Evaluating the impact of the OFT's 2010 Cash ISAs: Response to super-complaint by Consumer Focus

Prepared by the Office of Fair Trading

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1 EXECUTIVE SUMMARY

1.1 The Office of Fair Trading (OFT) is committed to commission an independent evaluation of the impact of at least one of its previous interventions each year.\(^1\) Evaluations support the OFT’s external accountability by assessing whether the OFT has delivered its objectives cost-effectively. The OFT also relies on findings from such evaluations to learn lessons that can be applied to future comparable market interventions.

1.2 To fulfil this commitment for the financial year 2013-2014, the OFT has evaluated the impact of the OFT’s 2010 'Cash ISAs: Response to super-complaint by Consumer Focus' ('OFT’s Response').\(^2\) The evaluation has been carried out internally by OFT staff and independently reviewed by Professor Stephen Davies, academic advisor to the OFT.

1.3 The evaluation focuses on the impact of the OFT’s recommendations on switching, transparency and interest rates following the super-complaint. The evaluation uses cash ISA providers’ data, desk-based research and a consumer survey conducted by GfK NOP in January 2014.

1.4 Where feasible the evaluation estimates the benefits to consumers that have arisen as a result of these interventions.

1.5 The OFT’s recommendations in the cash ISA market have had some significant impacts. There seems to be widespread implementation of all the switching and transparency intervention. We have also seen the development of an electronic transfer system which has been adopted by a large number of providers. Further, the OFT’s work appears to have had a substantial and positive impact on the transfer process where transfer times have more than halved since the intervention and interest is now paid for the entire transfer process.

1.6 On the other hand, it is unclear what the impact has been on consumers’ awareness of their interest rate or actual switching. There

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\(^1\) The Business Plan 2011-15, adopted as part of the SR10 settlement, commits the OFT to commission an independent evaluation of the impact of at least one of its previous interventions each year.

also still appears to be a core of cash ISA consumers who have never switched and have never considered switching.

1.7 We estimate total annual consumer benefits in the range between £4.07 million to £8.11 million (2013 prices).

1.8 Evidence from the OFT indicates that the total direct cost to the OFT of the OFT’s Response and follow up work was in the order of £125,000 to £175,000 between 2010 and 2013 (in 2013 prices). Further, we also estimate a per annum cost to providers of £3.4 million to £4.2 million
2 INTRODUCTION

2.1 The Business Plan 2011-15, adopted as part of the 2010 Spending Review settlement, commits the OFT to commission an independent evaluation of the impact of at least one of its previous interventions each year. Evaluations support the OFT’s external accountability by assessing whether the OFT has delivered its objectives cost-effectively. The OFT also relies on findings from such evaluations to learn lessons that can be applied to future comparable market interventions.

2.2 To fulfil this commitment for the financial year 2013-2014, the OFT has evaluated the impact of the OFT’s 2010 'Cash ISAs: Response to super-complaint by Consumer Focus'. The evaluation has been carried out internally by OFT staff and independently reviewed by Professor Stephen Davies, academic advisor to the OFT.

Scope of the evaluation

2.3 The evaluation focuses on the impact of the OFT’s recommendations on the cash ISA switching process and interest rate transparency following the 2010 super-complaint. It attempts to estimate, where feasible, the benefits to consumers that have arisen as a result.

The OFT’s recommendations

2.4 The OFT concluded that for the cash ISA market to work well it is important that consumers have the appropriate information to compare cash ISA offers and are willing to switch between cash ISAs. In particular, the switching process and transparency were highlighted as two key areas.

2.5 Following constructive engagement with cash ISA providers and industry bodies the OFT outlined several initiatives and recommendations. These interventions were aimed at increasing consumers' awareness of their interest rate and making them more confident in the transfer process. This will give consumers more confidence in the cash ISA market and, in particular, their ability to switch cash ISAs and through this drive competition in the market.
2.6 The OFT’s interventions covered two broad areas:

1. **switching**, and

2. **transparency**.

The main initiatives and recommendations for these broad areas are summarised in the table below and the full list is outlined in more detail in Annexe A.

<table>
<thead>
<tr>
<th>Switching</th>
<th>Transparency</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reduce the max transfer time from 23 to 15 working days</td>
<td>• Interest rates should be published on cash ISA statements</td>
</tr>
<tr>
<td>• Consider an electronic transfer system</td>
<td>• Consumers should receive notification of bonus rate expiry on all types of cash ISA</td>
</tr>
<tr>
<td>• Interest should be received during the entire transfer process</td>
<td></td>
</tr>
<tr>
<td>• Customers should get their new interest rate no later than 15 working days after requesting a transfer</td>
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</tbody>
</table>

2.7 At a similar time to the OFT’s Response there was a change made to the FCA’s Banking: Conduct of Business sourcebook (BCOBS). This change meant that as of May 2010 all material\(^3\) interest rate changes to the detriment of the consumer require personal notification 14 days in advance.\(^4\)

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\(^3\) Industry guidelines for interpreting BCOBS define a material change in the interest rate in the following way (see [www.bba.org.uk/download/4859](http://www.bba.org.uk/download/4859)):

'To achieve a proportionate approach, firms should consider a change to be material when:

The interest rate of the account falls in a single movement by more than 25 bps; and
the account has a balance of £500 or more (this is a point in time balance e.g. at the time the decision is taken to change the interest rate)

Or;

A single interest rate fall of 25bps or less will result in there having been a cumulative downward movement of the account’s interest rate over the preceding 12 months (the ‘reference period’) of 50bps or more; and
the account has a balance of £500 or more (this is a point in time balance e.g. at the time the decision is taken to change the interest rate, which results in the cumulative movement of 50bps or more)

An interest rate change will be notified on accounts with more than one interest rate tier, if the interest rate change on any one tier is material.'

\(^4\) See [http://fshandbook.info/FS/html/handbook/BCOBS/4/1](http://fshandbook.info/FS/html/handbook/BCOBS/4/1), BCOBS 4.1.2.3 states:
2.8 As a follow up to the OFT’s Response the OFT conducted a Cash ISA progress review (Progress Review) in 2012 which looked at the level of implementation and some of the changes arising from the intervention. More specifically the Progress Review looked at transfer times, the backdating of interest, and cash ISA statements.\(^5\)

**Analytical framework and evidence**

2.9 For each set of OFT initiatives and recommendations (switching, transparency and interest payments) the evaluation considers the following elements:

- the **original objectives** of the initiatives and recommendations and the extent to which these can be defined in specific/measurable terms
- the **implementation** of specific actions in response to the OFT’s Response, including the timing of changes and the agencies/organisations responsible for undertaking these activities
- the **awareness** of cash ISA holders of some of these actions and subsequent effect on their **attitudes** and **behaviour**
- the **outcomes** (both intermediate and final) that the OFT expected to result from the OFT's Response, including consumer impacts and any unintended consequences.

2.10 Our overall methodology follows a ‘before-and-after’ comparison, looking at the changes that have occurred between 2009 and 2013. Where possible we have also considered the evolution of variables year by year because of the additional insights this analysis offers. We have considered in more detail whether this approach provides the

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appropriate counterfactual when estimating consumer benefits attributable to the OFT in Chapter 4.

2.11 The evaluation involved a mix of primary and secondary research including:

- **Desk-based research** – The OFT undertook desk based economic research to seek evidence on the evolution of the market for cash ISAs.

- **Consumer survey**\(^6\) – As part of the cash ISA evaluation review the OFT commissioned GfK NOP to conduct a representative survey of 2,000 people in the UK. GfK NOP gathered information on switching and transparency. The consumer survey was designed primarily to provide evidence on the current conditions of the cash ISA market. However, where possible we ensured there was comparability with the 2010 consumer survey and this is discussed below.

- **Information from cash ISA providers and industry** – As part of the cash ISA evaluation the OFT asked cash ISA providers and industry bodies such as the BBA, BSA and payment provider BACS to provide information on the market situation and the implementation of the OFT’s recommendations. Overall we gathered information from 16 providers, covering 27 brands.

2.12 In the 2014 consumer survey (2014 survey) we tried to ensure that we covered all of the topics of relevance, while also making response options comparable with similar questions in the 2010 consumer survey (2010 survey). In particular, we wanted to look at switching and related questions with respect to perceptions and willingness to switch.

2.13 There exists one key comparability issue between the 2014 survey and the 2010 survey. Due to the sequencing of questions in the 2010 survey not all consumers who had only one cash ISA and switched were captured. This means that the 2010 survey underestimates switching when compared with the 2014 survey. Switching rates are

\(^6\) See Annexe B for the full results of the consumer survey.
not, therefore, directly comparable between the surveys and this also impacts a number of later questions which depend on the number of consumers who have switched. We used two methods in an attempt to deal with these comparability issues. Along with the results these methods are discussed in Annexe D.\footnote{When the results across the two methods produce similar results in terms of proportions of interest then we can be more confident about the patterns that are seen. In contrast, if the results are dissimilar more caution is required.}

**Market context**

2.14 Over the past few years the cash ISA market has continued to grow in size. As can be seen in Figure 1 below the total value of assets contained in cash ISAs increased by over £40 billion, from £180 billion in 2009 to over £220 billion in 2013.\footnote{HMRC data, adjusted to 2013 prices} Similarly, the OFT’s calculations from provider data indicate that the total number of accounts increased, from 20 million in 2009 to over 29 million in 2013 as can be seen in Figure 2.

**Figure 1: Market size - total value of assets**

![Graph showing the total value of assets from 2009 to 2013.](image)

**Source:** OFT analysis of HMRC data
When considering the impact of the OFT’s Response it is important to consider wider market factors. One important contextual factor is the financial crisis. Although this occurred several years before the interventions its effects are still evident. For example, the Bank of England’s base rate has remained at 0.5 per cent since before the intervention and the Bank of England also introduced the Funding for Lending Scheme.9

Both have had a significant impact on all financial markets including the cash ISA market. For example, the low base rate is likely to have contributed to lower interest rates being offered on cash ISAs than before the financial crisis. Furthermore, it has been indicated by providers and trade bodies that, in reaction to the credit crunch, banks reduced their reliance on money markets and increased their use of consumer or retail markets. This affected cash ISAs primarily in two ways.

First, there was an increase in the number of cash ISA accounts on offer, with 280 ISAs offered in September 2010 compared to a peak of 397 in June 2012.10 Second, there was an increase in the

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9 The base rate was set at 0.5 per cent in March 2009 and was still at that level at the time of this report in February 2014.
10 Based on information sourced from Moneyfacts magazine.
proportion of fixed rate cash ISAs as providers tried to secure cash ISA funds for longer.\textsuperscript{11} This is reflected in both a rise in the number of fixed rate accounts on offer from 111 in September 2010 to a peak of 211 in June 2012\textsuperscript{12} and an increase in the absolute number and value of fixed rate cash ISAs.\textsuperscript{13}

2.18 Subsequently, this method of raising funds has been affected by the Funding for Lending Scheme.\textsuperscript{14} This reduced the cost and increased the supply of funds for providers. In turn this has reduced the reliance of providers on retail markets and consequently cash ISAs.\textsuperscript{15} This means that providers have less incentive to attract cash ISA funds leading to a further reduction in the interest rates on offer.\textsuperscript{16}

2.19 These changes are an important contextual factor and complicate the identification of a clear counterfactual against which to compare the impact of the OFT's recommendations. Therefore, throughout this evaluation, we focus on the impact of the changes to the transfer process and not wider factors such as the impact on competition.

Structure of this report

2.20 The remainder of this report presents the findings of the evaluation. It is structured as follows:

- Chapter 3 assembles and presents the qualitative and quantitative evidence necessary to evaluate the effect of the OFT’s interventions on the cash ISA market.

