



# Treasury Committee

House of Commons, Committee Office, London SW1A 0AA

Tel 020 7219 5769 Email [treascom@parliament.uk](mailto:treascom@parliament.uk) Website [www.parliament.uk/treascom](http://www.parliament.uk/treascom)

Nikhil Rathi,  
Chief Executive  
Financial Conduct Authority  
[via email]

3 July 2023

Dear Nikhil,

## **Banks' savings rates**

Thank you for your letter of 12 April 2023<sup>1</sup> regarding competition in the retail banking market. The Committee still has ongoing concerns about banks' savings rates being too low, particularly in their instant access savings accounts. The 'base rate' has now reached 5 percent and banks are reporting increases in profits and net interest margins. The Financial Conduct Authority (FCA) has recently stated :

The FCA will report on how well the cash savings market is supporting savers to benefit from higher interest rates. We will require the largest banks and building societies to explain the pace and extent of their pass through of interest rates, and how they are proactively supporting customers to switch to high interest rate products that might be suitable. [...] We have challenged firms to ensure they are treating their customers fairly when setting savings rates. Our Consumer Duty will set the expectation that firms should be able to explain and justify their pricing decisions. This includes how quickly they raise savings rates and being able to demonstrate that rates offer fair value.<sup>2</sup>

For new and existing products or services that are open to sale or renewal, the FCA's new Consumer Duty will come into force on 31 July 2023. For closed products or services, the Duty will apply from 31 July 2024.

In light of the above, we would be grateful if you could respond to the following questions:

1. Can you point to examples of where a bank has changed its rates as a consequence of you challenging them?
2. How will the Consumer Duty help you in ensuring that rates offer 'fair value'?
3. How will you be able to judge what is fair value? For example, what metrics and comparisons will you use to assess this?
4. What supervisory or enforcement action is available to you if firms do not set rates at fair value in line with the Consumer Duty? How quickly will you be able to achieve change if firms aren't meeting their requirements?

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<sup>1</sup> [committees.parliament.uk/publications/39041/documents/192061/default/](https://committees.parliament.uk/publications/39041/documents/192061/default/)

<sup>2</sup> [FCA joins other regulators to call on firms to help struggling customers | FCA](#)

5. How will you judge whether banks are making enough effort to encourage customers to switch to suitable higher rate products?

We would be grateful for a response by 14 July 2023. In line with our usual practice, we would expect to publish this letter and your response on our website.

With best wishes,

A handwritten signature in black ink, appearing to read "H. Baldwin". The signature is written in a cursive, slightly stylized font.

**Harriett Baldwin**  
**Chair of the Treasury Committee**