

[money monitor]

Helping you make the right financial decisions

Roundup

NEW CURRENT ACCOUNT

Coventry Building Society's new current account pays a generous interest rate of 4.25 per cent on credit balances. And for the first 12 months, it pays an additional 0.85 per cent – making a very impressive 5.1 per cent. The account also offers an interest-free overdraft of up to £250 but, unusually, no cheque book.

MBNA HIKES UP TRANSFER FEES

MBNA's fee for credit card balance transfers is now a whopping 3 per cent of the amount transferred (up to a maximum of £75) on some of its cards. Most other credit cards charge a fee of 2 per cent up to a maximum of £50. However, there are still cards that don't charge any transfer fees and offer 0 per cent deals.

COSTLY LOANS

Don't be tempted by Alliance & Leicester's new secured loan with its rate of 7.9 per cent. As with other secured loans, not only do you risk losing your home if you can't make repayments, but you could pay a much lower rate with an unsecured loan (see the table, opposite).

PPI must be sold carefully

Following our research exposing lenders' irresponsible selling of payment protection insurance (PPI), the Financial Services Authority (FSA) has told credit card and loan companies to clean up their act. PPI is meant to cover you if you can't pay off a loan or credit card due to ill health or unemployment. But the policies offer poor value and are often sold to people regardless of whether they need it or are eligible to make a claim.

A quick look at loan providers' websites revealed that many still include PPI in their quotes automatically. These include the Co-op, Direct Line, HSBC and Northern Rock. Also, most companies give summaries instead of their full policy details.

PPI can hugely inflate the cost of a loan. For example, HSBC's PPI adds a staggering £1,045 on to the cost of a £5,000 loan spread over three years. This is in addition to the £1,150 interest.



Property Plan panned

Despite claims of being 'simpler, fairer and more flexible', new equity release scheme Property Plan, from Retirement Plus, could work out more expensive than other similar schemes.

Unlike other reversion schemes, it pays the full market value of whatever proportion of your home it buys. But the company's share in your home – and

therefore the amount you owe – increases every month at a set rate. This means that at the rate of 0.5 per cent (used in their literature) the scheme works out more expensive than a typical lifetime mortgage charging 6 per cent. This assumes a conservative 1 per cent a year house price rise. If house price inflation is higher, the scheme is even pricier.



We'd like to hear your ideas and views on anything financial. Please email us at moneynews@which.co.uk

BEST BUY LOANS

Regular savings

Of the accounts with a variable interest rate, Scarborough Building Society, with its rate of 6 per cent, is still your best choice if you can commit to saving regularly. You can make the occasional withdrawal without losing any interest, and you can make more than one payment a month into the account, so long as you don't go over the £250 monthly maximum. Its rate could go down but it's been a consistent Best Buy for six months.

If you want to save more than £250 a month, opt for Derbyshire Building Society's account at 5.4 per cent.

If you're happy to tie your money up and want an interest rate that won't change, then once again Halifax tops our Best Buys. It pays 7 per cent, fixed for one year. However, if you miss a payment or need to make a withdrawal, your account will be closed and you will get just 4.5 per cent interest.

Savings accounts

All three of our Best Buys this month pay a healthy 4.85 per cent interest rate. But only Cahoot pays this on balances under £1,000. Cahoot is also the only account to accept an initial deposit of under £500. Anglo Irish Bank and Bradford & Bingley, have consistency on their side – both have been Best Buys for the past six months.

If you don't have internet access, opt for the Anglo Irish Bank account – the others are

internet-only accounts. However, the minimum deposit you can make is £500 and, as the name of the account suggests, you have to give seven days' notice if you want to withdraw any of your money from the account.

Remember that if you are a taxpayer, you pay tax on any interest you earn in a savings account. So use up your £3,000 annual tax-free Isa allowance in a Best Buy cash Isa before you pay into a savings account.

ACTION NOW

Each year you can invest £3,000 into a cash Isa and earn interest free of tax. If you want to start saving a regular amount and get the maximum amount of interest, now is the time to start saving as the tax year runs from April to April each year. Unusually, the Scarborough regular savings accounts can be treated as an ISA, allowing you to save tax-free.

Information based on data supplied by www.moneyfacts.co.uk
Rates correct at 8 March 2006

AND SAVINGS

Unsecured loans

An unsecured personal loan is one of the cheapest ways to borrow larger amounts. Interest rates and the repayment term are fixed, so you know how much you have to repay and for how long. If you might be in a position to pay off your loan early, choose Northern Rock, as it's the only Best Buy that doesn't have an early repayment penalty.

The table, right, shows the cheapest rates for borrowing £5,000 over three years and £10,000 over five years. Moneyback Bank offers the cheapest deal, with a typical rate of 5.5 per cent for both smaller and larger amounts. However, it uses risk-based pricing to determine individuals' interest rates. The rate shown is a

typical rate that at least two thirds of customers must get. The rate you get will depend on your credit rating, and may be different from the rates shown.

Make sure you compare the rate you are given with the non-risk-based rates shown (see right), in case they're cheaper. Lombard Direct is currently cheapest for non-risk-based smaller loans and Tesco is cheapest for non-risk-based larger loans.

Watch out for companies automatically adding payment protection insurance (PPI) to your loan. See the main news story on PPI, opposite.

Savings accounts

Cahoot	I	4.85	4.85	4.85	1	
Anglo Irish Bank 7 Day Notice	P/T		4.85	4.85	500	7
Bradford & Bingley eSavings	I		4.85	4.85	1,000	

a The different ways you can bank: I= internet; P=postal; T=telephone

Unsecured loans

RISK-BASED PRICING

	APR (%)		Loan amount		Conditions
	£5,000 over three years	£10,000 over five years	Min (£)	Max (£)	Early repayment penalty
Moneyback Bank^a	5.50	5.50	1,000	25,000	✓
Cahoot^a	5.60	5.60	5,000	20,000	✓
AA^a	5.80	5.80	1,000	25,000	✓
Northern Rock^a	5.80	5.80	1,000	25,000	
Intelligent Finance^a	9.70	5.90	1,000	25,000	✓

NON-RISK-BASED PRICING

Lombard Direct	6.40	6.40	2,000	25,000	✓
Nationwide BS	6.70	6.40	1,000	25,000	✓
Tesco	7.40	6.30	3,000	25,000	✓

a Internet only

Regular savings

VARIABLE INTEREST RATE

	AER (%)	Monthly deposit		Conditions		Consistency
	£100+	Min (£)	Max (£)	Term (mths)	Withdrawals w/o penalty	Best Buy last 6 mths
Scarborough BS	6.00	10	250 ^a	10	1	✓
Derbyshire BS	5.40	10	1,000 ^a	11	1	✓
Bath BS	5.25	20	250	12	1	

FIXED INTEREST RATE

Halifax	7.00	25	250	12		
Leek United BS	6.00	10	250	12		

a You can make several payments a month as long as the total is within the monthly deposit limit

Our Best Buys

Our Best Buys are unique. We analyse the whole market but recommend savings and loans only from companies that subscribe to the Banking Code. We look at current rates as well as rates over the

past six months to check for consistency. Like all *Which?* recommendations, our Best Buys are totally independent – so they're not swayed by adverts or any other type of industry influence.

WHICH? EXTRA

Our exclusive members' free website contains regularly updated Best Buys for credit cards, current accounts, Isas, savings accounts and mortgages. There is also information on car, house

and travel insurance, financial advice and protection insurance. So whatever your financial needs make sure you go to www.which.co.uk/whicextra.