

Smiles better for your money

Our latest survey reveals our members' favourite current accounts



The top two

BANKS	CREDIT	O/D	CUSTOMER SATISFACTION		
			INTEREST	TELEPHONE	OVERALL (%)
SMILE	2.27	15.90	★★★★★	★★★★★	88
CAHOOT	3.65 ^a	11.80	★★★★★	n/a	82

^a 3.75% without a chequebook

The big four

BANKS	CREDIT	O/D	CUSTOMER SATISFACTION		
			INTEREST	TELEPHONE	OVERALL (%)
LLOYDS TSB	0.10 ^a	19.30	★★★	★★	59
NATWEST	0.10	19.24	★★	★★★★	58
HSBC	0.10	18.80	★★★	★	57
BARCLAYS	0.10	17.90	★★	★★	53

^a Classic Plus account pays 4% – funding of £1,000 a month required

USING THE TABLE

All rates are based on standard accounts. **Credit** Excludes short-term offers. **O/D** Authorised overdraft withdrawals. **Customer satisfaction** Combines satisfaction and likelihood of recommending to a friend.

Small internet banks such as Smile are beating the big four banks, and proving that face-to-face contact with your bank manager is no longer key to customer satisfaction.

These are the revealing findings of our latest annual satisfaction survey on current accounts (see 'Our research', opposite).

Top of the tree

More than four fifths of Which? members with a current account from online banks Smile or Cahoot are satisfied with the service they receive. This puts these banks well ahead of most others. Both are also Best Buys, which means they deliver high-quality products and customer service (see table, left).

The rate of interest earned when in credit, and the rate imposed for overdrafts, colours how respondents feel about their bank. Nine out of 10 told us they are happy with Cahoot, while almost eight out of 10 feel Smile offers a good rate.

Which? member Joe Williams told us: 'I moved because Cahoot paid more interest in their current account than NatWest did in its savings account.'

Overdraft charges

Respondents were far less satisfied with overdraft charges, but both banks do well here, too. More than two fifths of respondents are satisfied with their charging structures (see 'Overdrafts', opposite).

We also asked about the accuracy of statements. All the banks rated relatively highly, but none more so than Smile and Cahoot – 98% of their customers are happy with their account's accuracy.

Overall, these two internet banks are providing an example for others in the current account sector.



The big four

This year's customer satisfaction survey should make uncomfortable reading for the largest British banks (see table, bottom left). Despite offering much lower interest rates on credit balances and higher overdraft rates, more of you are now customers of Barclays, Lloyds TSB, NatWest and HSBC than two years ago (up from 57% in 2006 to 63% this year).

It's a similar story in Northern Ireland, where the big four – Northern, Ulster, First Trust and Bank of Ireland – have also increased their customer share.

None of the big UK banks perform well compared with Best Buys for the interest rate on credit and overdrafts. They also fail to impress customers when it comes to resolving problems and staff efficiency and knowledge.

Which? member David Cross, of Cottingham, East Yorkshire, told us: 'I received letters from HSBC informing me that the interest rate on a savings account with a balance of £10,000 would reduce to 2%, while my credit card interest rate would rise to almost 17%. I considered a 15% difference excessive, so I switched.'

Why more customers?

It is possible that the increase in customer share is a reaction to the credit crunch, or the Northern Rock crisis, with customers feeling that big banks are less likely to fail.

Some of you told us that you liked to



CHANGING ACCOUNT FROM BIG FOUR TO BEST BUY CAHOOT

Simon Jones 62,
business analyst

Simon Jones switched from NatWest to Cahoot to take advantage of the far higher interest rates on credit balances. If Simon had on average £3,000 in his account over a year, he'd currently earn £112.50 in interest with Cahoot, but just £3 with NatWest.

Simon also liked being able

to hold and immediately transfer cash between three Cahoot accounts, including one held jointly with his wife, Sue. This was something he was not aware of NatWest offering. The switching process proved relatively painless for Simon, which he puts down to planning the transfer.

A key factor was keeping both the NatWest and Cahoot

accounts operating side-by-side, with adequate funds in both, until the process was completed.

Simon told us: 'The process took no more than six weeks, just enough to see monthly transactions successfully transferred. The ability to set up direct debits and standing orders online with Cahoot made things very easy.'

have access to a branch, just in case anything went wrong. But, if you feel like this, you'd be better off with a Best Buy provider such as Nationwide. The building society has a better record for resolving problems than the big four.

Could do better

If some of you have endured poor customer service with the big four banks, spare a thought for customers of Clydesdale and Abbey, which had customer satisfaction ratings of 45% and 44%, respectively. These two banks appear to be letting down their customers on several fronts. Some of you were especially critical of staff efficiency and knowledge and the availability of staff at branches.

John Smart, from Errol in Perthshire told us: 'My decision to switch was due to a mounting belief that, despite banking with Clydesdale for 48 years, the bank was no longer interested in servicing my needs. Any kind of personal contact had gone.'

Over the past decade, Clydesdale has been consistently rated as poor for customer service in Which? surveys.

However, just six years ago – before

being taken over by Spanish bank Santander – Abbey featured as a Best Buy for products and customer service. The deterioration in customer care suggests a degree of complacency which customers should punish by switching to a Best Buy. We hope Alliance & Leicester doesn't go the same way if it is also acquired by Santander.

This is all a far cry from the experiences of Smile and Cahoot. Given that Cahoot is a part of Abbey, it would seem that face-to-face contact really isn't all it's cracked up to be.

A good move

There is no reason to stay with a bank if you're not happy. It's easy to switch your account, including standing orders and direct debits, to a better bank with little or no hassle.

In fact, it could prove a good time to do a little financial pruning, as Which? member Andrew Kinnon explains: 'The process was relatively easy after some form filling, and a few old direct debit instructions were deleted to tidy things up.'

Almost a fifth of members have switched, and around three quarters of these found the process easy (see www.which.co.uk/money for details on how to switch). If they switched to one of the banks that came out top in our survey, the chances are they are also financially better off. For even more on current accounts, see *Which? Money*, August 2008, p6.

Checklist

How to choose a new current account

- **Best Buys** Choose a Best Buy that offers a combination of good service and good rates. If your bank isn't making the grade, switch.
- **In the black** If you are likely to bank in credit, look for an account that pays a good interest rate on credit balances.
- **In the red** If you use an overdraft, pick an account that imposes low interest rates and no fees for borrowing.
- **Options** Online account providers have fewer overheads, so they tend to offer better rates than branch-based banks.
- **Junk mail** Limit the risk of identity fraud by opting out of receiving unsolicited mail (eg loan offers) from your bank.
- **Switch** If you're not happy with your current account, take your business elsewhere (see www.which.co.uk/money for a step-by-step guide).

Overdrafts

One in seven Which? members have incurred bank charges in the past year, with half having tried to claim them back. In fact, charges were one of the main gripes among members who participated in the survey.

If your bank is charging too much for authorised and unauthorised overdrafts, you should consider switching. Banks are more than happy to take on overdrawn customers – after all, they make plenty of cash from imposing charges for using an overdraft facility.

Current Best Buys for authorised overdrafts include Alliance & Leicester (free for the first 12 months, then 50p a day up to £5), Cahoot (11.8% annual interest rate) and Intelligent Finance (10.05% annual interest rate).



Alliance & Leicester is one of our Best Buys

OUR RESEARCH

Between 10 April and 16 May 2008 Which? surveyed 5,808 members about their current accounts. Of this total, 4,576 members completed a postal survey, while 1,232 members of our online panel also took part.