

Deposit and Savings Accounts - UK - April 2013

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"The Funding for Lending Scheme has so far been detrimental to savers. It has made banks less reliant on depositors' money to fund borrowing, removing the incentive to offer really competitive savings rates."

– Sarah Hitchcock, Senior Analyst – Financial Services

In this report we answer the key questions:

- Is competition increasing the savings market?
- What types of savings accounts are consumers favouring?
- How frequently are they saving?
- Do consumers trust savings providers to look after their money?

The UK retail savings market is mature, stable and dominated by a handful of players, comprising the retail brands of the major British banking groups and the largest building society. Despite the comparatively low returns on offer, particularly on instant-access accounts (the most popular kind), as well as ongoing pressure on household budgets, retail deposit balances grew by 5% in 2012. This was an improvement on both 2011 and 2010, when the annual growth rate was just under 3%.

Even so, the value of retail savings has increased at a much slower rate since 2008 than in the five years prior to the financial crisis and, with the exception of 2012, has failed to keep pace with CPI inflation. Moreover, a very low base rate and low LIBOR have fed through to mortgage and loan rates (favouring borrowers), but have also depressed savings rates (disadvantaging savers). Exacerbating the situation further, the introduction of the Funding for Lending Scheme in the summer of 2012 has recently reduced competition in the deposit and savings account market and put yet further downward pressure on the interest earned on cash.

This report examines these trends in detail and examines their implications for both providers and consumers. Drawing on a range of information sources and trade research, it provides a comprehensive overview of the size and composition of the market, as well as recent provider activity. In addition, it explores consumer saving behaviour and provides insight into the attitudes and intentions of savers, by analysing the results of Mintel's independently commissioned online consumer survey.

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This report is part of a series of reports, produced to provide you with a more holistic view of this market