



# Switching to a better

What's it like to change credit card, mortgage or current account? We followed three readers from start to finish

## Top tips

- If you make a late payment, you could forfeit any introductory rate. Set up a direct debit for repayments to avoid this.
- Give your new details to any companies you make regular payments to from your card.
- Make a note of when the deal's going to run out and aim to pay off the balance or switch to another 0 per cent deal. Check the conditions – some cards offer 0 per cent on balance transfers but charge a higher rate on any new spending.
- If you're not going to use your old card again, close the account and cut up the card.

## Credit card

There are many reasons why you might want to switch credit card – to get an interest-free deal, benefit from cashback, or avoid paying foreign transaction charges, for example (see 'Play the card game', *Which?*, December 2004, p21 for more information). Credit cards are one of the easiest and quickest products to switch so there's no excuse for sticking with a poor deal.

Lucy Tyler owed £435 on her Smile credit card and had paid £80 interest over the last six months. 'I tend to use my card for large purchases such as holidays, flights and household items and then pay it off over a period of time,' Lucy told us. 'I pay the minimum each month – sometimes more if possible. I want a card with an interest-free period so these payments can reduce the amount I owe.'

Lucy's 9.9 per cent deal with Smile wasn't bad but we found a better one for her: 0 per cent with the Halifax One Visa. The deal lasts for nine months and applies to new purchases, too. With no interest racking up, everything she pays will go towards reducing her debt. She can keep her Smile card for when the deal runs out – or she could switch again.

### LUCY'S VERDICT

'This was much easier than I expected. I only had to make two telephone calls and send back one document. I now have a credit card with no interest for nine months.'

**18 September**  
Called Halifax and was approved for the card immediately. Had to provide personal details plus details of other credit cards and my current visa balance. The conversation felt quite rushed and the adviser seemed more interested in selling card protection and insurance than listening to my queries. Was good to get it approved in one phone call, though.

**27 September**  
Received the credit agreement, letter and insurance details (not that I wanted the insurance). Signed the agreement and returned it in the freepost envelope provided. Was pleasantly surprised at how easy it was. My pin number and card arrived within the promised ten days. I made a simple call to activate the card and transferred the money from my old card at the same time (the transfer should take seven to ten days). I was offered insurance and card protection again.

## Best Buy credit cards

### COMPANY

	Features			Best card for				
	Days to pay	Cashback (%)	APR (%)	Always payers	Usual payers	Occasional payers	Never payers	All-rounder
American Express Blue <sup>a</sup>	25	0.5 to 1 <sup>b</sup>	14.9	✓				
American Express Gold <sup>a</sup>	25	0.5 to 1 <sup>b</sup>	12.9	✓				
Capital One No Hassle Platinum MC	26		6.9 <sup>c</sup>			✓	✓	
The Co-operative Bank Flat Rate Plat	15		8.9 <sup>d</sup>				✓	
Leeds & Holbeck MasterCard	26	0.5 to 1 <sup>e</sup>	16.9	✓	✓			
Morgan Stanley Cashback MC <sup>f</sup>	26	0.5 to 1 <sup>e</sup>	17.9	✓	✓			
Smile Visa <sup>g</sup>	15	0.5	11.8 <sup>h</sup>					✓

<sup>a</sup> £15 admin fee if spend is less than £500 a year

<sup>b</sup> 0.5 per cent for spending up to £2,000 a year and 1 per cent if over £2,000. Minimum £5 payment on cashback a year; if less then amount is forfeited

<sup>c</sup> Risk-based pricing

<sup>d</sup> Fixed for five years from account opening

<sup>e</sup> 1 per cent for spending up to £2,000 a year, 0.5 per cent for spending over £2,000

<sup>f</sup> Platinum card available with same rates,

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features and charges as Cashback card  
<sup>g</sup> Gold card also available with same features, rates and charges as the standard card

<sup>h</sup> 9.9 per cent if you have a Smile current account

### NOTES

Table shows the top cards in each Best Buy category. See 'Money Monitor', p36, for the latest 0 per cent balance transfer deals.

**Always payer** Always pays bill in full and never accrues interest. Best Buys are based on cashback on £4,000 spend over year.

