



Best savings accounts for earning interest

With the rate of inflation standing at 5% as we went to press, it's even more important for savers to choose an account that pays a high interest rate.

There are six Best Buys this month, all offering at least 5.75% interest. These include accounts for savers who manage their money online, those who prefer a postal account and those who use telephone banking.

Top of the table is Birmingham Midshire's account, which was paying 6.52% interest as we went to press.

The average interest rate paid on savings accounts as we went to press was 3.46% (on £1,000) – 3.06% lower than the rate offered by our top Best Buys and more than 1.5% below the rate of inflation. If your account pays less, switch to prevent your savings shrinking in real terms.

There were two Don't Buy accounts offering particularly poor value rates of interest as we went to press. The worst, from Derbyshire Building Society, offers just 0.25% on balances of £1,000 – 6.27% below that

Earn up to £627 more a year for every £10,000 you save in a Which? Best Buy account

■ If you had £10,000 in Birmingham Midshire's Best Buy e-saver 2 account, you would earn £627 more each year than you would in a Don't Buy Cash Account offered by Derbyshire Building Society if current interest rates remain the same.

offered by our top Best Buys. The First Direct Everyday savings account is also rated a Don't Buy, as it pays just 0.10% interest on savings balances of £100.

| SAVINGS ACCOUNTS | ACCESS TYPE OF A/C | AER (%) | | | | CONDITIONS | | CONSISTENCY BEST BUY FOR SIX MONTHS |
|--|--------------------------|---------|--------|--------|---------|------------------------|------------------|---|
| | | £100 | £1,000 | £5,000 | £10,000 | INITIAL DEPOSIT (£) | NOTICE (DAYS) | |
| BIRMINGHAM MIDSHIRES e-Saver 2 | I | 6.52 | 6.52 | 6.52 | 6.52 | 1 | | ✓ |
| AA Internet Saver | I | 6.46 | 6.46 | 6.46 | 6.46 | 1 | | |
| INTELLIGENT FINANCE I-Saver | I | 6.40 | 6.40 | 6.40 | 6.40 | 1 | | ✓ |
| ICICI BANK UK HiSave Savings ^{a,b} | I/T | 6.16 | 6.16 | 6.16 | 6.16 | 1 | | ✓ |
| CHELSEA BS 90 Day Issue 2 ^a | P | n/a | 5.90 | 5.90 | 5.90 | 250 | 90 | ✓ |
| PRINCIPALITY BS e-Saver | I | 5.75 | 5.75 | 5.75 | 5.75 | 1 | | |
| AVERAGE RATE | n/a | 3.25 | 3.46 | 3.66 | 3.79 | n/a | | n/a |
| DON'T BUYS | | | | | | | | |
| FIRST DIRECT Everyday Savings | T | 0.10 | 1.35 | 1.50 | 1.50 | 1 | | n/a |
| DERBYSHIRE BS Cash Account | P | 0.25 | 0.25 | 0.25 | 0.25 | 1 | | n/a |

Rates highlighted in red show the categories in which the accounts are Best Buys. Rates highlighted in dark grey show the categories in which the accounts are Don't Buys. Access This shows the type of account: B=branch; I=internet; P=postal; T=telephone. a Monthly interest option also available. b The bank is a wholly-owned subsidiary of ICICI Bank Ltd (India) and is authorised and regulated by FSA and has full protection f £50,000 under FSCS



Best credit cards for balance transfers

If you are grappling with a long-standing credit card balance, switching the money to a card that offers a good 0% deal on balance transfers can save you money. The Best Buys from Abbey, Northern and Ulster charge 0% interest for a limited period (between five and six

months) on transfers – and don't charge a transfer fee either.

If you are unlikely to pay off your balance within six months, consider other options. The Virgin Money MasterCard offers 0% on balance transfers for 16 months, for example, but you pay a 2.98% uncapped transfer fee.

Save £43.50 on a transfer fee

■ If you wanted to transfer a balance of £1,500 to a Best Buy Ulster Bank Gold Mastercard, you wouldn't be charged a fee to do so. By comparison, if you transferred it to the NatWest Credit Card you would be charged a fee of 2.9% – an extra cost of £43.50.

