK population hold current accounts and more than 60% hold savings products, with the most popular savings products being Easy Access and regular savings accounts. Half of those with current accounts also hold a savings product with their current account provider (**Figure 6**). Consumers highlight product-specific reasons for

holding additional products with their main banking provider; provider loyalty and inertia playing a central role in those decisions. A quarter of UK adults claim to have a relationship with just one bank, with this figure climbing up to nearly 40% for under 25s.

Loyalty and inertia

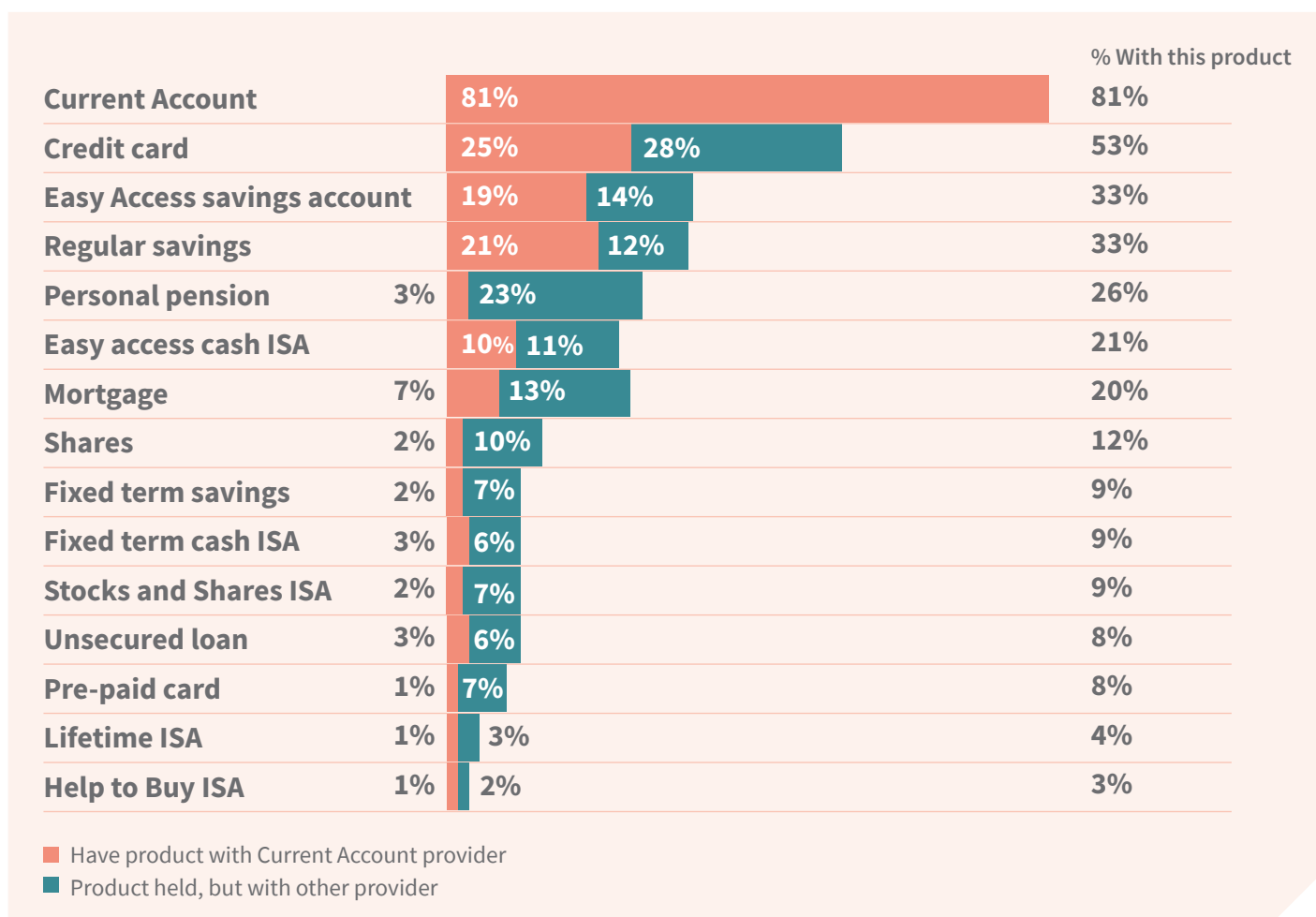


Figure 6: PwC Research¹³

¹³ Which financial products do you currently have? Which of these products do you have with your main current account provider? Base: Nationally representative sample of UK adults (2,273). Of the nearly 20% who don't hold a current account, only 7% were 'unbanked'. The remaining held at least one financial product. The percentage of 'unbanked' population was significantly higher among the offline sample, unemployed respondents and students.