\textsuperscript{11} One provider did indicate that this shift was also partly due to changes in consumer preferences between variable and fixed rate cash ISAs which meant that banks focused more on fixed rate products.
\textsuperscript{12} Based on information sourced from Moneyfacts magazine.
\textsuperscript{13} Across 16 providers the proportion of accounts which are fixed rate has increased from 10 per cent in 2009 to 22 per cent in 2013. At the same time the proportion of the value of assets held in fixed rate accounts has increased from 18 per cent to 42 per cent.
\textsuperscript{14} www.bankofengland.co.uk/markets/Pages/FLS/default.aspx
\textsuperscript{15} Research by one consumer body noted that a recent trend had emerged where the proportion of instant access accounts that allow transfers in has fallen. In their research the proportion fell from 88 per cent in November 2012 (out of 115 products) to 77 per cent in November 2013 (out of 88 products). The OFT replicated this analysis using the information available to it from Moneyfacts for September 2012 and 2013. In doing this we found that the proportion of accounts has only fallen from 90 per cent (of 131) to 85 per cent (of 107). This indicates that a large proportion of accounts accept transfers in. As this was not mentioned as an area of concern in the OFT’s Response it is outside the remit of this evaluation and is not mentioned further.
\textsuperscript{16} This is reflected in the data where the average interest rate in cash ISA accounts that consumers can switch into falling from 2.57 per cent in June 2012 just before Funding for Lending was introduced to 1.70 per cent in June 2013. Further, the number of cash ISA accounts fell from a peak of 397 in June 2012 to 292 by June 2013. This is based on information from Moneyfacts magazine.
• Chapter 4 presents monetary estimates of benefits to consumers generated by the intervention.
3 EVIDENCE OF IMPACT

3.1 This chapter presents the qualitative and quantitative evidence on the effect of the OFT’s interventions on the cash ISA market.

Switching

Background

3.2 The OFT’s research indicated that cash ISA transfers were taking too long and that many problems were arising that could be easily avoided. This can cause direct harm to those consumers whose transfers are affected and may also decrease consumers’ willingness to transfer their cash ISAs. This was a cause for concern as switching or the threat of switching is a key driver of competition between providers.

3.3 In light of this, the OFT engaged with cash ISA providers and industry bodies to identify measures that could address the OFT’s concerns. The following recommendations and initiatives were implemented or proposed:

- **Measures to reduce the time taken to switch cash ISA.** This included revision of the cash ISA transfer guidelines and monitoring of the transfer times by trade bodies and the FCA.

- **Measures to reduce problems in the transfer process.** This included initiatives to ensure that transfers are dealt with daily instead of as a batch and that there are designated cash ISA teams to deal with transfers.

- **Measures to improve consumer understanding of the transfer process.** This consisted of a consumer-friendly guideline produced by the trade bodies BBA, BSA and TISA, which can be used by providers to help explain the transfer process.

- **Measures to reduce the cost of switching.** This included initiatives that try to ensure that consumers are no worse off if there is a delay and that interest should be paid during the entire transfer process.
3.4 These initiatives were aimed at reducing both the direct harm to consumers caused by delays to the transfer process and to boost perceptions of the switching process. Willingness to switch and actual switching are important drivers of competition.

3.5 The OFT believes that the improvements to the transfer process and consumer understanding will give consumers greater confidence in the transfer process. In turn, this should spur cash ISA providers to offer increasingly more competitive and innovative products to attract custom.

3.6 The following diagram illustrates the analytical framework for the evaluation of the OFT’s interventions into switching. The diagram follows the analytical framework and approach laid out in paragraph 2.9: We first look at the interventions and status of implementation. We then look at consumer awareness of the interventions and their impact on attitudes and behaviour before finally evaluating the outcomes.
3.7 There are two strands to the consideration of switching

1. In the first strand (in blue) we evaluate the impact arising from the effects on **consumer behaviour**.

2. In the second strand (in gold) we look at the direct impact of the interventions on **interest rate payments** for customers who switch.
Consumer behaviour

3.8 In the first strand, the first step in the evaluation is to confirm that the industry bodies and cash ISA providers have made the necessary changes to their guidelines and processes, summarised in the 'Interventions' column of the above diagram. The second step is to measure consumer awareness of the initiatives mentioned in paragraph 3.3 ('Awareness'). Consumers have to be aware that switching cash ISAs has become easier and that there is support available (for example, in the form of the consumer-friendly guidelines) for the interventions to have an impact on attitudes and behaviour.

3.9 In general, a high level of switching is not necessary for effective competition in a market, provided that the switching barriers are low enough should consumers decide to switch. Therefore, the main objective of the OFT’s recommendations was to reduce these barriers by improving consumer perception of switching and improving the switching process overall, as indicated in the ‘Awareness and Behaviour’ column of the above diagram, rather than necessarily to increase the actual level of switching. The evaluation therefore focuses on barriers to switching and perceptions of switching. In particular, the evaluation focuses on whether the perception of the switching process has improved and whether this has caused an increased willingness to switch.17

3.10 It is unclear whether switching levels would increase as a result of a reduction of barriers to switching or whether the threat of switching would be sufficient to ensure that cash ISA products become more competitive, and this is not something we have been able to assess during this evaluation. Nevertheless, we consider whether switching levels in the cash ISA market have changed.

3.11 If successful, these changes in consumer attitudes and behaviour should lead in the long run to improved competition and improved cash ISA offerings, again this is not something we are able to assess through this evaluation.

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17 Consumer attitude and behaviour will provide an indication of whether consumers’ confidence in the transfer process has improved.
3.12 The OFT has therefore considered the following questions in its evaluation:

- Have all the recommendations/initiatives been implemented?
- Has the number of problems that arise when switching fallen?
- Has cash ISA holders’ awareness of the improved switching process increased?
- Have cash ISA holders’ perceptions of the difficulty of switching and their willingness to switch improved?
- Have these interventions led to an increase in the level of switching by cash ISA holders?
- Have there been any direct benefits from changes in interest payment policies?

These questions are considered below.

**Implementation**

<table>
<thead>
<tr>
<th>Key findings</th>
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<tbody>
<tr>
<td>All the recommendations have been widely implemented</td>
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<tr>
<td>Average switching times have fallen by over 50 per cent (from 18-20 working days to 8.6 working days)</td>
</tr>
<tr>
<td>Complaints per cash ISA have fallen by 50 per cent (from one complaint per 128 cash ISAs to 1 complaint per 260 cash ISAs.)</td>
</tr>
<tr>
<td>Problems in switching reported by consumers in our survey have fallen to seven per cent from 14 per cent</td>
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</tbody>
</table>

3.13 On 31 December 2010 the BBA, BSA and TISA published updated industry guidelines for the cash ISA transfer process. These guidelines reduced the maximum transfer time to 15 working days. Along with those guidelines they also produced consumer friendly-guidelines. HMRC’s guidelines have also been adjusted to reflect these new industry guidelines.
Transfer time

3.14 In terms of the actual impact on transfer times, information provided to us by 15 cash ISA providers shows that in 2013 93 per cent of transfers occurred within 15 working days.\(^{18}\) This is the same as the level reported in 2011 for the Progress Review.\(^{19}\) Further, the average transfer time is down to 8.6 working days\(^{20}\) compared to an average of 18-20 working days at the time of the super-complaint.\(^{21}\) The FCA also hold quarterly meetings with the trade bodies to discuss the performance of the transfer process.

3.15 There has been a drive within the industry to spread best practice in the transfer process. This has been coordinated by the BBA and involves regular calls and discussion between the trade bodies and providers. In particular these calls are aimed at allowing the discussion and remedying of any issues that arise in the transfer process and show up in the switching times reported by providers.

3.16 Further, in 2010 the BBA, BSA and TISA produced consumer-friendly guidelines for the transfer process. These were aimed at making the process easier to understand for consumers. Of the 16 providers, 11 actively use or provide access to the consumer-friendly guidelines. One provider uses the guidelines for training, while of those providers who do not currently use these guidelines, the majority use alternative literature to help consumers understand the transfer process.\(^{22}\)

Electronic transfer system

3.17 As agreed the industry bodies along with providers also looked into an electronic transfer system. This study led to the creation of the BACS electronic cash ISA transfer system which was launched on 22 October 2012. As of the 27 January 2014 this system is used by 47 brands, which cover over 80 per cent (by value) of the market.\(^{23}\)

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\(^{18}\) This was based on a roughly 930,000 cash ISA transfers and covers roughly 77 per cent of all transfers.

\(^{19}\) The reported figure for 2011 was 93 per cent, see Cash ISA progress review, page nine.

\(^{20}\) This was based on the responses of 15 providers.

\(^{21}\) Please note that in the OFT’s Response the average transfer time was reported as 26 calendar days. This has been converted to working days, but in doing so we have produced a range of possible number of working days that may occur in any 26 calendar days’ period.

\(^{22}\) One provider does not use the guidelines or outline what they did use, although it should be noted that they do not accept transfers in.

\(^{23}\) The brands covered ranges from very large providers to some of the smallest providers in the market.
3.18 In 2013 a total of approximately 700,000 cash ISAs were transferred using the BACS system, which translates to roughly 58 per cent of all transfers.\textsuperscript{24} The implications of this, for example on the time taken to transfer a cash ISA, are explored below.

Changes to process

3.19 In terms of actions by providers we found that of the 16 providers who engaged in this evaluation virtually all of them have implemented the necessary changes such that:\textsuperscript{25}

- all cheques and paper work are sent by at least first class post
- transfers are handled on a daily basis rather than processed in batch
- staff resources are increased to handle cash ISA openings and transfers more quickly, particularly during peak season (April-June)
- all communications, written and verbal, are given to a designated cash ISA team rather than a generic central services team.

3.20 As outlined above, new guidelines were published by the BBA, BSA and TISA on 31 December 2010. Along with the changes to switching times, these guidelines also state that the provider of the new cash ISA should backdate interest to the first day where interest no longer accrues on the funds being transferred, and should start paying the new interest rate from working day 16 at the latest.

3.21 In our information request to 16 of the major cash ISA providers, we asked providers to outline when they, as an acquiring party, would begin to pay interest on a new cash ISA and what they would do if the transfer took longer than 15 working days. For one provider, the question was not relevant as it has not accepted transfers in since the intervention. Of the remaining providers 15 confirmed that they did follow the new transfer guidelines in this regard.\textsuperscript{26} Indeed, two

\textsuperscript{24} This is based on provider estimates of 1.2 million transfers in 2013.
\textsuperscript{25} It should be noted that one provider does not have a dedicated cash ISA team. While for one brand of one of the providers cash ISA queries are first handled by a non-specific ISA team, but if necessary are transferred to a team with expertise on ISA products.
\textsuperscript{26} It should be noted that although one provider did not backdate to the sixteenth day if there was a delay in the process they did backdate to the date on the old providers cheque. Further, one provider’s policy for manual transfers, absent a delay, was to backdate the interest for two days from receipt of cheque if it was received during the week or four days if those two days were over a weekend period. Given that most providers now use at least first class post this means that interest is essentially backdated to the time the old provider closes the account.
providers outlined that they would backdate interest payments all the way to the date at which the application was received from the customer.

Complaints

3.22 We also requested complaints information from providers. This was done because it can give us an indication of how well the market is working and more specifically whether the transfer process is working well from a consumer point of view. To this end we requested information on both the total number of complaints and the proportion of those complaints relating to the transfer process.

3.23 We then compared the number of complaints before and after the intervention.\(^\text{27}\) In doing this, we found that between 2009 and 2013 the overall number of complaints per cash ISA account fell over the period. Our analysis of the yearly data provided by 10 providers suggests that in 2009 there was one complaint for approximately every 128 cash ISAs.\(^\text{28}\) In contrast in 2013 there was one complaint for approximately every 260 cash ISAs.\(^\text{29}\) This shows that number of complaints per cash ISA has roughly halved since 2009.