| CREDIT CARDS: 0% BALANCE TRANSFER | APR ^a (%) | 0% PERIOD TRANSFER (MONTHS) | TRANSFER FEE | DEAL STARTS | SATISFACTION % (CALCULATED JULY 08) |
|---|-------------------------|-----------------------------------|-----------------------------------|----------------|---|
| ULSTER BANK (NI) Gold MasterCard | 17.9 | 6 | none | Transfer | Sample size too small |
| ABBEY Zero MasterCard | 18.9 | 6 | none | Issue | 52 |
| NORTHERN BANK (NI) Visa ^b | 17.9 | 5 | none | Transfer | Sample size too small |
| JOHN LEWIS AND WAITROSE PARTNERSHIP MasterCard | 16.9 | 6 | 2.5% (min £5, max £50) | Transfer | 90 |
| AVERAGE RATE | 16.8 | | | | 71 |
| WIDELY HELD CARDS | | | | | |
| NATWEST Credit Card | 16.9 | 13 | 2.9% of balance (min £5) uncapped | Issue | 65 |

a Rate depends on your credit score. b Available only in Northern Ireland or London, as you have to apply in branch



Cards charging 0% on new purchases

As we approach the festive season, this type of card can be useful if you want to make your Christmas purchases on your credit card and spread the repayments over the 0% period. Make sure you repay all money borrowed or move the remaining balance by the end of the promotional period, as these Best Buy cards will revert to their standard APR of between 15.9% and 16.9%.

We have selected cards with the longest 0% on purchases deals as Best Buys. The

Save £130 with a Which? Best Buy credit card

■ You could save £130 if you spend £2,000 using the Marks & Spencer Money Mastercard and pay back the balance within the 10-month interest-free period rather than using a credit card charging an average interest rate (APR) of 16.8%.



best available – Capital One Bank Platinum MasterCard – offers 0% interest until 1 November 2009. The remaining Best Buys from Barclaycard, HBOS and M&S all have 0% periods of 10 months.

| CREDIT CARDS: 0% ON PURCHASES | APR ^a (%) | 0% PERIOD PURCHASE (MONTHS) | SATISFACTION % (CALCULATED JULY 08) |
|--|-------------------------|-----------------------------------|--|
| CAPITAL ONE BANK Platinum MasterCard ^b | 16.9 | until 1 Nov 2009 | 73 |
| HALIFAX/BANK OF SCOTLAND All in One MC | 15.9 | 10 | 61 |
| MARKS & SPENCER Money MasterCard | 15.9 | 10 | 82 |
| BARCLAYCARD Platinum Long-Term BTC | 16.9 | 10 | 61 |
| AVERAGE RATE | 16.8 | 6 | 71 |
| WIDELY HELD CARDS | | | |
| NATWEST Classic MasterCard/Visa | 16.9 | 6 | 65 |
| TESCO PERSONAL FINANCE Clubcard MasterCard | 16.9 | 6 | 77 |

a Rate depends on your credit score b This card was available at the time of going to press, but Capital One could not confirm if it would be available at the time of publication. For the most up-to-date information, visit www.which.co.uk



Best credit cards for borrowing

Which? is the only organisation that takes into account the way cards charge interest, as well as the headline interest rate, when calculating our Best Buys.

We look at three scenarios: occasional payers, who pay one in every four bills in full; never payers, who never or rarely pay their bills in full; and holiday payers, who borrow for big purchases and pay the debt off over the year.

The Barclaycard Simplicity Visa and Co-operative Bank Platinum Fixed Rate Visa are Best Buys in all three categories.

Egg Money Mastercard is a Best Buy for occasional and holiday payers, while the Barclaycard OnePulse with Cashback is a Best Buy for the occasional payer.

All of our Best Buys charge significantly lower rates of interest (APR) than average.

| CREDIT CARDS FOR BORROWING | APR ^a (%) | TYPE OF BORROWER | | | SATISFACTION % (CALCULATED JULY 08) |
|--|-------------------------|---------------------|----------------|------------------|---|
| | | OCCASIONAL PAYER | NEVER PAYER | HOLIDAY PAYER | |
| BARCLAYCARD Simplicity Visa | 6.8 | ✓ | ✓ | ✓ | 61 |
| EGG MONEY MasterCard ^b | 12.9 | ✓ | | ✓ | 75 |
| THE CO-OPERATIVE BANK Platinum Fixed Rate Visa ^c | 9.9 | ✓ | ✓ | ✓ | 80 |
| BARCLAYCARD OnePulse Credit Card with Cashback | 14.9 | ✓ | | | 61 |
| AVERAGE RATE | 16.8 | | | | 71 |
| WIDELY HELD CARDS | | | | | |
| NATWEST Classic MasterCard/Visa | 16.9 | | | | 65 |
| TESCO PERSONAL FINANCE Clubcard MasterCard | 16.9 | | | | 77 |

a Rate depends on your credit score b Can apply for card online only c To apply you must be aged 25 years or over