Qualitative feedback from our research suggests that the segment of the population with single banking relationships tend to see themselves as being less confident financially, with basic financial needs.

CASS Monthly KPI and Switching Behaviour Research shows that nearly 30% of those who hold products with providers other than their main current account provider use two providers including their main bank, while nearly 45% said they use four or more providers including their main bank (**Figure 7**).

According to “Playing the Field”¹⁵, a 2015 research report by SMF, multi-banking households are more likely to have a higher household income, more likely to be home owners, more likely to have taken a foreign holiday in the last three years and more likely to own a car.

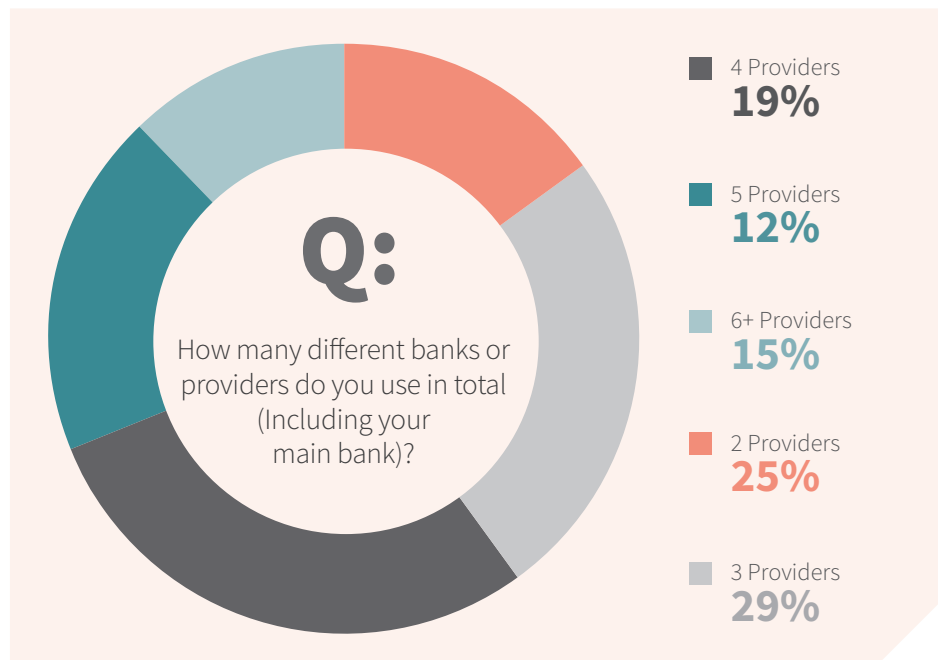


Figure 7: Monthly KPI and Switching Behaviour Research¹⁴

As consumers move through life stages, an organic shift towards improved financial literacy and a conscious choice to multi-bank can be expected, with their choice of products and providers being dictated

by very specific short-term and long-term goals. **Figure 8** illustrates how needs, attitudes and behaviours can change over time for savings products.