**Usual payer** Pays three out of every four bills in full.

**Occasional payer** Pays one in four bills in full and £100 rest of time.

**Never payer** Never pays bills in full and always has an outstanding balance.

**All-rounder** If you're not sure how you're going to use your card, go for the one in this category.

## deal

## Mortgage

Switching to a better mortgage can save you thousands of pounds. But there are other reasons for switching, too. You might want a more flexible mortgage so you can vary how much you pay, or you might want to switch from a variable rate to a fixed or capped one if you think rates are going to rise. Whatever your motives, with so many mortgage deals around, it makes sense to review yours regularly. And, as our case study found, switching is easy. Many lenders will even foot some of the cost for you.

Jenny Amoo-Gottfried was paying Nationwide's standard variable rate at 5.99 per cent. She wanted a cheaper deal with the option to switch when she wants, pay off lump sums and take payment holidays. So, inspired by *Which?*, she set about moving her £32,000 mortgage to a flexible deal at 5.3 per cent with Hinckley and Rugby. She'll pay a similar monthly amount (because the mortgage is shorter) but will have paid it off three years earlier, and make a decent saving over the long term.

Jenny will save £7,000 altogether by switching to her new flexible mortgage deal. Based on current

rates, she'll save £3,600 in interest payments over the life of the mortgage. She also reduced the length of the mortgage from 23 to 20 years, saving a further £3,400 in interest.

'As a single mum, I need to make the most of my money,' Jenny told us. 'I found the mortgage I wanted on *Which?*'s mortgage calculator, and spoke to an adviser. I then sat on it until I was energised to do something about it.'

## JENNY'S VERDICT

'The switch took five weeks in total but was a bit drawn out by my holidays. The only slight problem was when I agreed to get insurance quotes from Hinckley and Rugby. I think the man must be on commission because he called me several times. I finally got rid of him by telling him that I'd be renewing my existing insurance.'

'This is the first time I've done anything like this on my own but I'm confident I've understood it and got the deal I wanted. I'm going to review my mortgage regularly from now on and keep switching to get the best deals.'

## Top tips

- If you're thinking about switching, see [www.which.co.uk/switch](http://www.which.co.uk/switch). Using our mortgage calculator, you can compare more than 8,000 mortgages to see how much you could save.

- Look at the costs of switching as well as the interest rates. Admin charges could be around £125, and you might have early redemption charges and interest to pay. Also, the new deal may have survey, arrangement or legal fees. Jenny didn't have to pay any of these but they could add up to around £1,000.



4 August

Sent off the forms plus my driver's licence and mortgage statement.

16 August

Received a letter asking me to sign a new application form as the one I'd

filled in was no longer in use. The adviser at Hinckley and Rugby had filled in most of it for me, which was kind. She suggested that I pay the mortgage off over 20 years rather than 23 so it will be paid off by the time I retire. I agreed although I hadn't thought about it before - I don't want to be saddled with a mortgage in my 60s. This means my monthly payments will go up slightly but only by a few pounds. Next step is to sign and send back the mortgage offer, then the legal work will start.

6 September

All the documentation (including the mortgage deed) has arrived, ready for completion.

13 September

Got an updated redemption statement (I got the first one in January when I started to think about switching). Hinckley and Rugby need proof of my buildings insurance, so I faxed it to them. It's currently with Nationwide but I'll probably change later when I have time to check out the best deals.

14 September

Signed the mortgage deed and sent it back.

18 September

Hinckley and Rugby confirmed that the mortgage has been transferred. I received a redemption cheque and statement from my old lender, plus an invoice for this month's interest from Hinckley and Rugby. I'd remortgaged for slightly more than I owed Nationwide because my original redemption statement was slightly out of date - the redemption cheque was to pay back the amount I'd overpaid.





**1 September**  
Rang First Direct for an application form.

**7 September**  
Sent the form to First Direct, along with an electricity bill.

**9 September**  
A quick response: my bill was returned along with a note to say my application is being processed.

**10 September**  
Oops, First Direct has sent my form back as I forgot to sign it. I also had to send another utilities bill as it needs two forms of identity.

**18 September**  
Received two letters, one saying my application was being processed, the other enclosing a cash card! Very confusing but may be a result of the mix-up with the first form?

**23 September**  
A big pack arrived explaining how to activate my account and redirect my salary plus details of how direct debits will be switched.