3.24 In terms of the number of complaints about the transfer process we find that the absolute number has fallen from roughly 22,900 in 2009 to 10,400 in 2013.\(^\text{30}\) Although we cannot estimate how many transfers there were for each complaint, this does indicate that in general the number of complaints has fallen since the OFT’s Response.

3.25 The improvement in service suggested by the complaints information is supported by evidence from the consumer survey (2014 survey). In the 2014 survey it was found that of the 215 respondents\(^\text{31}\) seven per cent had encountered a problem the last time they had switched. In contrast, in the 2010 consumer survey (2010 survey), which was conducted for the OFT’s Response, it was found that fourteen per

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\(^{27}\) As the number of cash ISAs for each provider changes over time we have normalised the number of complaints. That is, for total complaints we have looked at how many cash ISAs there were for each complaint. Unfortunately due to data issues we could not do this for the number of transfers for each complaint.

\(^{28}\) This was based on a total of roughly 112,000 complaints and roughly 14.4 million cash ISA accounts.

\(^{29}\) This was based on a total of roughly 75,000 complaints and roughly 19.5 million cash ISA accounts.

\(^{30}\) This was based on information from seven providers.

\(^{31}\) Those responding Not Sure/Don’t know have been removed.
cent of those who had switched had encountered a problem (out of a total of 149 respondents\textsuperscript{32}). \textsuperscript{33}

3.26 This indicates that there has roughly been a seven percentage point reduction in the number of problems seen by consumers responding to the surveys, implying that the transfer process has improved since the intervention.

\textsuperscript{32} Those responding Not sure/Don’t know have been removed.
\textsuperscript{33} As outlined in Chapter 2 due to comparability we have compared this with the results when we only consider switchers with 2 or more cash ISAs and found that the result are consistent, see annexe D for more information.
<table>
<thead>
<tr>
<th>Intervention</th>
<th>Implemented?</th>
<th>Outcome</th>
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<tbody>
<tr>
<td>Reduce the max transfer times from 23 to 15 working days</td>
<td>Yes</td>
<td>Average switching times have fallen to 8.6 working days</td>
</tr>
<tr>
<td>Consider an electronic transfer system</td>
<td>Yes</td>
<td>The BACS electronic transfer system was introduced in 2012</td>
</tr>
<tr>
<td>Publish a consumer-friendly guideline to the transfer process</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Explore how to implement best practice to reduce problems consumers face in transferring cash ISAs</td>
<td>Yes</td>
<td>The number of complaints has fallen.</td>
</tr>
<tr>
<td>Interest should be paid during the entire period</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>In case of delay interest should be backdated to the 16th working day</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>All cheques and paper work should be sent by first class post</td>
<td>Yes</td>
<td></td>
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<tr>
<td>Handle transfers daily</td>
<td>Yes</td>
<td></td>
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<tr>
<td>Adjust staff resources based on expected demand</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Designated cash ISA team for communication</td>
<td>Yes</td>
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**Awareness**

3.27 It is difficult to gauge consumer awareness of technical changes in the switching process using a consumer survey. However, one of the questions in the 2014 survey did ask respondents who had switched whether they had received interest over the entire transfer period. This question was to assess whether consumers were aware that they were receiving interest for the entire period and to see whether some consumers still consider there to be a cost to switching.
3.28 Of the 146 respondents who had switched in the last two years, 64 per cent said that they had received interest throughout the entire transfer process. Nine per cent of respondents said they had not received interest throughout the entire process, with the remaining 28 per cent answering not sure/don’t know.

3.29 This indicates that some consumers still believe that there is a risk of losing interest during the transfer process. This is despite the fact that 15 of the providers covering over 80 per cent of the market now implement a policy whereby interest is always paid.

3.30 As there is no comparable question from the 2010 survey it is unclear whether the number of people who believe they received interest throughout the entire process has increased. However, the result does suggest that awareness could be raised to ensure that consumers understand that, in terms of interest, there is no cost to switching.

3.31 In general, a high level of switching is not necessary for effective competition in a market, provided that the switching barriers are low enough should consumers decide to switch. Therefore, the main objective of the OFT’s recommendations was to reduce these barriers by improving consumer perception of switching and improving the switching process overall, rather than necessarily to increase the level of switching. The evaluation therefore focuses on barriers to switching and perceptions of switching. In particular, the evaluation focuses on whether the perception of the switching process has improved and whether this has caused an increased willingness to switch.

3.32 It is unclear whether switching levels would increase as a result of a reduction of barriers to switching or whether the threat of switching would be sufficient on its own to ensure cash ISA products became more competitive. Nevertheless, we consider whether switching levels in the cash ISA market have changed. If successful these changes in consumer attitudes and behaviour should lead in the long run to improved competition and improved cash ISA offerings.

3.33 These two factors are considered in turn in the two sub-sections below.

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34 Consumer attitude and behaviour will provide an indication of whether consumers’ confidence in the transfer process has improved.
Perceptions and willingness

**Key findings**

The number of problems in the switching process appears to have fallen from about 14 per cent in the 2010 survey to about seven per cent in the 2014 survey.

Those who have switched before are more likely to consider switching again.

Those who have switched since the OFT's Response have a better perception and higher willingness to switch than those whose last switched over two years ago.

There still seems to be a core of people who have never switched and have not considered it.

3.34 As outlined in paragraphs 3.25 and 3.26 comparing the 2010 survey to the 2014 survey suggests that since the intervention fewer switchers have encountered a problem when they last switched.35 This may suggest that consumers' perceptions of the transfer process have improved as fewer people think there has been a problem.

3.35 This is reflected in the number of complaints about the transfer process, where we find that the absolute number of complaints about the transfer process has fallen from roughly 22,900 in 2009 to 10,400 in 2013.36

3.36 This is also reflected in the responses of switchers when asked if they would consider switching again. In the 2014 survey 86.3 per cent of the 212 respondents37 stated that they would consider switching again, while in the 2010 survey only 75.2 per cent of the 149 respondents38 stated that they would consider switching again.39 This indicates that perceptions of the transfer process and willingness to

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35 As outlined in Chapter 2 due to comparability we compared the results with and without those who only had one cash ISA and found that the results are consistent, see annexe D for more information.

36 This was based on information from seven providers.

37 Those responding Not sure/Don't know have been removed.

38 Those responding Not sure/Don't know have been removed.

39 As outlined in Chapter 2 due to comparability we have compared this with the results when we only consider switchers with 2 or more cash ISAs and found that the result are consistent, see annexe D for more information.
switch have improved as those who have been through the transfer process are more inclined to consider doing it again.

3.37 Looking in more detail at the 2014 survey we can split switchers into those who have switched in the last two years (recent-switchers) and those who have switched over two years ago (older-switchers). In doing this we find that of the 142 recent-switchers, 90.1 per cent would consider switching again. The result for the older-switchers is lower at 78.6 per cent (out of 70 older-switchers).40

Table 1: Willingness to switch again

| Question: Would you consider (moving) transferring money between cash ISAs again? | Percentage (respondents) |
|---|---|---|---|
| **Answer** | **2010 Survey** | **2014 Survey** | **Recent-switchers** | **Older-switchers** |
| Yes | 75.2% (112) | 86.3% (183) | 90.1% (128) | 78.6% (55) |
| No | 24.8% (37) | 13.7% (29) | 9.9% (14) | 21.4% (15) |
| **Total respondents** | 149 | 212 | 142 | 70 |

For 2010 and 2014 survey:

1 Excludes 1 responding 'Don’t know' in 2010 and 5 in 2014.

2 Base = 150 in 2010 and 217 in 2014.

3 Respondents answering 'yes' to Q5 or Q6 were asked Q10 in 2014.

\[ \chi^2 = 7.28, \text{p-value} <0.01 \]

For recent and older switchers:

1 Excludes 1 responding 'Don’t know'.

2 Base = 146 for recent and 71 for older.

3 Respondents answering 'yes' to Q5 or Q6 were asked Q10 in 2014.

\[ \chi^2 = 6.7, \text{p-value} 0.03 \]

**Source:** OFT analysis based on GfK NOP survey data

3.38 This indicates that those who have switched more recently, and definitely since the OFT’s Response, have a better perception and

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40 Those responding Not sure/Don’t know have been removed.
higher willingness to switch than those who last switched over two years ago.

3.39 These findings imply that the intervention may have had a positive impact on the perceptions of switching and willingness to switch of those consumers who have been through the switching process.

3.40 However, this shift is only among those who have previously engaged in the switching process. In both the 2014 survey and 2010 survey respondents who had never switched were asked whether they had ever considered doing so. While in the 2010 survey 24.7 per cent of the 707 respondents had previously considered switching, this had fallen to 9.9 per cent in the 2014 survey (out of 608 respondents).\(^{41}\)

3.41 At first glance it seems illogical that the number of non-switchers who have ever considered switching has fallen. However, this may be explained if switching has increased, as seems to be indicated. A consequence of a higher level of switching in recent years might be that a higher proportion of those who might in theory consider switching have already actually done so, effectively taking them out of the group to whom the question of considering switching might apply, and thus increasing the influence of those who would not consider switching.

3.42 Despite the generally positive changes in the transfer process since the intervention the results indicate that there is still a large number of cash ISA consumers who have never switched and have never considered switching.\(^{42}\)

\(^{41}\) As outlined in Chapter 2 due to comparability we have compared this with the results when we only consider switchers with 2 or more cash ISAs and found that the result are consistent, see annexe D for more information.

\(^{42}\) 65.9 per cent of 832 respondents who hold a cash ISA have not switched and have never considered switching.
Switching

Key Findings

Average switching times have fallen by over 50 per cent (from 18-20 working days to 8.6 working days)\(^{43}\)

Increasing use of the BACS electronic transfer system is likely to lead to switching times falling further

Changes in switching are ambiguous but a variety of data suggests that the switching rate is holding up

3.43 Switching is important for two main reasons. First, consumers benefit directly from moving either to an account with a higher interest rate or an account better suited to their needs.\(^{44}\) Second, switching or the threat of switching is likely to increase competition between providers, leading to better offers as providers have to compete to attract and keep cash ISA funds.

3.44 As outlined above, information from providers suggests that the average time taken to transfer a cash ISA has fallen by between 9.4 and 11.4 working days.\(^{45}\) This is a substantial reduction in the time taken and will benefit consumers.

3.45 Some of this improvement in transfer time has been due to the introduction of the new BACS electronic transfer system. Based on provider responses we estimate that it can save around five working days.\(^{46}\) As not all providers are part of the BACS electronic transfer system we expect that the benefits of the system will grow as more providers join. This means that transfer times have the potential to fall further.

3.46 Unfortunately we have insufficient data to be able to properly compare switching before and after the intervention. However, we do have information on switching since the intervention and this information

\(^{43}\) This is a range because the average reported in the OFT’s Response was in calendar days and consequently had to be just for the number of those which may have been during the weekend.

\(^{44}\) For example, a consumer may move to a cash ISA with a lower interest rate if it is easier to withdraw their funds.

\(^{45}\) This is a range because the average reported in the OFT’s Response was in calendar days and consequently had to be just for the number of those which may have been during the weekend.

\(^{46}\) This is based on information from nine providers.
shows that cash ISA transfers have been quite variable. In the three years since the intervention we have seen that switching increased from roughly 1.4 million in 2011 to roughly 1.6 million in 2012. Switching subsequently fell back to roughly 1.2 million in 2013.\footnote{This is based on provider estimates.}

3.47 It is unclear how this compares to pre-intervention switching levels. Further, it is unclear how much these changes are due to factors such as the number of people with fixed term cash ISAs that matured in that year.