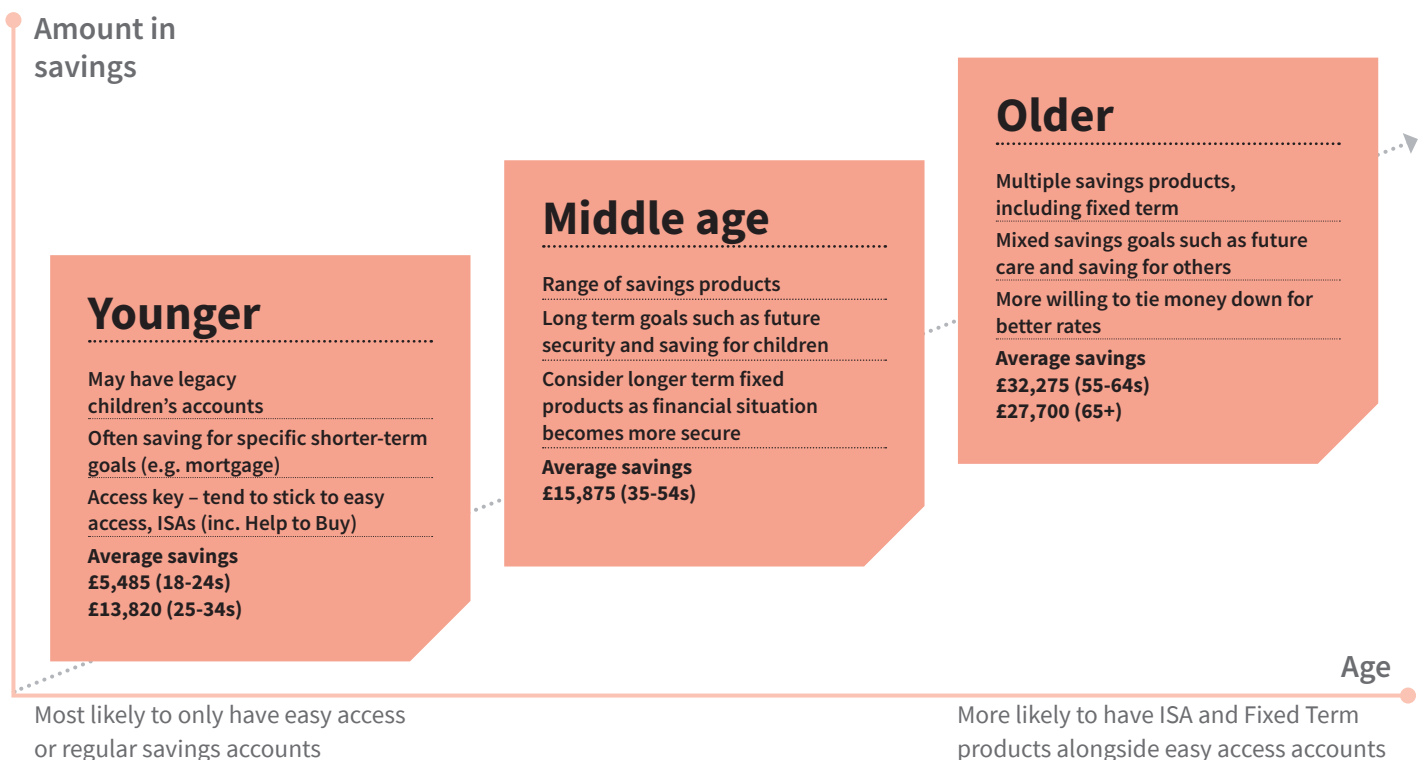


Figure 8: PwC Research¹⁶

¹⁴ All who have products with providers other than their main current account bank April – July 2018 (4,214)

¹⁵ “Playing the Field”: SMF, 2015

¹⁶ UK Digital Index 2018. Lloyds Bank, 2018

Our research reveals that just about half of those who hold a savings product have just one savings account, while nearly a quarter hold three or more savings accounts. Those with just one savings account tend to have lower average savings and put money in less frequently. Those with multiple savings accounts are more likely to hold a range of products and be less risk averse. More than 40% of those with savings accounts tend to hold them with multiple providers.

Analysis of the reasons why consumers hold multiple savings accounts and maintain relationships with multiple providers supports the view that this segment of the population is financially more engaged (Figure 9 and Figure 10). While there is a small percentage of multi-product holders and multi-bankers who have accounts that are open but not in operation, the majority of them make financial decisions after aligning options in the market with their individual financial goals.



The savings accounts paying the highest rates of interest tend to be those from smaller, lesser-known, banks. These are reputable organisations, but those that consumers tend to be less willing to switch to due to their lower brand recognition. An expanded switching service – and, crucially, an accompanying Trustmark – may help encourage consumers to capitalise on this untapped value.