**9 October**  
I'm still worried that things will be missed, but I've just received a full list of my regular outgoings from Lloyds to be switched to my new account. So there's no reason why things should go wrong.

**15 November**  
Pay day! Money went into my new account. And no problems with any of my direct debits.

## Current account

Our latest member survey found that 90 per cent of people who have switched since the beginning of 2003 found it straightforward (see 'Red alert', *Which?*, September 2004, p22). And so they should, especially now that the Banking Code has taken away the hassle. Under the code, your old bank must pass details of direct debits and standing orders to your new bank within three working days of the request. And if anything does go wrong – for example, a bill isn't paid – banks must cancel any charges incurred because of mistakes or delays caused by them. Switch accounts and you could not only get much better rates, but better service, too.

After 24 years with Lloyds TSB and little reward for his loyalty, David Burdis decided it was time to make the break. Like Jenny, he'd thought about doing it for a while but was in need of some encouragement. Now, with First Direct, he'll earn 20 times more interest, have a cheaper overdraft rate and enjoy better service.

'My requirements are fairly basic: a cheap overdraft, a decent interest rate and ease of access,' David told us. 'I had a current account that gave me a minuscule rate of interest (1p a month) when I was in credit and pretty big charges when I was overdrawn – which wasn't very often, thankfully.'

A friend recommended First Direct and it's also a *Which?* Best Buy. The one thing that has really put David off switching is a direct debit or standing order not being paid on time – but, as his experience shows, he had nothing to worry about.

### DAVID'S VERDICT

'Switching was much easier than I expected and, despite my reservations, I had no problems. I'm really pleased I did it. At Lloyds TSB, I couldn't even contact my own branch. Now I'm treated like a long-lost friend and it's nice! If you want to switch, give it time and stick with it because it's worth it in the end.'

## Top tips

- Find a new current account at [www.which.co.uk/switch](http://www.which.co.uk/switch). You can compare rates and banking facilities for all UK current accounts and see our unique customer satisfaction ratings.

- Once accepted, you'll be asked to sign a mandate to enable the new bank to act on your behalf during the switch. It will do all the work of switching your direct debits and standing orders.

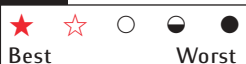
- Keep a close eye on both accounts during the process – the transfer can take several weeks. If possible, make sure there's money in both until then to avoid charges for going overdrawn if payments go out. Alternatively, some banks offer a special overdraft facility to cover this.

### Best Buy current accounts

#### COMPANY

	Account details					Authorised o/d		Satisfaction
	Min funding required (£)	Credit int (%)	Branch banking	Full internet banking	Full phone banking	Int-free limit (£)	O/d int rate (%)	Customer satisfaction
Abbey The Abbey Account (preferred in-credit) <sup>a</sup>	1,000	2.53	✓	✓	✓	50 <sup>b</sup>	14.70	○
Abbey The Abbey Account (preferred overdraft) <sup>a</sup>	1,000	0.10	✓	✓	✓	50 <sup>b</sup>	8.70	○
Alliance & Leicester Premier Current Account <sup>c</sup>	500	2.12	✓	✓	✓	20 <sup>d</sup>	6.90	○
Alliance & Leicester Premier Plus Current Account <sup>c</sup>	1,000	3.75 <sup>e</sup>	✓	✓	✓	20 <sup>d</sup>	6.90	○
Cahoot Current Account		4.25 <sup>f</sup>		✓		250	10	○
First Direct Bank Account	1,000	2.00		✓	✓		9.90	☆
Intelligent Finance (IF) Current Account		2.75		✓	✓		9.80	☆
Nationwide BS FlexAccount	1,000	3.00 <sup>g</sup>	✓	✓			6.75	☆
Smile Current Account		3.30		✓	✓		9.90	★

#### KEY



<sup>a</sup> Customers can opt for preferential overdraft or in-credit interest rates <sup>b</sup> Four-month interest-free overdraft for new customers <sup>c</sup> Includes benefits such as travel insurance <sup>d</sup> Twelve-month interest-free overdraft for new customers

<sup>e</sup> 5.5 per cent payable on credit balances up to £2,500 until 31 December 2005 for new accounts opened <sup>f</sup> 4.35 per cent without a chequebook <sup>g</sup> 0.5 per cent if you pay in less than £500 and 1.5 per cent for £500 to £999

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