

Deposit and Savings Accounts - UK - April 2012

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“Our research suggests that many people are baffled by the number of different savings accounts and rates on offer. Any attempts by providers to simplify their product ranges or to introduce applications that help people quickly and easily navigate the maze of choices would be welcomed by customers. At the same time, maintaining a competitive rate and good customer communications will also help retention levels.”

– Sarah Hitchcock, Senior Analyst – Financial Services

In this report we answer the key questions:

- How large is the retail savings market and how has it performed recently?
- How competitive is the retail savings landscape?
- Which sectors of the market are seeing the greatest inflows of money?
- How is the rival equity asset class faring?

The UK retail savings market is mature, large and slow growing. The value of total deposits in the household sector grew by just 3% in 2011, although this was an improvement on 2010 when balances remained broadly flat. Despite this sluggish growth and a relatively narrow pricing field, the market is awash with a variety of products and witnesses the frequent introduction of new issues, propositions and relaunches as providers vie for new deposits.

A lot of pricing and promotional activity has recently centred on the ‘higher-value’ segments, such as fixed-term bonds, notice accounts and regular savings, which offer a better rate of return but require greater customer commitment, and sometimes greater investment. Not surprisingly, this is where much of the battle for retail deposits is currently being fought.

This is also a heavily concentrated market. The major British banking groups and the largest building society in the UK dominate the sale and distribution of deposit and savings accounts. There is arguably a lack of real competition in the market, although a very low base rate is leaving providers with fairly limited room for manoeuvre.

As well as providing a comprehensive overview of the market, this report examines the effects of these trends and developments on consumer attitudes and saving behaviour, by drawing on a range of information and industry data sources, as well as Mintel’s own consumer survey findings.

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