CASS Roundtable Attendee

Reason for multiple saving accounts

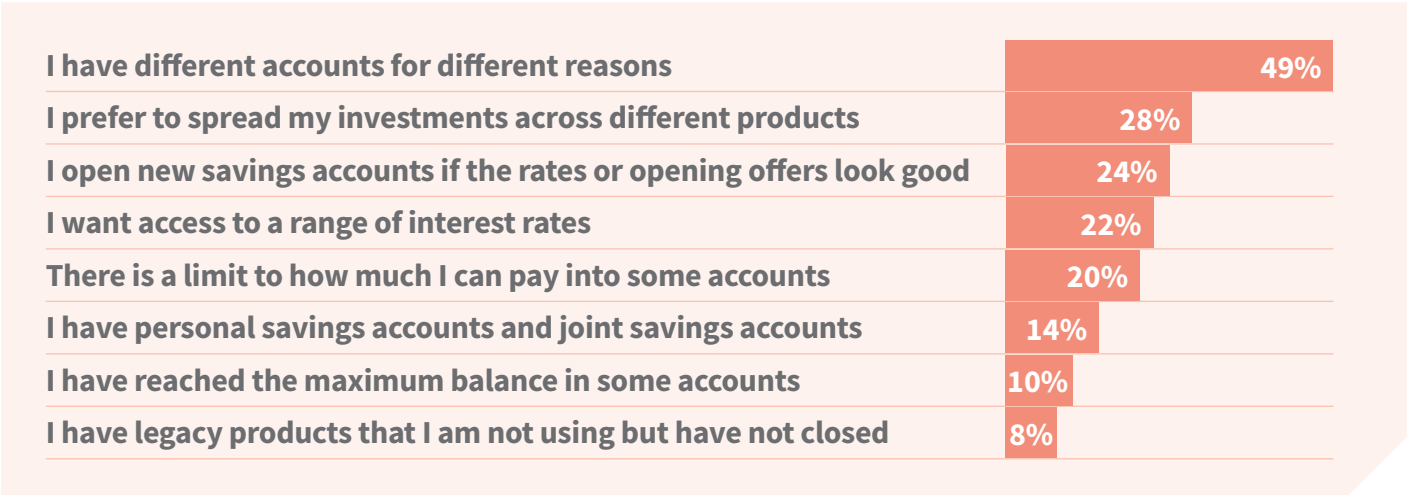


Figure 9: PwC Research¹⁷

Reason for multiple providers

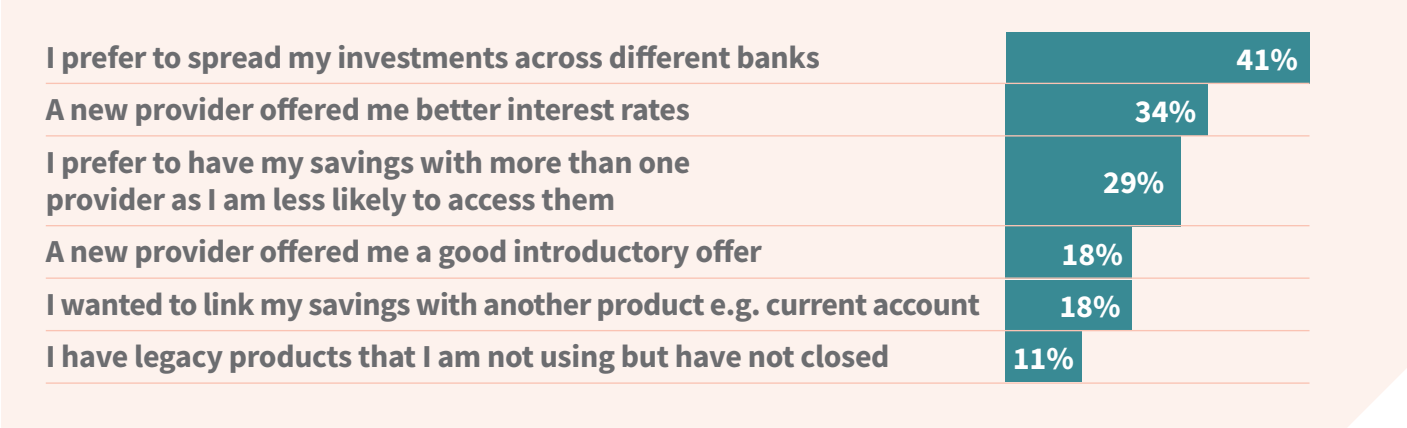


Figure 10: PwC Research¹⁸

¹⁷ Which of the following are reasons why you have more than one savings account? Base: All online respondents with multiple savings accounts (737)
¹⁸ Which of the following are reasons why you have savings accounts with more than one provider? Base: All online respondents with multiple savings accounts with multiple providers (525)

The impact of technology

Challenger banks and the rise of Open Banking applications are likely to bring about further change in the attitude of consumers towards their use of financial products. For instance, challenger banks have begun to offer consumers the option to split their savings between different pots.

