# Working for you

## THE LATEST ON WHICH? AND OUR CAMPAIGNS

Which? CEO Peter Vicary-Smith on the 12 months since world stock markets and financial providers collapsed

# Our banks must improve

The global financial meltdown started one year ago. You may be wondering what lessons have been learnt.

There have been a few, but not nearly enough. We're all much more aware of the huge role that global financial institutions play in our lives, and that seemingly irrelevant issues, such as sub-prime US mortgages, impact the UK economy directly. A greater awareness is good, but at what price?

Governments and regulators are more fully engaged in problems. We've seen an end to the blind assumption that the financial services market can largely look after itself, and that regulation is an unnecessary and unwarranted intrusion into profitable, tax-generating businesses.

Some banks are learning a few of the lessons, and Which? is actively engaged in talking with leading players about changes to products and procedures to make things more transparent and fairer for consumers.

But there's no end in sight for taxpayers who've watched their earnings pour into the banking system. More than £100 billion of UK taxpayers' money is propping up the banking system, while banks are rebuilding their balance sheets at our expense.

And so we see a return to form. Savings rates are at historically low levels, causing real pain to those relying on small nest eggs.

### Wider mortgage rate gaps

Yet it's not as if banks are paying out less to savers to help keep the housing market going. Mortgage rates have been stubbornly high, with the difference between the rate at which banks borrow and the average tracker mortgage rate reaching an unprecedented 3.2% in September. Fixed-rate mortgages have been just as bad, and loans have, in general, cost a borrower with a good credit history around 10% above inflation.

In other words, banks, building societies, and the like are widening their profit margins to build up capital. Put another way, we've bailed them out through our taxes and now we're paying through charges to pay ourselves back.

Meanwhile, the damaging bonus culture remains, including huge 'guaranteed bonuses' – salaries to you and me. Governments have threatened to impose tighter restrictions on bonuses and limit scope to manipulate the system, but progress is sluggish. It's not just the structure of bonuses but the sheer scale of them, when almost all institutions are, in one way or another, being propped up by the taxpayer.

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If a UK bankers' 'brain drain' is the price of a radically different remuneration regime, there should at least be a public debate on whether that's a price worth paying.

### Refusal to change

Despite all that has happened, many bankers don't seem to understand that things can't carry on as before – that they can't mis-sell products like payment protection insurance or exploit us with hidden charges and excessive fees. Nor can they pay themselves enormous amounts of money as if they're still 'masters of the universe' rather than the lucky managers of failing bodies that only exist because of taxpayers.

And politicians and regulators must ensure that the banking system is reformed radically, with the consumer at the heart of such reform, recognising that banks are, in many ways, a utility provider of basic services.

After all, as the current Which? campaign, says: 'We own the banks.'

## Which? banking campaign

**We've been fighting for a better banking system for you. Our successes so far include:**

- Government agreement to ban unsolicited credit card cheques;
- A commitment from the Conservatives to ensure that the board of its proposed Consumer Protection Agency would include two consumer representatives;
- Naming and shaming providers that haven't passed on Bank of England base-rate changes to mortgage customers.
- **Why not get involved in our campaign. Ask your MP to call for consumer representation on the Financial Services Authority board, at www.which.co.uk/bankingaction.**

PHOTOGRAPHY JOHN TRENHOLM