

Proposal

I would be grateful if you could consider introducing appropriate measures to oblige deposit-takers to inform depositors of the rate(s) of interest that have actually been applied to accounts for any particular period of time. This would be contained as part of their annual (or other regular) account statement.

Background

At the moment, it seems that different institutions adopt different practices and standards for the information provided to depositors in annual statements. Some make it clear what interest rate has been paid, during what period. Others do not, simply listing deposits and withdrawals and the total of net and gross interest applied.

This can make it well nigh impossible for the depositor to check whether the rate of interest that has been paid is what they had expected. In some instances, depositors are not informed in the statement of interest rate changes during the period reported on, or the rate of interest being applied at the statement date. Changes to variable rates applied to accounts make it very difficult indeed for the depositor to understand whether they have received the correct amount of interest - though the principle applies to fixed rate accounts as well, as there is still the possibility of an error going unnoticed.

I was alerted to this issue when a recent annual statement for a savings account seemed to record less interest than I had expected. On enquiry, it turned out that the Bank had indeed made an administrative error, applying a lower rate of interest to the account than should have been the case. The only reason I spotted this error was because I keep fairly detailed records of the rates that I am getting on various accounts, and calculate the interest due, in order to be able to monitor income between statements. This takes quite a lot of work with quite a sophisticated spreadsheet. It is not the sort of thing that most savers will do, or even have the facility to do.

Benefits

I believe that this measure would, through making more transparent to savers the rate(s) of interest that have actually been applied to their account(s), make it less likely that errors go unnoticed. It would probably also increase the competitiveness of the savings industry, as the present variable practice and lack of transparency means that many savers do not realise that interest rates have changed (despite the retrospective notice requirements) and are often unaware of the rate actually applied at the time of the statement.

Costs

It is for the savings institutions to assess the costs - though I would expect them to be minimal, as the relevant report components would be quite easy to generate automatically as part of a statement. Those institutions already giving such information may be able to indicate whether it involves additional cost.

Method

I believe that this should be part of basic reporting standards required by law.

Compliance

There should be appropriate sanctions against institutions failing to meet the required reporting standard.

Do let me know if I can make this proposal clearer, or if you require any further background information. At root, it is a simple measure to increase transparency, achievable at (I believe) minimal cost.