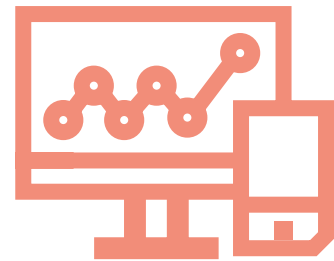
Putting customers in control of their data and making it easier for them to manage multiple accounts with different providers from a single access point could encourage consumers to consider multi-banking and/or switching to different providers for achieving specific financial goals. This may lead to a more superficial relationship with providers. For instance, one technology focused challenger bank has 1 million customers. However, four in five of those customers do not currently deposit their salaries with the bank¹⁹.

Open Banking allows firms to monitor people's financial situation, prompt them when offers come to an end, provide tailored quotes and make recommendations to switch to more suitable products. Open Banking may make it more effective for platform providers (banks or aggregators) to deliver comparison services rather than traditional price comparison websites. This could reduce search costs further. A switch service could be embedded into a platform or price comparison website and this concept was highlighted in CASS's recent discussion paper on Open Banking²⁰. The same could apply to a savings switch service.

As noted above, however, people for whom these services are likely to be more relevant are those who are multi-banked, digitally savvy and have a higher household income. People with single banking relationships generally see themselves as being less confident financially. This points to the importance of developing products and services which meet the needs of more vulnerable people, promote financial inclusion and for whom switching is likely to have greater impact.

Key findings from phase two of the PwC research²¹ indicates that a comprehensive switching service showcasing an 'extended switching journey' including research, comparison, and a seamless switching experience, is particularly popular with those who may be financially less savvy. Presently, while many of these consumers realise that there are products that could better suit their individual circumstances, they don't feel confident in commencing the seemingly complex journey. A service that potentially undertakes several aspects of the journey and makes it easier to choose and compare accounts, was felt to have the potential to reduce fears and concerns.

Allowing consumers to seamlessly switch their savings accounts between banks could play an important role in people achieving the best possible financial outcome, regardless of their current product holding and/or whether they are presently single or multi-bankers. Such a switching service could be used by consumers either to further diversify their portfolio or to consolidate their savings.



An extended switching service should form part of a wider plan to involve the entire switching ecosystem. A space needs to be created for those who can help build the service we want and need. Open banking technology is already beginning to deliver products and services that show consumers whether there is a financial advantage for them in switching – from which a savings switch service could form a key part.

Amy Kroviak
Open Banking

¹⁹ 'What dating apps can teach us about Open Banking'. Fintech Futures. Article, 11th March 2018

²⁰ Insert ref

²¹ Phase 2 of the PwC research explored the key features of a potential savings switch service and was aimed at understanding customer attitudes towards such a service.

Managing dormant accounts

Multi-banking allows engaged consumers to take advantage of good rates, special offers and other terms, by scanning the market for what is best suited to their specific need. Open banking functionality can make it easier for consumers to manage these multiple products from different providers, from a single access point.

However, there is an unintended consequence, partly resulting from multi-banking. Consumers leave savings accounts with zero or near-zero balances open, for a wide range of reasons. Our research found that two out of three people with savings accounts have at least one account they have left open after all or most of the balance has been moved. More than a quarter, claim to hold two or more dormant savings accounts (**Figure 11**).