Contacts

The AA www.theaa.com
Abbey www.abbey.com
American Express www.americanexpress.co.uk
Bank of Ireland www.bankofireland.co.uk
Barclaycard www.barclaycard.co.uk
Birmingham Midshires www.askbm.co.uk
Capital One Bank www.capitalone.co.uk
Chelsea BS www.thechelsea.co.uk
The Co-operative Bank www.co-operativebank.co.uk
Egg Money www.egg.com
Halifax/Bank of Scotland www.halifax.co.uk
ICICI Bank UK www.icicibank.co.uk
Intelligent Finance www.if.com
Marks & Spencer www.marksandspencer.com
Northern Bank www.northernbank.co.uk
Principality BS www.principality.co.uk
Smile www.smile.co.uk
Ulster Bank www.ulsterbank.com
Yorkshire BS www.ybs.co.uk

HOW WE PICK WHICH? BEST BUYS

- We analyse the whole market to bring you our Best Buys.
- With savings, we recommend only companies that subscribe to the Banking Code, so you're protected if anything goes wrong.
- In the light of the recent crisis with the Icelandic banks, we have reviewed our Best Buy criteria, and now will only include banks which are fully covered by the Financial Services Compensation Scheme (FSCS).
- This means you can be confident that if the worst happened and the bank went under, you would get your money back – as long as you don't put more than £50,000 in one bank. If you have more than this, you should spread your cash around.
- When picking Best Buy credit cards, we take into account the way that cards charge interest, and the interest rate, to show the true cost of borrowing.



BANKING ON A BIG WIN

Peter Conroy 62, retired

Peter Conroy and his wife, Kim, have used premium bonds as a safe haven for their savings for the past six years.

After investing £40,000 in 2002, they won a total of £1,800 over a 12 month period, equivalent to 4.5% interest, tax-free. But recently they have seen their return fall significantly and Peter says, 'We are seriously considering moving the capital to a high-interest fixed-rate account. The only thing stopping us is the chance of winning just one larger sum. You never know, and as long as you own the bonds there is always a chance.'

National Savings lure cautious consumers

Playing it safe

Savers in search of security are flocking to government-owned National Savings & Investments (NS&I) products, particularly premium bonds. Tax-free, 100% guaranteed and easy to access, they offer considerable advantages over more risky investments in the current climate. Paying out prizes rather than conventional interest, they offer the chance of big wins, but most savers get a modest return.

The prize fund rate has just been cut to 2.85%, which reduces your chance of a win from 22,000 to 1 to 24,000 to 1. There are still two chances of winning £1m each

month, however, and right now many savers are prepared to forgo interest for cast-iron security and the outside chance of a big win.

A more certain return is given by NS&I Index-linked Savings Certificates, which pay the rate of inflation (RPI) plus 1%.

At current rates, this gives 6% tax free, equivalent to 7.5% gross for a basic taxpayer and 10% for top-rate payers. To get this, you have to tie up your money for three or five years, so savers who need easy access to their money may prefer to put some money here and the rest in a Best Buy easy access account.

Is it worth it?

Leeds Building Society Inflation Buster Bond

Leeds Building Society is offering a bond which currently guarantees to pay savers the rate of inflation (RPI) plus 1.8%. With RPI at 5% this gives an impressive 6.8%, before tax.

In exchange for tying up your money for two years, you get RPI plus 1.8% in year one (August 2008-August 2009), followed by RPI plus 1.8% for the second year (August 2009-August 2010).

The bond can be held in a cash Isa, in which case interest is tax-free, or as an ordinary account, with tax deducted at 20%. The minimum investment is £1,000. The maximum is £1,000,000 for individual savers or £2,000,000 for joint accounts.

VERDICT Held in an Isa, the bond offers a return of 6.8% at current rates, which compares extremely favourably with current Best Buys. Taxation reduces the bond's net rate to 5.44% for basic-rate taxpayers, and 4.08% for top-rate taxpayers.

If inflation falls over the next few years the interest it pays could be less than alternative fixed-rate accounts. Some of these offer between 6.6% and 7% and give a guaranteed return (the Leeds rate is variable).

You could invest up to £50,000 in this bond (or £100,000 for a joint account) and still be covered by the FSCS compensation scheme.

Call for banking reform

Which? campaign aims to win a better deal for consumers

Which? has launched a campaign calling for urgent reform of the banking industry.

Following the recent banking crisis and £37 billion taxpayer bailout of many of the UK's high-street banks, Which? is demanding that the Government takes action. We want government help for anxious consumers, such as forcing lenders that have received taxpayers' money to immediately pass on base rate changes to their mortgage customers.

Which? is also calling for an independent review of retail banking to implement reforms that will put consumers' interests at the heart of the banking industry.

New Which? research shows that 81% of consumers think that an overhaul of the banking system is needed in order to avoid a repeat of the current financial crisis.

To join the campaign, or get more information, go to www.weownthebanks.co.uk.



WE OWN THE BANKS!