3.48 As outlined in Chapter 2, there are some comparability issues between the 2010 survey and the 2014 survey. These issues mean that switching may have been under reported in the 2010 survey and this means we have used two methods to analyse the survey results. Switching is the major area where these results differ.

3.49 If we look at all consumers with at least one cash ISA, it is not possible to make like-for-like comparisons, as those in 2010 who have ‘only ever held one cash ISA’ were not asked the questions on switching. If we were to assume that this group of 453 consumers could be effectively counted as non-switchers and included in the base count, along with the other 412 actual respondents to these questions,\footnote{Those responding Not sure/Don’t know have been removed.} then in 2010, we could argue that 17.2 percent of 866 people with at least one cash ISA had switched. In contrast, in the 2014 survey, it was found that out of the 832 respondents\footnote{Those responding Not sure/Don’t know have been removed.} who had at least one cash ISA, 26.1 per cent had ever switched their cash ISA(s). In using these figures, which suggest that switching rates have increased, we may be underestimating the proportion of consumers switching in the 2010 survey, as we are assuming that those who have only ever held one cash ISA have not switched that single cash ISA between providers or to another cash ISA product offered by their existing provider.

3.50 However, if we use the second method and look at the comparable information for those who have at least two cash ISAs we find that while switching has increased marginally it is not significant. We see
that 33.6 per cent of 298 respondents in 2010 switched and 35.4 per cent of 277 in 2014 switched.\textsuperscript{50}

3.51 Using the 2014 survey we can also see that 17.7 per cent of the 824 respondents had switched cash ISA in the last two years.\textsuperscript{51} Using this result and the result from the first method it appears that switching may have increased marginally. However, due to the inconsistency with the second method of analysis we are unable to conclude whether switching rates have increased based on the consumer survey, although it appears that switching has not fallen.\textsuperscript{52}

The context and switching

3.52 These changes are an important context and complicate the identification of a clear counterfactual against which to compare the impact of the OFT's recommendations.

3.53 As outlined at the end of Chapter 2 there are certain wider market factors that may help explain some of the trends in switching we have seen. For example, one important contextual factor is the financial crisis. Although this occurred several years before the interventions, its effects are still evident. For example, the Bank of England’s base rate has remained at 0.5 per cent since before the intervention and it introduced the Funding for Lending Scheme.\textsuperscript{53}

3.54 Both have had a significant impact on all financial markets including the cash ISA market. For example, the low base rate is likely to have contributed to lower interest rates being offered on cash ISAs than before the financial crisis. Furthermore, it has been indicated by providers and trade bodies that, in reaction to the credit crunch, banks reduced their reliance on money markets and increased their use of consumer or retail markets. This impacted in two main ways.

3.55 First, there was an increase in the number of cash ISA accounts on offer, with 280 ISAs offered in September 2010 compared to a peak of 397 in June 2012.\textsuperscript{54} Second, there was an increase in the

\textsuperscript{50} Those responding Not sure/Don’t know have been removed.

\textsuperscript{51} This percentage has been calculated once those answering ‘Not sure/Don’t know’ have been removed

\textsuperscript{52} However, due to the complex counterfactual it is unclear whether this is due to OFT intervention or not.

\textsuperscript{53} The base rate was set at 0.5 per cent in March 2009 and was still at that level at the time of this report in February 2014.

\textsuperscript{54} Based on information sourced from Moneyfacts magazine.
proportion of fixed rate cash ISAs, as providers tried to secure cash ISA funds for longer. This is reflected in both a rise in the number of fixed rate accounts on offer from 111 in September 2010 to a peak of 211 in June 2012 and an increase in the absolute number and value of fixed rate cash ISAs.

3.56 Subsequently, this method of raising funds has been affected by the Funding for Lending Scheme. This reduced the cost and increased the supply of funds for providers. In turn this has reduced the reliance of providers on retail markets and consequently cash ISAs. This means that providers have less incentive to attract cash ISA funds, leading to a further reduction in the interest rates on offer.

3.57 Stakeholders argued that low interest rates tend to reduce consumer engagement in Cash ISAs and reduce the benefits of switching. Hence we might expect switching to be subdued. However, with the expectation that interest rates will begin to rise over the next few years we may begin to see an increase in switching as the incentives to switch increase, albeit, of course, this is uncertain.

Interest payments

3.58 The super-complaint has led to three changes in interest payments.

- The new interest rate is received earlier due to reduced transfer times.
- Interest payments are now backdated to the sixteenth working day if there are any delays.
- Backdating of interest ensures consumers receive interest for the entire switching process.

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55 One provider did indicate that this shift was also partly due to changes in consumer preferences between variable and fixed rate cash ISAs which meant that banks focused more on fixed rate products.
56 Based on information sourced from Moneyfacts magazine.
57 Across 16 providers the proportion of accounts which are fixed rate has increased from 10 per cent in 2009 to 22 per cent in 2013. At the same time the proportion of the value of assets held in fixed rate accounts has increased from 18 per cent to 42 per cent.
58 www.bankofengland.co.uk/markets/Pages/FLS/default.aspx
59 This is reflected in the data where the average interest rate in cash ISA accounts that consumers can switch into falling from 2.57 per cent in June 2012 just before Funding for Lending was introduced to 1.70 per cent in June 2013. Further, the number of cash ISA accounts fell from a peak of 397 in June 2012 to 292 by June 2013. This is based on information from Moneyfacts magazine.
First, the reduction in transfer times means that consumers receive their new interest rate for a longer period. As indicated above there has been a reduction of around nine to 11 working days and this may fall further.

Second, when there are delays in the transfer process, interest is backdated such that consumers always get their new interest rate from the sixteenth working day onwards. As highlighted above, this has now been implemented by providers and at least two go further and backdate to the time of the transfer request.

Third, at the time of the super-complaint all transfers were manual and interest was often not paid in the period between the old provider closing the account and the new provider receiving the funds. Based on this the OFT recommended that interest should be received for every day of the transfer process as the money is always with one of the providers. The majority of new providers now pay interest from the day the old provider closes the account, whether the transfer is electronic or manual. This means that some consumers now benefit from interest during the entire transfer process instead of losing a few days' interest.

While the first two changes affect all providers, the third only affects some providers as some providers already paid interest for the entire period. Further, all these changes benefit consumers as they reduce the cost of switching by ensuring the consumer always receives interest during the transfer process. They also ensure that consumers receive their new interest rate as quickly as possible.

Conclusion on switching

It can be seen that the impact of the OFT’s intervention on switching has been mixed but this must be considered in the context of market developments. The OFT's impact in terms of interest payments has

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60 For example, the account may be closed on a Monday and a cheque sent to the new provider, it may arrive at the old provider on the Wednesday and then the funds are cleared by the Friday. In some cases no interest would be paid in this interval between the cheque being written and sent and the funds being cleared.

61 All 15 providers backdate interest to at least the time the old provider closes the account. Note that for one of these providers when they receive a manual transfer they backdate the interest for two days from receipt of cheque if it is during the week or four days if those two days are over a weekend period. Given that most providers now use at least first class post this means that interest is essentially backdated to the time the old provider closes the account.

62 On manual transfers interest is backdated to the date on the cheque and for electronic transfers it is paid from the point at which the funds are received.
been significant and will benefit consumers. However, the actual switching information that we have analysed is ambiguous, although the consumer survey showed there may have been a marginal improvement in switching. 63 All this needs to be assessed in the context of the current macro-economic conditions. 64

Transparency

Background

3.64 The OFT’s Response indicated that although information was available relatively easily online, by visiting a branch or by phoning cash ISA providers, there were further ways transparency could be improved. This was because it was difficult to find the interest rates of old cash ISAs online, the above methods can be time-consuming and interest rates were rarely on statements.

3.65 To increase transparency in the cash ISA market the OFT agreed certain initiatives with industry bodies. These initiatives were intended to help enhance consumers' understanding of the benefits of their cash ISA and those of competing cash ISAs. These initiatives were:

- That members of the BBA and BSA would, voluntarily, provide interest rates on cash ISA statements delivered in paper and/or electronic format. The National Savings & Investments (NS&I) also agreed to put interest rates on their statements. It was agreed that this would be done in time for the 2012 ISA 'season'. 65 This was aimed at making the interest rate more visible and prompting consumers to manage their cash ISAs better and change their behaviour.

- That members of the BBA 66 would, voluntarily, send the same bonus rate notifications to holders of payment accounts as to holders of non-payment accounts. It was agreed that this initiative would be in place by 1 July 2010. This was aimed at making the

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63 However, due to the complex counterfactual it is unclear whether this is due to OFT intervention or not.
64 It should be noted that there are still issues in the transfer process. For example, research by one consumer body did highlight that advice given by provider customer service teams can be poor. Poor advice can undermine consumer confidence and in turn impact on perceptions and willingness to switch.
65 The cash ISA 'season' is generally thought to be between February and May.
66 Building societies do not treat any of their cash ISA accounts as payment accounts and therefore this issue does not apply to them.
end of the bonus rate period visible for all consumers, again prompting consumers to manage their cash ISAs better and change their behaviour.

3.66 These initiatives were aimed at complementing, rather than duplicating, changes made to BCOBS, namely that, as of May 2010, all material\(^{67}\) interest rate changes to the detriment of the consumer require personal notification 14 days in advance.\(^{68}\)

3.67 The following diagram illustrates the framework for the evaluation of the OFT’s transparency interventions.

**Figure 4 - Transparency analytical framework**

![Diagram showing the framework for the evaluation of the OFT's transparency interventions.](source: OFT diagram)

3.68 As the diagram shows, a first step in evaluating the OFT Interventions is to measure consumer awareness of the changes to cash ISA statements and the notification of changes to the interest rates or the end of the bonus rate.

3.69 The objective of the OFT’s transparency related initiatives was aimed at ensuring consumers are informed of their cash ISA interest rate. This could make consumers aware of how their interest rate compares

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\(^{67}\) Defined as a decrease in the interest rate of over 25 basis points on an account that holds at least £500.


‘Where a firm proposes to exercise a power to make:

(a) a change to any term or condition of the agreement;
(b) a change to any charge; or
(c) a material change to any rate of interest;

that applies to the retail banking service and that will be to the disadvantage of a banking customer, the firm should provide reasonable notice to the banking customer on paper or in another durable medium before the change takes effect, taking into account the period of notice required by the banking customer to terminate the contract for the retail banking service. Whether a change to a rate of interest is ‘material’ should be determined having regard to the size of the balance of the account and the size of the change in the rate.’

with interest rates they observe from adverts and other sources, and may trigger searching and switching. However, due to the complex counterfactual we have been unable to conclusively test this link.

3.70 Further, placing interest rates on statements could also reduce consumers' search time. This is particularly the case for old cash ISAs where it may be difficult to find information on the current rate of interest.

3.71 The OFT has therefore considered the following questions in its evaluation:

- Have the recommendations been implemented?
- Are cash ISA holders aware of the recommendations?
- Have these interventions led to changes in consumer attitudes or behaviour?

These questions are considered in turn below.

Implementation

Both recommendations have been implemented in the market

3.72 In 2010 both the BBA and BSA agreed that their members would implement the OFT’s transparency initiatives and recommendations. With respect to the notification of the end of the bonus rate for payment accounts these changes were to be made by 1 July 2010. Providers agreed to provide interest rates on cash ISA statements delivered in paper and/or electronic format in time for the 2012 ISA 'season'.

3.73 Of the 16 cash ISA providers that responded to the OFT’s request for information, all of them now display the interest rate on cash ISA statements. Of these, at least eight have started displaying the interest rate on statements since the OFT’s Response. Where applicable, all but one of the providers published the interest rate on online statements as well.69

69 For this one provider their expectation is that they will be publishing the interest rate on online statements by the end of the year.
3.74 It was also found that, for the 10 providers where it was applicable, all of them provide notification of the end of the bonus rate to payment account holders.