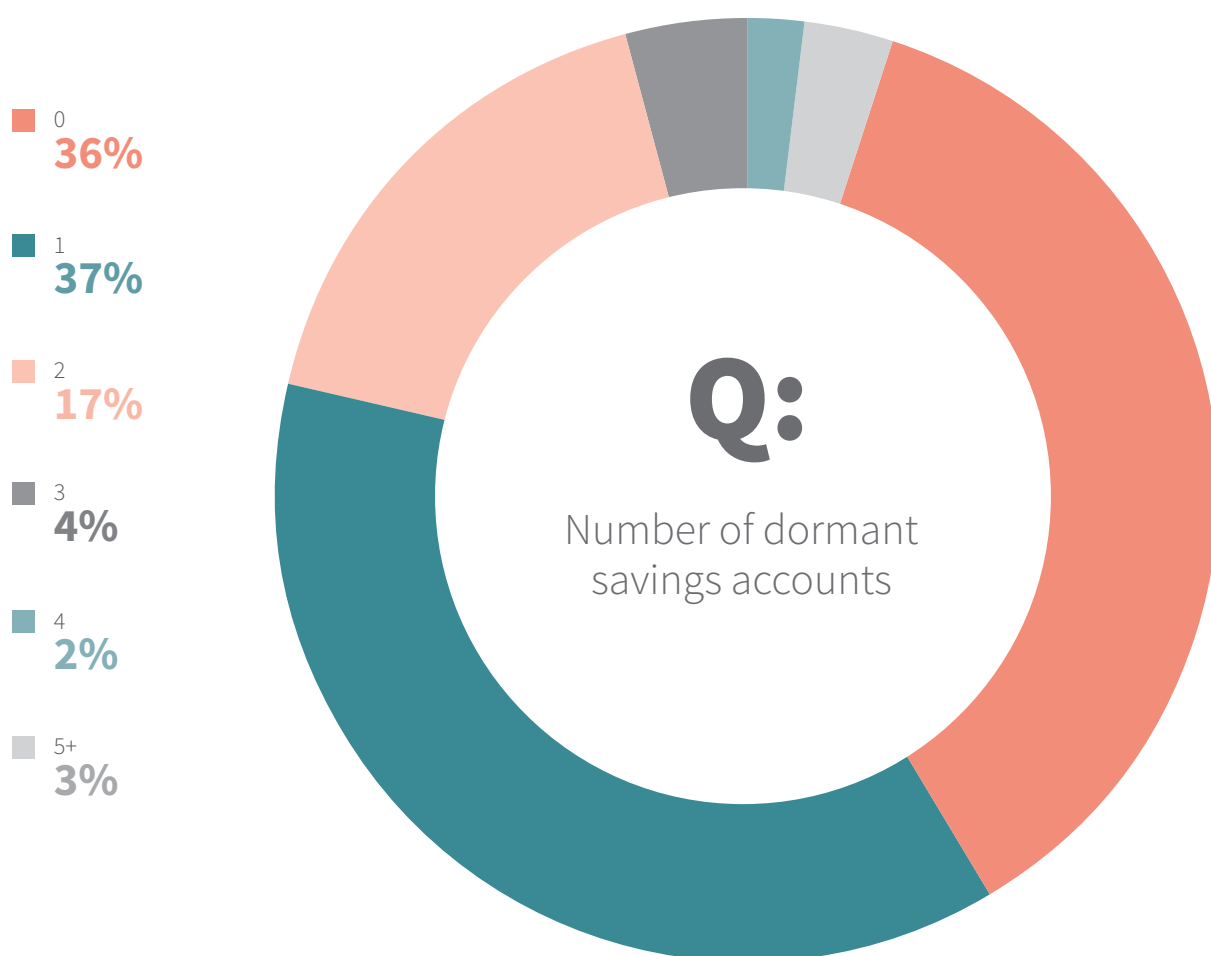


Figure 11: PwC Research²²

²² How many savings accounts do you have that you have left open, after all or most of the balance has been moved or withdrawn? Base: All online respondents with a savings product (1341)

35% of those who switched their savings account left their old account open stating multiple reasons:

