

Your Which?

THE LATEST ON WHICH? AND OUR CAMPAIGNS

Banks must rethink unfair interest rate cuts



Which? chief executive Peter Vicary-Smith on the banks' decision to squeeze both borrowers and savers

Few borrowers are feeling the full benefit of interest rate cuts, with some banks dropping their standard variable rates (SVRs) by less than 2% and others rushing to close their cheapest deals. Yet savers are being hit by the banks, with almost every major institution cutting savings rates in response to base rate changes to a far greater extent than their SVRs. Put simply, banks (and building societies) are squeezing consumers to boost profits.

Borrowers hit hard

So what is the balance of interest between savers and borrowers? Savers outnumber borrowers by seven to one, but the banks' behaviour has a greater impact on borrowers due to the amount of each loan.

For example, based on the average SVR for a selection of lenders, failure to pass on a 1% cut in interest rates to a customer with a £150,000 mortgage would cost more than £1,000 a year. A saver with £10,000 in the bank would lose £100 a year from a 1% cut in their savings rate.

There are still attractive savings account rates around. The difference between a Best Buy instant access account paying 4.5% and one of the many high-street instant access accounts paying 0.1% would be £440 a year for a £10,000 investment. The message is, shop around to protect your income in these uncertain times.

Borrowers are much less well served due to the withdrawal of attractive deals, particularly for those needing to borrow more than 60% of their house's value. This is forcing more people to move to their current lender's SVR – the most expensive form of mortgage borrowing.

Unacceptable practice

It isn't unreasonable that banks should choose not to pass on in full a reduction in the base rate to borrowers if by doing so they are maintaining rates for savers. However, where savings rates are already outrageously low, with some accounts paying as little as 0.1%, that justification disappears. What is not acceptable is the current practice of many banks – penalising both sets of consumers by slashing savings rates and not passing on the benefits to borrowers.

Individual consumers are not the ones at fault for the reckless behaviour of financial services companies or the failure of regulators to protect us. We should not be the ones to suffer as the banks try to recapitalise their businesses.

With billions of pounds of taxpayers' money propping up the banks, it's time they gave a fair deal to all their customers – borrowers and savers.

Which? says



United for consumers

Much of our campaigning, and testing, would be impossible without the strong relations we have with consumer organisations across the world.

We often join forces on the testing of international brands, so costs can be reduced and reinvested for further tests or fighting for consumer rights.

Which? also has solid relations with Consumers International (CI), a pressure group that has more than 220 member organisations in 115 countries and leads global campaigns while supporting our own.

For example, CI has led the global campaign to end the marketing of unhealthy food to children. It has drawn on Which? policies and campaign actions, to lobby the World Health Organisation and hold food and drink companies to account. This marketing will be the theme of World Consumer Rights Day on 15 March. Visit www.junkfoodgeneration.org (pictured above) to find out more.

CI's new director general Joost Martens – formerly Oxfam's regional director for Central America, Mexico and the Caribbean – tells us: 'The help we receive from organisations such as Which? is vital to the success of our global campaigning.'

'I'm looking forward to continuing our close relationship as we fight for the rights of consumers in the UK and around the world.'

Anna Butterworth, head of external relations, Which?

Food hygiene update

Success for Which? restaurant campaign

Restaurant-goers should find it easier to choose clean places to eat in future. After years of campaigning from Which?, the Food Standards Agency (FSA) has recommended that England, Wales and Northern Ireland adopt a single hygiene scoring scheme, which should help the public understand how a restaurant fared in its last hygiene inspection and

encourage improvements. In the coming months, we'll push local authorities to sign up to the five-star scoring scheme. Our work has led to more than 200 councils joining the hygiene scheme already. Visit www.food.gov.uk for more details.

The FSA has said Scotland should be able to keep its established pass/fail scheme.