3.75 Although not an OFT intervention, our information request also asked how providers complied with guidelines in BCOBS (namely, BCOBS 4.1.2.3) and their interpretation of the material change in the interest rate. All of the providers confirmed that they are complying with BCOBS, with customers receiving between 14 days and two months notice dependent upon their provider. Further, it was found that nine out of the 16 providers went beyond industry guidelines on the definition of a material change in interest rate and notified customers of all changes to their interest rate.

Awareness

Key Findings

Awareness of interest rates appears to have fallen (from 38.3 per cent in 2010 to 33.2 per cent in 2014)

However, the majority of consumers know where to find their interest rate

There also appears to be some awareness of interest rates on statements and the notification letters used when interest rates change

3.76 The major focus of the transparency recommendations was to ensure that customers know their interest rate and that they know when there are changes to their interest rate. The OFT used several questions in the 2014 survey to assess whether consumers are now more aware of their interest rate and how they find out about their interest rate and changes to it.

3.77 In both the 2014 survey and 2010 surveys, consumers were asked whether they knew the rate of their most recent cash ISA.\(^{70}\) The results show that in the 2014 survey 33.1 per cent of respondents (base of 833) said they knew their interest rate. This represents an approximate five percentage point fall compared to the 2010 survey.

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\(^{70}\) Note that in the 2010 survey respondents answered yes or no. However, in 2010 to add more depth to the question and aid other questions the responses were altered to 'Yes I know the exact rate' and 'Yes I know approximately the interest rate' which are combined here as Yes and 'No but I know where I could find it out' and 'No' which were combined here as No.
where 38.3 per cent of respondents knew their interest rate (base of 865).\textsuperscript{71}

3.78 Again, we have to consider this in the context of low interest rates. Consumers are well aware that rates are low and this may tend to reduce engagement. They may well have concluded that knowing rates are low is sufficient and that they do not need to know the exact rate.

3.79 The 66.8 per cent of respondents who did not know their interest rate in 2014 were further split into those who knew where to find it and those who did not. The former group was then combined with those who knew their interest rate to identify the sources used by consumers to find their interest rate.

3.80 Table 2 below sets out the top five responses when respondents were asked how they knew or would find out their interest rate.\textsuperscript{72} From this table it can be seen that cash ISA statement is the third highest answer as it was the response of 56 per cent of the 511 respondents. The highest responses being looking at the provider’s website (64 per cent) and checking the account online (61 per cent). This indicates that there is good awareness among consumers that interest rates can be found on cash ISA statements.

\textsuperscript{71} As outlined in Chapter 2 due to comparability we have compared this with the results when we only consider switchers with 2 or more cash ISAs and found that the result are consistent, see annexe D for more information.

\textsuperscript{72} Respondents were allowed to state multiple returns for this question so the percentages sum to more than 100 per cent.
Table 2: Top five responses for how consumers knew or would find their interest rate

<table>
<thead>
<tr>
<th>Answer</th>
<th>Percentage (respondents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Looking at your provider’s website</td>
<td>64 per cent (328)</td>
</tr>
<tr>
<td>2. Looking at your account online</td>
<td>61 per cent (314)</td>
</tr>
<tr>
<td>3. Cash ISA Statement</td>
<td>56 per cent (288)</td>
</tr>
<tr>
<td>4. Material set by provider</td>
<td>53 per cent (271)</td>
</tr>
<tr>
<td>4. Branch Inquiry</td>
<td>53 per cent (271)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>511 respondents</strong></td>
</tr>
</tbody>
</table>

Unweighted total number of respondents was 520. Based on all respondents answering the question. Respondents were allowed to give multiple response so the totals sum to more than 100 per cent

Source: OFT analysis based on GfK NOP survey data

3.81 Due to the super-complaint and changes made by other bodies there has been an increase in the level of notification consumers receive when there is a material change in the interest rate or the end of the bonus period. To gauge whether consumers are aware of these notifications, we asked those consumers who knew their exact interest rate whether it had changed. We found that the interest rate had changed for 49 respondents out of a total of 145 (33.8 per cent).

3.82 These respondents were then asked whether they had received a notification from their provider of the change in interest rate. In doing this we found that 43 of the 49 respondents (87.8 per cent) had received a notification from their provider. This indicates that notifications are being sent out to consumers and they are being noticed.

Perceptions and willingness

3.83 The impact of the changes in transparency and the changes in the switching process on the perceptions of and willingness to switch are heavily interlinked and we cannot disentangle the impacts given the
evidence at hand. Therefore the analysis here is much the same as the
analysis discussed in paragraphs 3.34 to 3.42 above. Further, given
the complex counterfactual we do not assess the impact on
competition.

3.84 To summarise, the evidence indicates that there has generally been a
positive impact on the perceptions of the transfer process and the
willingness to switch of those consumers who have already switched.
However, there are indications that there is still a core group who have
never considered switching. 73

Conclusion on transparency

3.85 Based on the information above it can be seen that the OFT’s
recommendations and initiatives on transparency have been
implemented. These recommendations and initiatives complement the
other changes that were made in transparency at around the time of
the OFT’s Response.

3.86 The evidence from the consumer survey is mixed. On the one hand,
there has been a slight reduction in the number of people who know
their interest rate. However, there is also evidence that people are
aware that, for example, their cash ISA statements are a good place to
find their interest rate. Generally there seems to have been a positive
impact on the perceptions of the transfer process and the willingness
to switch of those consumers who have already switched. However,
there are indications that there is still a core group of consumers who
have never considered switching. However, we do not have enough
evidence fully to assess the impact.

73 65.9 per cent of 832 respondents who hold a cash ISA have not switched and have never considered
switching.
4 BENEFITS ASSESSMENT

4.1 In this chapter we quantify the consumer benefits from the OFT’s intervention. The focus is on the reduction in transfer times (Transfer Time Benefit) and the changes in interest payments (Interest Payment Gap Benefit).

4.2 We find total annual consumer benefits of

- £1.75 million to £4.65 million (2013 prices) arising from the reduction in transfer times (Transfer Time Benefit)
- £2.32 million to £3.45 million (2013 prices) from the changes in interest payment policies (Interest Payment Gap Benefit) 74

4.3 We therefore estimate total annual consumer benefits in the range between £4.07 million to £8.11 million (2013 prices). 75

4.4 We estimate the cost to the OFT to be around £125,000 to £175,000 (2013 prices) and a per annum cost to providers of £3.4 million to £4.2 million.

4.5 We have considered two further main benefits but do not claim any consumer benefits in these areas for the reasons outlined below. The two benefit types are

- increased switching and
- movements in interest rates, as a result of increased competition.

74 This includes additional benefits from two providers who now go beyond the recommendations and backdate interest to the point at which they receive the transfer request. If the benefit derived from these two providers is not included the benefit would be £1.00m to £1.67m. Details of how we calculated this additional benefit are found in Annex E.

75 We have included all cash ISA producers in the estimation for which we have transfer and cash ISA values data. The respective cash ISA providers cover over 85 per cent of the cash ISAs market in 2013. In keeping with our conservative approach to estimating the benefits we have not scaled the result up to account for other cash ISA providers whose transfer times have fallen following the OFT’s work.
**Transfer Process**

**Approach**

4.6 As discussed in paragraph 2.10, our overall methodology for estimating consumer benefits follows a 'before and after' comparison. We consider that our best estimate of annual consumer benefits resulting from the OFT’s work is the difference in consumer detriment between years 2009 and 2013.

- We have used the year 2009 as the 'before' reference point to reflect the pre-intervention market situation. This is the earliest year included in our data request and should adequately reflect the situation prior to the OFT’s Response.

- We have chosen 2013 as the 'after' or post-intervention reference point. This is the most recent data and so captures the impact of the OFT’s work to the greatest extent. Different cash ISA providers have changed their practices at different times over the last three years. We note that some cash ISAs providers have not taken advantage of the BACS electronic transfer system. We therefore consider that this approach is cautious and may understate the eventual extent of the impact of the OFT’s work.

4.7 The drawback of a 'before and after' comparison is that it does not take into account the effects of other events that may have influenced the cash ISA market in the last five years. However, we consider that the OFT’s intervention drove the changes in transfer times and the Interest Payment Gap.

**Benefit categories**

4.8 We have looked at four main types of benefit. The first two categories we estimate. The second two, we discuss as they are difficult to calculate given the complex counterfactual. Therefore we focus on the impact of the changes to the transfer process and not wider factors such as competition (that is, categories one and two).

1. Transfer Time: as a result of the reduction in transfer times, consumers are paid their new interest rate earlier.
2. Interest Payment Gap: before the intervention there would be a gap of several days while the cheque cleared, during which no interest accrued. The new provider now pays interest from the point at which the old provider stops paying interest, removing the cheque clearing gap.


4. Average Interest Rate: possible impact of enhanced competition on the average ISA rate.

Benefits 1 and 2 - Transfer time and interest payment gap

4.9 The figure below shows the benefits in relation to the transfer process. The blue and gold lines represent the pre- and post-intervention interest rates, respectively, while the shaded areas indicate the first two benefits from the above list. In the diagram text in the blue boxes represents events pre-intervention while text in the gold boxes represents events post-intervention.

Figure 5: Changes in the transfer process

Source: OFT

76 For an individual average account.
Transfer Time benefit

4.10 Transfer times have fallen significantly since the super-complaint. The OFT’s Response found that transfer times were on average 18-20 working days\(^77\) and approximately 25 per cent of transfers were taking longer than 20-22 working days.\(^78\) In contrast we found that average transfer times had fallen to an average of eight and a half working days while 93 per cent of transfers were within 15 working days. This means that the OFT's intervention has led to a significant decrease in the amount of time taken in the transfer period. This in turn has significantly benefitted those consumers who transfer their cash ISA, as they now get their new interest rate at an earlier date. We have called this the Transfer Time Benefit.

Estimation of the Transfer Time benefit

4.11 The reduction in average transfer times means that consumers switch from their old interest rate to their new interest rate earlier. This is beneficial as it is assumed that consumers will generally switch to accounts with a higher interest rate. Based on this we can estimate the Transfer Time Benefit. To estimate this benefit we need three things:

1. the change in the average transfer time
2. the daily interest rate increase from switching, and
3. the pre-intervention value of assets switched.

4.12 As outlined above, the intervention has led to a 9.4 to 11.4 working day reduction in transfer times. However, as one of the factors driving this reduction in transfer time also feeds into the Interest Payment Benefit discussed in the next sub-section these figures are adjusted slightly to nine to 11 working days.\(^79\)

\(^77\) Note that in the OFT’s Response the average transfer time was reported as 26 calendar days. This has been converted to working days, but in doing so we have produced a range of the possible number of working days that may occur in any 26 calendar days’ period.

\(^78\) Note that in the OFT’s Response this figure was 30 calendar days. This has been converted to working days, but in doing so we have produced a range of the possible number of working days that may occur in any 30 calendar days period.

\(^79\) For manual transfers one of the factors that has reduced transfer times that also feeds into the Interest Payment Benefit is that cheques are now sent by first-class mail, reducing transfer times by one day. Based on 2013 switching information 41.7 per cent of transfers are manual. Therefore, we reduce the transfer Time Benefit by 0.417 days to avoid double counting.
4.13 To estimate the yearly interest rate increase from switching, we compared the average interest rate in the market with the interest rates consumers could receive if they switch. In doing this we use information from the Bank of England on the average interest rate on cash ISAs\textsuperscript{80} and information from Moneyfacts on the interest rates available on cash ISAs that accept transfers in.\textsuperscript{81} Using this, we estimate that the benefit from switching, in terms of the change in interest rate, is roughly between 0.99 percentage points and 2.15 percentage points.\textsuperscript{82} To convert this to the daily interest rate increase we divide this figure by 365.