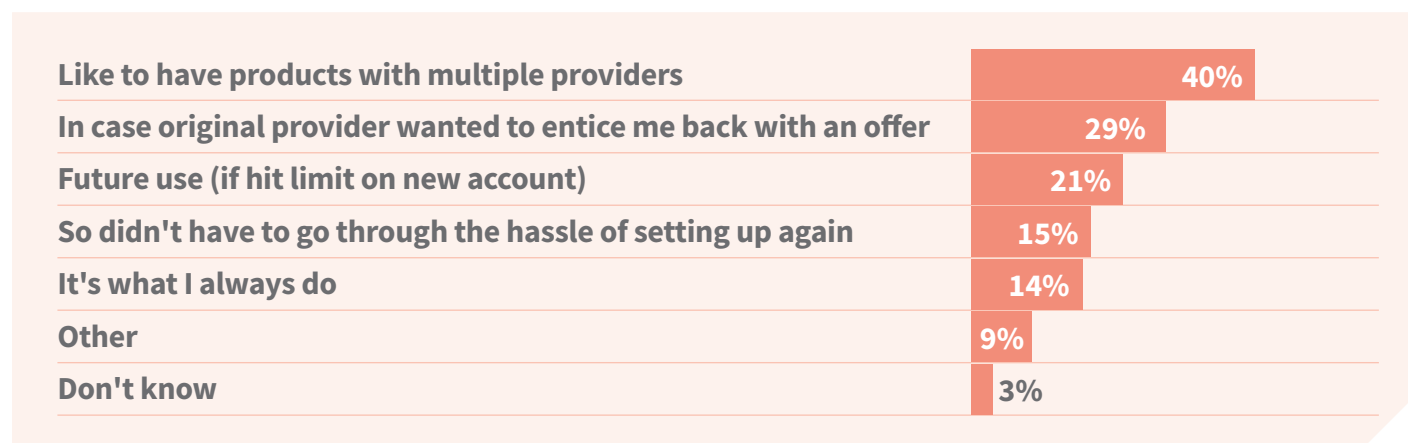


Figure 12: PwC Research²³

A current or savings account is officially deemed dormant only if it has not had a user-initiated transaction for a minimum of 15 years and the customer has not responded to relevant communication attempts from the provider. Even so, open accounts with no regular or periodic transactions pose a fraud risk and can place undue strain on the resources for the provider.

In 2008, the UK government passed the Dormant Bank and Building Societies Accounts Act²⁴ to effectively deal with the challenges presented by rampant dormancy²⁵. By March of 2017, the total value of assets transferred to the body was close to £1 billion.

In addition to the factors listed in figure 12, conversations with several participants in our research found that once most/all of their balance was moved across to the new account, they saw little or no value in making the effort to close their old accounts.

A savings account switch service could help reduce the number of dormant accounts, by ensuring that the old account is closed when the balance is transferred to the new account. This could slow the growth in dormant accounts and give consumers a clean break from the previous provider. For providers this translates to saved resources otherwise spent on managing these dormant accounts, while reducing exposure to one element of fraud risk.

1 billion

By March of 2017, the total value of assets transferred to the body was close to £1bn.

²³ Why did you decide to leave your old account open when you last switched your savings account? Base: Those who left old account open (120)

²⁴ "Tackling Dormant Assets – Recommendations to benefit investors and society", Commission on Dormant Assets, March 2017. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/727189/Tackling_dormant_assets_-_recommendations_to_benefit_investors_and_society__1_.pdf

²⁵ Dormant Bank and Building Societies Accounts Act: The act's objective was to encourage banks and building societies to identify dormant assets and to make reasonable efforts to reunite those assets with their beneficial owners. If those efforts failed, the Act provided a mechanism whereby dormant accounts could be transferred to an independent body, currently Reclaim Fund Ltd (RFL), formed specifically to fund future customer claims, which can be made in perpetuity, and to distribute any surplus for the benefit of good causes throughout the UK."

Consumer attitudes towards expanding switching services

Our study into expanding the switch service was aimed at deciphering consumer understanding about existing services and how an extended service would impact their attitudes towards switching products other than current accounts.

56% of under 45s with a savings product thought the proposal for an extended switching service was very appealing, with the figure rising up to 60% among regular savers and those with multiple saving products. The research investigated the likelihood that people would consider switching providers, if the switch could be managed using the extended switch service.

According to findings from PwC Research, savings products were seen as the most natural extension to CASS. More than half of those who use their savings products regularly marked savings products as the most relevant to be considered for an extended service.

The research aligns with the feedback from the CASS community that the savings market is one that could benefit most from a switch service and could help to remove the last hurdle for consumers in the switching journey.

The attractiveness of an expanded switching service lies not necessarily in the individual service it may be able to offer consumers – but rather the role it will play in a larger tool that curates and facilitates good money management. That is where its real power lies.