4.14 To estimate the value of assets switched we used provider information on the number of transfers and our estimates of their average account size. For this we use 2011 data not 2009 because we do not have accurate switching information for 2009. To compensate for this we have scaled the value of assets switched in 2011 down by 15 per cent.\textsuperscript{83}

4.15 To estimate the Transfer Time Benefit we then combine these three figures and this leads to an annual consumer benefit of £1.75m to £4.65m (2013 prices).

\textsuperscript{80} The relevant series (IUMB6VN) is a measure of the monthly interest rate of UK monetary financial institutions (excl. Central Bank) sterling cash ISA deposits excluding unconditional bonuses from households (in percent) not seasonally adjusted. This series can be found at www.bankofengland.co.uk/boeapps/aadb/index.asp?Travel=N&levels=1&XNotes=Y&XNotes2=Y&Nodes=X40727X40728X40754X40755X45786X40763X78828&SectionRequired=I&HideNums=-1&ExtraInfo=true&A78833XBMX40727X40755X40763X78828.x=5&A78833XBMX40727X40755X40763X78828.y=5.

\textsuperscript{81} The OFT gathered information from Moneyfacts magazines. This information included the name of the account, the name of the provider, the rate on the account, the rate of any bonus, whether transfers in were allowed and the type of cash ISA.

\textsuperscript{82} The lower bound is based on the average interest rate on accounts that consumers could switch into and the upper bound is based on the highest interest rate that could be gained via switching.

\textsuperscript{83} This figure is used as overall the value of assets in 2009 were 15 per cent lower than the value of assets in 2011.
Table 3: Transfer Time Benefit

<table>
<thead>
<tr>
<th>Transfer Time Benefit</th>
<th>Lower bound value</th>
<th>Upper bound value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in average transfer times</td>
<td>9.0 working days</td>
<td>11.0 working days</td>
</tr>
<tr>
<td>Daily interest rate increase</td>
<td>0.0027 percentage points</td>
<td>0.0059 percentage points</td>
</tr>
<tr>
<td>Value of assets switched (2013 prices)</td>
<td>£7.15bn</td>
<td>£7.15bn</td>
</tr>
<tr>
<td>Total consumer benefit (2013 prices)</td>
<td>£1.75m</td>
<td>£4.65m</td>
</tr>
</tbody>
</table>

Based on information from 16 providers.

Source: OFT analysis based on information from Moneyfacts, Bank of England and providers.

Interest Payment Gap

4.16 Since the super-complaint, many providers have changed their interest payment policy (a total of nine out of 11 for whom we have information in 2009 and 2013). Before the super-complaint there was often a gap in the payment of interest during the transfer process. This gap was the period between the old provider closing the account and the new provider receiving the funds. The majority of new providers now pay interest from the day the old provider closes the account, whether the transfer is electronic or manual.

4.17 This means that the OFT's intervention has led to the removal of this interest payment gap. This in turn has significantly benefitted those

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84 For example, the account may be closed on a Monday and a cheque sent to the new provider, it may arrive at the new provider on the Wednesday and then the funds are cleared by the Friday. In some cases no interest would be paid in the interval between the cheque being written and sent and the funds being cleared.

85 All 15 providers, where relevant, backdate interest to at least the time the old provider closes the account. Note that for one of these providers when they receive a manual transfer they backdate the interest for two days from receipt of cheque if it is during the week or four days if those two days are over a weekend period. Given that most providers now use at least first class post this means that interest is essentially backdated to the time the old provider closes the account.

86 On manual transfers interest is backdated to the date on the cheque and for electronic transfers it is paid from the point at which the funds are received.
consumers who transfer their cash ISA as they now get interest for the entire transfer process. We have called this the Interest Payment Gap Benefit.

**Estimation of the Interest Payment Gap benefit**

4.18 To estimate the interest gap benefit we need three things:

1. the average change in the interest rate gap
2. the new daily interest rate, and
3. the pre-intervention value of assets switched into for those providers whose policy has changed.

4.19 To estimate the change in the average interest rate gap, we used information provided to the OFT during the super-complaint and compared it with answers to our information request. We have this information for 10 providers. Of these, two had no gap at the time of the super-complaint. The rest had seen their gaps fall by two to five working days. Across these providers the average change in the interest rate gap was 3.3 working days.\(^87\)

4.20 To estimate the new yearly interest rate we use information from Moneyfacts on the interest rates available on cash ISAs that accept transfers in. If this is done, we estimate that the new yearly interest rate is roughly between 1.73 percent and 2.90 percent.\(^88\) To convert this to the daily interest rate increase we divide this figure by 365.

4.21 To estimate the value of assets switched for those providers whose policy has changed, we used provider information on the number of transfers and our estimates of their average account size. For this we use 2011 rather than 2009 data, as we do not have accurate switching information for 2009. To compensate for this we have scaled the value of assets switched in 2011 down by 15 per cent.\(^89\)

---

\(^{87}\) Two of the providers now pay interest from the point at which they receive the transfer request. This has not been reflected here but the benefits relating to these two providers implementing this policy is outlined below.

\(^{88}\) The lower bound is based on the average interest rate on accounts that consumers could switch into and the upper bound is based on the highest interest rate that could be gained via switching.

\(^{89}\) This figure is used as overall the value of assets in 2009 were 15 per cent lower than the value of assets in 2011.
Table 4: Interest Payment Benefit

<table>
<thead>
<tr>
<th>Variable</th>
<th>Lower bound value</th>
<th>Upper bound value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average change in interest rate gap</td>
<td>3.3 working days</td>
<td>3.3 working days</td>
</tr>
<tr>
<td>New daily interest rate</td>
<td>0.0048 per cent</td>
<td>0.0079 per cent</td>
</tr>
<tr>
<td>Value of assets transferred in (2013 prices)</td>
<td>£6.32bn</td>
<td>£6.32bn</td>
</tr>
<tr>
<td><strong>Total consumer benefit (2013 prices)</strong></td>
<td><strong>£2.32m</strong></td>
<td><strong>£3.45m</strong></td>
</tr>
</tbody>
</table>

Based on information from nine providers.\(^{90}\)

**Source:** OFT analysis based on information from Moneyfacts, Bank of England and providers.

4.22 To estimate the Interest Payment Gap Benefit we then combine these three figures and this leads to an annual consumer benefit of £1 million to £3.45 million (2013 prices).\(^{91}\)

**Benefits 3 and 4 - Switching and Transparency**

4.23 Below we outline two further potential impacts of the OFT’s intervention (impact on switching and interest rates). However, we do not seek to claim and have not been able to quantify these consumer benefits as part of the headline figures for the following reasons:

- There is uncertainty about the extent to which any changes would be due to OFT’s recommendations and initiatives. While there are some indications that some aspects relating to switching and transparency have improved, there is not very strong evidence supporting a quantifiable impact, for example, on the number of transfers or interest rates.

\(^{90}\) Of the nine, two go further and backdate interest to the point at which they receive the transfer request. The benefits of this have been included here. This means that the figures in the table are a summary and not the exact calculation. If the benefit derived from these two providers is not included the benefit would be £1.00m to £1.67m. Details of how we calculated this additional benefit are found in Annex E

\(^{91}\) Ibid.
The benefits from the intervention arising from these impacts is hard to isolate and quantify. This, among other reasons, is due to the contextual factors explained above.

Actual switching

4.24 We analyse the impact on switching via the 2010 survey and 2014 survey. The transfer process reporting system was not introduced until 2011 so we have been unable, within the given timeframe, to gather the necessary information for switching in 2009 and 2010. As outlined in Chapter 2 there are comparability issues when comparing the 2010 survey and the 2014 survey and unfortunately these issues lead to inconsistent results on switching. Of the two methods we have used to analyse consumer switching neither indicates that switching has fallen over the period. However, while comparing switching when all cash ISA consumers are included indicates an increase in switching, when we only look at those with two cash ISAs, there is no significant impact on switching. Therefore we cannot be conclusive on whether switching has increased since the intervention.

4.25 However, as there is no indication that switching has fallen and it may have held up in difficult circumstances based on the consumer survey, we look at what the benefit could be. So, as an illustration, we consider the consumer benefit assuming hypothetically that there was a one percentage point higher rate of switching than absent the OFT intervention. To estimate the implied consumer benefit, we need to calculate the extra value of assets switched which this represents and the yearly interest rate increase from switching.

4.26 To estimate the extra value of assets switched, we can multiply the one percentage point increase in switching by the pre-intervention value of assets. Based on the value of assets in 2009 this would indicate extra switching of £1.45 billion (2013 prices) worth of assets.

4.27 To estimate the yearly interest rate increase from switching we compared the average interest rate in the market with the interest rates consumers could receive if they switch. In doing this we use information from the Bank of England on the average interest rate on cash ISAs and information from Moneyfacts on the interest rates available on cash ISAs that accept transfers in. If this is done, we
estimate that the benefit from switching, in terms of the change in interest rate, is roughly between 0.99 percentage points and 2.15 percentage points.\textsuperscript{92}

<table>
<thead>
<tr>
<th>Variable</th>
<th>Lower bound value</th>
<th>Upper bound value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in switching</td>
<td>1 percentage point</td>
<td>1 percentage point</td>
</tr>
<tr>
<td>Value of assets (2013 prices)</td>
<td>£1.45bn</td>
<td>£1.45bn</td>
</tr>
<tr>
<td>Yearly interest rate increase</td>
<td>0.99 per cent</td>
<td>2.15 per cent</td>
</tr>
<tr>
<td>Total consumer benefit (2013 prices)</td>
<td>£14.30m</td>
<td>£31.18m</td>
</tr>
</tbody>
</table>

Based on information from 16 providers.

\textbf{Source:} OFT analysis based on information from Moneyfacts, Bank of England and providers.

\textbf{4.28} Combining these two factors we estimate that the consumer benefit from an increase in switching of one percentage point would be roughly between £14.30 million and £31.18 million (2013 prices). However, we stress again that this is not included in our headline aggregate estimate.

\textbf{Interest rates}

\textbf{4.29} In our information request we asked providers for information on the following products taken from their five highest value cash ISA products:

- their most popular cash ISA products
- their cash ISA with the highest interest rate, and
- their cash ISA with the lowest interest rate.

\textsuperscript{92} The lower bound is based on the average interest rate on accounts that consumers could switch into and the upper bound is based on the highest interest rate that could be gained via switching.
For each of these products we asked for the interest rate, the number of accounts, the value of accounts, whether it was a fixed rate account and the years in which it opened and closed.

4.30 This information was used to give an indicative view of how the spread of interest rates may have changed over time. This analysis is described briefly here and in more detail in Annexe C.

4.31 Since 2009 the following trends can be observed (see figures in Annexe C):

- The number of people on the lowest-interest accounts has decreased, from approximately nine million in 2009 to five million in 2013. In contrast the number of people in the highest-paying accounts has risen from slightly over two million in 2009 to almost four million in 2013.

- The total value of assets in the lowest-paying accounts has decreased, from approximately £47 billion in 2009 to £15 billion in 2013. This is a decrease in market share from 26 per cent to 7 per cent. In contrast, the value contained in the highest-paying accounts has increased from £17 billion in 2009 to £35 billion in 2013, or from a market share of 10 per cent to 16 per cent.

- The average interest rate on each respective provider’s most popular account has on average increased from 0.76 per cent in 2009 to 2.27 per cent in 2013. Over the same period, the average interest rate paid on the highest-rate accounts has decreased, while that paid on the lowest-rate accounts has increased, indicating an overall convergence in interest rates.

4.32 It is important to note that this information only covers part of the market. Further, it is unclear to what extent the OFT’s Response may have contributed to the above but it is conceivable that it has contributed towards the changes. For example, interest rates are now on all cash ISA statements. This may have led to more people being aware of their interest rate and in turn led to those in the lowest interest rate accounts switching.

93 Over the period this information accounted for between 64 per cent and 44 per cent of the market by value. (Based on provider and HMRC information).
## Total Impact - summary of benefits

<table>
<thead>
<tr>
<th>Quantified Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transfer Time</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Interest Payment</strong></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-quantified Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Switching</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Interest Rates</strong></td>
</tr>
</tbody>
</table>

4.33 As highlighted in the box above we have looked at both those benefits which can be quantified (Transfer Time Benefit and Interest Payment Benefit) and those we could not properly quantify.

4.34 In terms of quantifiable benefits the OFT's intervention has had a direct effect on transfer times and interest payments. We estimate that the benefits of the OFT's interventions were in total between £4.07 million and £8.11 million (2013 prices):

- £1.75 million to £4.65 million (2013 prices) arising from the reduction in transfer times (Transfer Time Benefit)
• £2.32 million to £3.45 million (2013 prices) from the changes in interest payment policies (Interest Payment Gap Benefit) 94

4.35 We therefore estimate total annual consumer benefits in the range between £4.07 million to £8.11 million.

4.36 In terms of non-quantifiable benefits the OFT’s Response may have had an impact on both switching levels and average interest rates. However, given data limitations we have not been able properly to quantify these benefits, to the extent there are any such benefits. However, it can be seen that if switching since the intervention has increased by one percentage point then this would equate to an annual consumer benefit of £14.30 million and £31.18 million (2013 prices).

Financial costs associated with the OFT’s Response

4.37 A final aspect of this evaluation study is to quantify the costs associated with the OFT’s intervention, including the direct costs to the OFT of undertaking the study, the costs to Government, regulators and trade bodies of implementing changes in regulations arising from the OFT’s study and any costs to businesses as a result of increased regulatory burden and other such factors. This section documents the cost information that it has been possible to gather and evidence.

4.38 Based on evidence from providers we estimate per annum costs of £3.4 million to £4.2 million.95 This is likely to be an overestimation of the total costs as in some cases it seems to include some non-specific cash ISA costs.

4.39 Further, the costs reported above do not take into account potential cost savings due to the introduction of the electronic transfer system. Some providers stated that the electronic system was generating significant operating savings (in the millions) while others said it was too difficult to isolate the effect. Overall this does suggest that the electronic transfer system will lead to cost savings over time. These

94 This includes additional benefits from two providers who now go beyond the recommendations and backdate interest to the point at which they receive the transfer request. If the benefit derived from these two providers is not included the benefit would be £1.00m to £1.67m. Details of how we calculated this additional benefit are found in Annex E

95 This is based on total estimated costs of £45-55 million and converted in to a per annum figure based on the number of years the old transfer process was in place
cost savings are also likely to increase as more providers use the system. In light of this the provider cost estimates reported above are an overestimate of the true costs providers will face.

4.40 Evidence from the OFT indicates that the total direct cost to the OFT of undertaking the OFT’s Response, the Progress Review and any other follow up work was in the order of £125,000 to £175,000 between 2010 and 2013 (in 2013 prices). To be conservative, we included all internal and external costs the OFT incurred.
ANNEXE A: INITIATIVES AND RECOMMENDATIONS

Switching

A1 The OFT’s initiatives and recommendations aimed at improving the process and perception of switching covered several areas. First, the BBA, BSA and TISA agreed to:

- amend their guidelines on the cash ISA transfer process to reduce the maximum transfer period from 23 to 15 working days
- collect monthly information on transfer times from cash ISA providers to be reviewed against the 15-day limit
- send a summary of switching information to the FSA (now FCA).
- amend their guidelines to require all cash ISA providers to keep up-to-date contact details on the TISA database
- publish a consumer-friendly guideline to the transfer process on 29 June 2010
- explore by 31 December 2010 how to implement best practice to reduce problems consumers face in transferring cash ISAs
- undertake a feasibility study into an electronic transfer system.

A2 Second, providers agreed that:

- all cheques and paper work should be sent by first class post
- transfers should be handled on a daily basis rather than processed in batch
- staff resources should be increased to handle cash ISA openings and transfers more quickly, particularly during peak season (April-June)
- all communication, written and verbal, should be given to a designated cash ISA team rather than a generic central services team.

A3 Third, the OFT also recommended that:
• the HMRC guidance be amended to reflect the new industry guidelines

• the FSA refer to the new guidelines in BCOBS and review the transfer times data in addition to any information the FSA receives about complaints

• the FSA should consider taking action itself under its Banking Conduct Regime paying consideration to BCOBS 5.1.5 if the new industry guidelines are not being followed.96

A4 Finally, there were also certain initiatives and recommendations which were specifically aimed at ensuring consumers were not adversely affected if delays did occur, namely that:

• interest should be received by consumers no later than 15 working days after requesting a transfer, regardless of whether the transfer has occurred or not

• providers should ensure that in the event of a delay, consumers are no worse off than if the guidance had been followed. Consumers should not need to work out which provider was at fault

• interest should be received for every day of the transfer process as the money is always with one of the providers. This may involve backdating of interest to the day of account closure.

Transparency

A5 To increase transparency of interest rates and when they change, the OFT outlined the following initiatives and recommendations:

• Interest rates will be published on statements in time for the 2012 ISA season.

• The BBA97 has agreed that its members will extend the notification of the end of the bonus rates to payment cash ISAs by 1 July 2010.

96 See http://fshandbook.info/FS/html/handbook/BCOBS/5/1. BCOBS 5.1.5 states: 'A firm must provide a prompt and efficient service to enable a banking customer to move a retail banking service (including a payment service) provided by another firm.'
At a similar time to the OFT’s Response there was a change made to the FCA’s Banking: Conduct of Business sourcebook (BCOBS). This change meant that as of May 2010 all material\(^98\) interest rate changes to the detriment of the consumer require personal notification 14 days in advance.\(^99\)

\(^{97}\) Building societies do not treat any of their cash ISA accounts as payment accounts and therefore this issue does not apply to them.

\(^{98}\) Defined as a decrease in the interest rate of over 25 basis points on an account that holds at least £500.

\(^{99}\) See http://fshandbook.info/FS/html/handbook/BCOBS/4/1, BCOBS 4.1.2.3 states:

‘Where a firm proposes to exercise a power to make:

(a) a change to any term or condition of the agreement;

(b) a change to any charge; or

(c) a material change to any rate of interest;

that applies to the retail banking service and that will be to the disadvantage of a banking customer, the firm should provide reasonable notice to the banking customer on paper or in another durable medium before the change takes effect, taking into account the period of notice required by the banking customer to terminate the contract for the retail banking service. Whether a change to a rate of interest is ‘material’ should be determined having regard to the size of the balance of the account and the size of the change in the rate.’
ANNEXE B: CONSUMER SURVEY

Introduction

B1 In January 2014 the OFT placed a number of questions on a consumer omnibus survey to assess consumer attitudes and behaviour in relation to cash ISAs. The objective was to understand consumer behaviour and levels of understanding around cash ISAs. Further, this consumer survey was aimed at complementing the consumer survey conducted for the OFT’s Response.

Methodology

B2 Sixteen questions were placed on the GfK NOP telephone omnibus survey - Telebus. This telephone survey interviewed 2,000 adults aged 16 and over. The fieldwork was conducted over the weekends of 10th-12th and 17th-19th January 2014.

B3 Respondents were selected by random digit dialling. The sampling frame was all telephone directories in the UK. Given that the sample is controlled by quotas, the final demographic profile should be fairly close to that of the target population. However, the achieved sample was examined post-survey to ensure the profile was as it should be. If necessary, the sample was then weighted to ensure that it is representative in terms of known population data on age, sex, social class, number of adults in household, working status and region.

B4 The survey covered respondents throughout the UK.
## Questions and results

**Question 1: How many cash ISAs do you hold, if any?**

<table>
<thead>
<tr>
<th>Answer</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. One</td>
<td>552</td>
<td>27.6%</td>
</tr>
<tr>
<td>2. Two</td>
<td>163</td>
<td>8.1%</td>
</tr>
<tr>
<td>3. Two or more</td>
<td>118</td>
<td>5.9%</td>
</tr>
<tr>
<td>4. None</td>
<td>1027</td>
<td>51.4%</td>
</tr>
<tr>
<td>5. Don’t know</td>
<td>140</td>
<td>7.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2000</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Unweighted total number of respondents was 2000. Based on all respondents answering the question.

**Source:** OFT analysis based on GfK NOP survey data

**Question 2: Does the cash ISA …?**  
Asked to those answering Q.1 (1, 2, 3)

<table>
<thead>
<tr>
<th>Answer</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Have a fixed interest rate of a period of at least a year</td>
<td>441</td>
<td>53.0%</td>
</tr>
<tr>
<td>2. Have an interest rate that can change more than once a year</td>
<td>211</td>
<td>25.3%</td>
</tr>
<tr>
<td>3. Not sure/Don’t know</td>
<td>181</td>
<td>21.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>832</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Unweighted total number of respondents was 846. Based on all respondents answering the question.

**Source:** OFT analysis based on GfK NOP survey data
Question 3: Are funds in the cash ISA ...?
Asked to those answering Q.1 (1, 2, 3)

<table>
<thead>
<tr>
<th>Answer</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Instantly accessible</td>
<td>485</td>
<td>58.2%</td>
</tr>
<tr>
<td>2. Accessible after a notice period</td>
<td>117</td>
<td>14.0%</td>
</tr>
<tr>
<td>3. Accessible after a fixed term</td>
<td>165</td>
<td>19.8%</td>
</tr>
<tr>
<td>4. Not sure/Don’t know</td>
<td>66</td>
<td>8.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>832</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Unweighted total number of respondents was 846. Based on all respondents answering the question.

**Source**: OFT analysis based on GfK NOP survey data

Question 4: Is your most recent cash ISA a paperless account, that is one for which you do not receive paper statements?
Asked to those answering Q.1 (1, 2, 3)

<table>
<thead>
<tr>
<th>Answer</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>146</td>
<td>17.5%</td>
</tr>
<tr>
<td>2. No</td>
<td>678</td>
<td>81.5%</td>
</tr>
<tr>
<td>3. Not sure/Don’t know</td>
<td>8</td>
<td>1.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>832</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Unweighted total number of respondents was 846. Based on all respondents answering the question.

**Source**: OFT analysis based on GfK NOP survey data
Question 5: Have you transferred money from one cash ISA to another in the last two years?
Asked to those answering Q.1 (1, 2, 3)

<table>
<thead>
<tr>
<th>Answer</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>146</td>
<td>17.5%</td>
</tr>
<tr>
<td>2. No</td>
<td>678</td>
<td>81.5%</td>
</tr>
<tr>
<td>3. Not sure/Don’t know</td>
<td>8</td>
<td>1.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>832</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Unweighted total number of respondents was 846. Based on all respondents answering the question.

Source: OFT analysis based on GfK NOP survey data

Question 6: Have you ever transferred money from one cash ISA to another?
Asked to those answering Q.5 (2, 3)

<table>
<thead>
<tr>
<th>Answer</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>71</td>
<td>10.4%</td>
</tr>
<tr>
<td>2. No</td>
<td>606</td>
<td>89.4%</td>
</tr>
<tr>
<td>3. Not sure/Don’t know</td>
<td>1</td>
<td>0.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>678</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Unweighted total number of respondents was 684. Based on all respondents answering the question.

Source: OFT analysis based on GfK NOP survey data
Question 7: Last time you transferred money from one cash ISA to another did you encounter any problems?
Asked to those answering Q.5 (1) and Q.6 (1)

<table>
<thead>
<tr>
<th>Answer</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>15</td>
<td>6.8%</td>
</tr>
<tr>
<td>2. No</td>
<td>200</td>
<td>92.3%</td>
</tr>
<tr>
<td>3. Not sure/Don’t know</td>
<td>2</td>
<td>0.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>217</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Unweighted total number of respondents was 227. Based on all respondents answering the question.