Katie Evans
Money & Mental Health

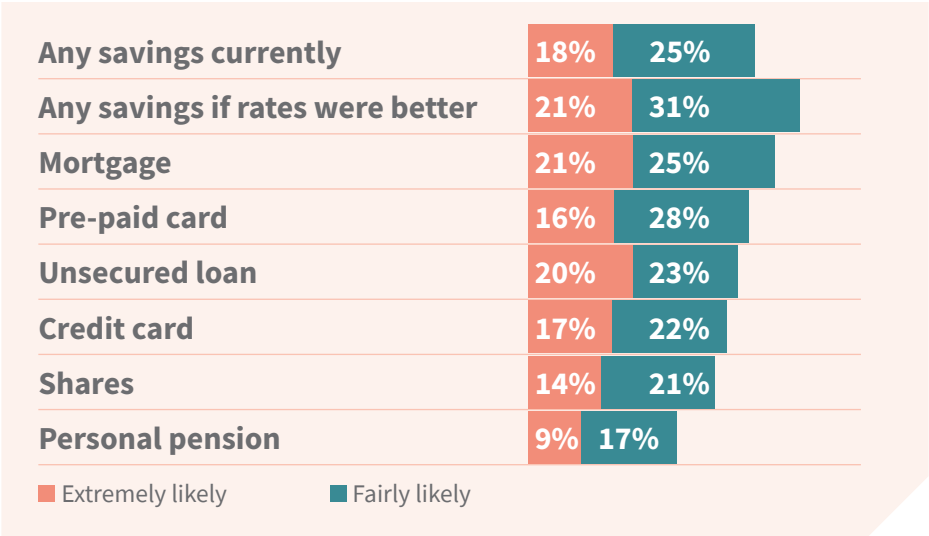


Figure 13: Likelihood to switch if service was extended²⁶

Switching Savings: A CASS roundtable discussion

On 3rd April 2019, the Current Account Switch Service (CASS) held a roundtable discussion with key stakeholders to consider the saving account switch service suggested in this paper.

Chairing the roundtable Chris Pond, CASS independent non-executive was joined by representatives from consumer groups, price comparison sites, the savings industry, Government and Regulators. The discussion was wide-ranging, considering the evidence in the report and how a savings switch service would benefit the industry and consumers.

There was strong interest in the prospect of an expanded switching service taking care of the more challenging elements of the switching journey for consumers and recognition that consumer inactivity led to examples of people not using the best savings products for their needs.

A number of attendees thought that effective signposting, for example, notifying savers when rates on their

accounts were due to change or offering alternative options at specific account anniversaries could help to trigger the consideration of other products.

Other key issues discussed, for example consumer trust in financial services and the importance of financial literacy, led to the table agreeing that a focus on bringing together the separate education programs run by banks, consumer groups and other sector bodies could help to develop a single coherent strategy to improve financial literacy across the board.

Attendees discussed the possible next steps for improving the switching journey for consumers and agreed involving the wider switching ecosystem was important.

Summarising the discussion and delivering the closing remarks, Chris Pond suggested that if the ideas from this event signal the way the ecosystem in general is moving, then there is the scope to make the entire switching journey significantly easier for consumers.

²⁶ How likely would you be to move your products if the process could be managed using the extended Switch Service? Base size varies, shown to those holding the product only Interest rates are currently low. Assuming interest rates were better, how likely would you be to use the extended Switch Service to move each of the following products? Base size varies as above

Conclusion

Overall, the research shows that barriers to competition exist in a range of markets, including the savings market. The competitive advantage of larger players, price and product complexity and consumer inertia persist.

These have an impact on people's willingness to consider switching. Those worst affected by the lack of competition appear to be people in vulnerable consumer groups who may not be digitally or, financially capable. These are the very groups that appear likely to gain from moving their accounts.

The research confirms the views of the CASS community that a savings switch service could be of benefit to consumers. This could be especially beneficial in light of other remedies to help consumers across other parts of the switching journey. Both financially savvy consumers and those with simpler requirements could see the appeal of such a service.

CASS has maintained both high awareness and high satisfaction rates. It demonstrates effectively to consumers the simplicity and value in using a switching service in the current account market. Extending to a savings switch service could have similar positive effects within the savings market, by removing the last hurdle in the switching journey.

This paper is a contribution to the existing dialogue on how to improve outcomes for all consumers in the savings market. We welcome your views on whether a savings switch service would help. Please email enquiries@wearepay.uk.

Acknowledgements

In developing the evidence and completing this discussion document we wish to acknowledge the support of our stakeholders, and the following individuals and organisations for their knowledge, expertise and advice, without which this paper would not have been possible.

The CASS team, in particular: Anupama Mundolikkalam, Simon Hanson, David Piper, Phil Wood, Nikki Bunn, Natalie Hicks, Shannon Brawn, David Core, Faith Reynolds and Anne Pieckielon.

The team at PwC Research

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