Source: OFT analysis based on GfK NOP survey data

Question 8: What were the main problems you encountered?
Asked to those answering Q.7 (1) (Multiple responses allowed)

<table>
<thead>
<tr>
<th>Answer</th>
<th>Responses</th>
<th>Percentage</th>
<th>Percentage of cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The process took longer than 30 days</td>
<td>10</td>
<td>19.5%</td>
<td>68.4%</td>
</tr>
<tr>
<td>2. You were asked to provide further information after arranging the transfer</td>
<td>5</td>
<td>9.3%</td>
<td>32.5%</td>
</tr>
<tr>
<td>3. You needed to contact the old provider to find out what was happening</td>
<td>9</td>
<td>18.2%</td>
<td>63.8%</td>
</tr>
<tr>
<td>4. You needed to contact the new provider to find out what was happening</td>
<td>7</td>
<td>14.0%</td>
<td>48.9%</td>
</tr>
<tr>
<td>5. You had to fill out another application for, because there was a problem with the first</td>
<td>3</td>
<td>5.0%</td>
<td>17.6%</td>
</tr>
<tr>
<td>6. The wrong amount of</td>
<td>3</td>
<td>6.5%</td>
<td>22.8%</td>
</tr>
</tbody>
</table>
money was transferred

<table>
<thead>
<tr>
<th>Answer</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>144</td>
<td>66.4%</td>
</tr>
<tr>
<td>2. No</td>
<td>19</td>
<td>8.7%</td>
</tr>
<tr>
<td>3. Not sure/Don’t know</td>
<td>54</td>
<td>24.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>217</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Unweighted total number of respondents was 227. Based on all respondents answering the question.

**Source:** OFT analysis based on GfK NOP survey data
### Question 10: Would you consider transferring money between cash ISAs again?
Asked to those answering Q.5 (1) and Q.6 (1)

<table>
<thead>
<tr>
<th>Answer</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>183</td>
<td>84.6%</td>
</tr>
<tr>
<td>2. No</td>
<td>29</td>
<td>13.2%</td>
</tr>
<tr>
<td>3. Not sure/Don’t know</td>
<td>5</td>
<td>2.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>217</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Unweighted total number of respondents was 227. Based on all respondents answering the question.

*Source:* OFT analysis based on GfK NOP survey data

### Question 11: Have you ever considered transferring money from your existing cash ISA to another cash ISA?
Asked to those answering Q.6 (2, 3)

<table>
<thead>
<tr>
<th>Answer</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>60</td>
<td>9.8%</td>
</tr>
<tr>
<td>2. No</td>
<td>548</td>
<td>90.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>607</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Unweighted total number of respondents was 6107. Based on all respondents answering the question.

*Source:* OFT analysis based on GfK NOP survey data
**Question 12: Do you know what rate of interest your most recent cash SIA earns?**
Asked to those answering Q.1 (1, 2, 3)

<table>
<thead>
<tr>
<th>Answer</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes I know the exact rate</td>
<td>145</td>
<td>17.4%</td>
</tr>
<tr>
<td>2. Yes I know approximately the interest rate</td>
<td>131</td>
<td>15.7%</td>
</tr>
<tr>
<td>3. No but I know where I could find it out</td>
<td>235</td>
<td>28.3%</td>
</tr>
<tr>
<td>4. No</td>
<td>321</td>
<td>38.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>832</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Unweighted total number of respondents was 846. Based on all respondents answering the question.

**Source**: OFT analysis based on GfK NOP survey data

**Question 13: How do you know what the current interest rate is on your most recent cash ISA, or if you do not know, where would you find out what it is?**
Asked to those answering Q.12 (1, 2, 3) (Multiple responses allowed)

<table>
<thead>
<tr>
<th>Answer</th>
<th>Responses</th>
<th>Percentage</th>
<th>Percentage of cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cash ISA statement</td>
<td>288</td>
<td>13.0%</td>
<td>56.4%</td>
</tr>
<tr>
<td>2. Looking at your account online</td>
<td>314</td>
<td>14.2%</td>
<td>61.5%</td>
</tr>
<tr>
<td>3. Looking at your provider’s website</td>
<td>328</td>
<td>14.8%</td>
<td>64.2%</td>
</tr>
<tr>
<td>4. Online forums</td>
<td>127</td>
<td>5.7%</td>
<td>24.9%</td>
</tr>
<tr>
<td>5. Branch inquiry</td>
<td>271</td>
<td>12.2%</td>
<td>53.0%</td>
</tr>
<tr>
<td>6. Telephone inquiry</td>
<td>166</td>
<td>7.5%</td>
<td>32.5%</td>
</tr>
<tr>
<td>7. Material sent by provider</td>
<td>272</td>
<td>12.2%</td>
<td>53.1%</td>
</tr>
<tr>
<td>8. Advertisement</td>
<td>117</td>
<td>5.3%</td>
<td>23.0%</td>
</tr>
</tbody>
</table>
9. Fixed-rate ISA and rate known

<table>
<thead>
<tr>
<th>Answer</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>224</td>
<td>10.1%</td>
</tr>
<tr>
<td>No</td>
<td>224</td>
<td>43.8%</td>
</tr>
</tbody>
</table>

10. You have only just opened the ISA

<table>
<thead>
<tr>
<th>Answer</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>80</td>
<td>3.6%</td>
</tr>
<tr>
<td>No</td>
<td>80</td>
<td>15.6%</td>
</tr>
</tbody>
</table>

11. Other

<table>
<thead>
<tr>
<th>Answer</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>25</td>
<td>1.1%</td>
</tr>
<tr>
<td>No</td>
<td>25</td>
<td>4.9%</td>
</tr>
</tbody>
</table>

12. Don’t know

<table>
<thead>
<tr>
<th>Answer</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>4</td>
<td>0.2%</td>
</tr>
<tr>
<td>No</td>
<td>4</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

Total

<table>
<thead>
<tr>
<th>Answer</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>2216</td>
<td>100.0%</td>
</tr>
<tr>
<td>No</td>
<td>2216</td>
<td>434.6%</td>
</tr>
</tbody>
</table>

Unweighted total number of respondents was 2216. Based on all respondents answering the question.

**Source:** OFT analysis based on GfK NOP survey data

---

**Question 14: Has the rate of interest on your most recent cash ISA ever changed?**

*Asked to those answering Q.12 (1)*

<table>
<thead>
<tr>
<th>Answer</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>49</td>
<td>34.1%</td>
</tr>
<tr>
<td>No</td>
<td>92</td>
<td>63.5%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>3</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Total

<table>
<thead>
<tr>
<th>Answer</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>145</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Unweighted total number of respondents was 145. Based on all respondents answering the question.

**Source:** OFT analysis based on GfK NOP survey data
### Question 15: Do you know what rate of interest your most recent cash SIA earns?
Asked to those answering Q.14 (1)

<table>
<thead>
<tr>
<th>Answer</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>45</td>
<td>90.4%</td>
</tr>
<tr>
<td>2. No</td>
<td>4</td>
<td>7.6%</td>
</tr>
<tr>
<td>3. Don’t know</td>
<td>1</td>
<td>2.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>49</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Unweighted total number of respondents was 50. Based on all respondents answering the question.

**Source:** OFT analysis based on GfK NOP survey data

### Question 16: Do you know what rate of interest your most recent cash SIA earns?
Asked to those answering Q.14 (1)

<table>
<thead>
<tr>
<th>Answer</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>43</td>
<td>87.8%</td>
</tr>
<tr>
<td>2. No</td>
<td>5</td>
<td>11.0%</td>
</tr>
<tr>
<td>3. Don’t know</td>
<td>1</td>
<td>1.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>49</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Unweighted total number of respondents was 50. Based on all respondents answering the question.

**Source:** OFT analysis based on GfK NOP survey data
ANNEXE C: FIGURES AND CHARTS

C1 In this annexe we look at provider information on the following products taken from their five most popular cash ISA products:

- their most popular cash ISA products
- their cash ISA with the highest interest rate, and
- their cash ISA with the lowest interest rate.

For each of these products we asked for the interest rate, the number of accounts, the value of accounts, whether it was a fixed rate account and the years it opened and closed in.

C2 When the most popular account was also the account with the highest or lowest interest rate then that account was only included in the analysis as the highest or lowest interest rate account to avoid duplication.

Figure C1: Total number of people in each account

Source: OFT analysis of provider data

C3 Figure C1 looks at the total number of people for each account grouping. From this figure it can be seen that the total number of people in each bank’s respective lowest-rate account has decreased
dramatically, almost halving from nine million in 2010 to five million in 2013. On the other hand, the number of people in each bank’s respective highest-rate account has increased by almost one million during that same period, from close to three million to almost four million. This is indicative of people switching away from low interest rate accounts.

Figure C2: Total value of assets in each account

Source: OFT analysis of provider data

C4 Figure C2 looks at the total value of assets held in each account. From the figure we can see that the picture it paints is very similar to the previous one. The total value of assets in lowest-rate accounts has decreased, from £42 million in 2010 to £15 million in 2013, while the total value in highest-rate accounts has increased from just over £25 million in 2010 to £35 million in 2013. Again this is indicative of people switching away from accounts with low interest rates and into accounts with high interest rates.

C5 Figure C3 looks at the average value of assets in each account.\(^{100}\) From this figure it can be seen that the average value in the lowest-rate accounts have been decreasing, indicating that those switching

\(^{100}\) This average is based on the total value of assets report by providers for each account and the total number of accounts as reported by providers.
out of the account have been people with higher balances and consequently the group for whom the benefit of switching is largest. The average value of assets in the highest-paying accounts has been largely unchanged since 2010, while that of the most popular accounts has been more volatile but ultimately averaged around £7,000 since 2009.

Figure C3: Average value of accounts

Source: OFT analysis of provider data
Figure C4: Average interest rates on accounts

Source: OFT analysis of provider data

C6 Figure C4 looks at the weighted average interest rates on each account type, where accounts are weighted by the value of assets in that account.¹⁰¹ It can be seen that interest rates appear to be converging, with the lowest rates increasing and the highest rates decreasing. The interest rates paid by the most popular accounts has been slightly increasing since 2010, by almost half a percentage point overall.

¹⁰¹ That is, the interest rate of the most popular account of a bank with a certain value of assets in that account will enter with twice the weight of the interest rate of another bank’s most popular account with half those assets.
ANNEXE D: CONSUMER SURVEY COMPARABILITY

D1 In this annexe we compare the results of the 2014 survey and 2010 survey.102

D2 As discussed above in the 2014 survey we tried to ensure that we covered all of the topics of relevance, while also making response options comparable with similar questions in the 2010 survey. In particular, we wanted to look at switching and related questions with respect to perceptions and willingness to switch.

D3 Unfortunately there is one key comparability issue between the 2014 survey and the 2010 survey. Due to the sequencing of questions in the 2010 survey not all consumers who had only one cash ISA and switched were captured. This means that the 2010 survey underestimates switching when compared with the 2014 survey. Switching rates are not, therefore, directly comparable between the surveys and this also impacts a number of later questions which depend on the number of consumers who have switched.

D4 In view of this, any comparison of results needs to be conducted with caution. To try and enable a more valid comparison between the two surveys we have analysed responses based on two, alternative, methods:

1. first, we included all respondents with at least one cash ISA, and
2. second we excluded respondents with only one cash ISA.

The first method will not produce a like for like comparison, but includes all the data. The second will be closer to a like for like comparison; however, it only looks at a subset of consumers which means the results are less robust and are not representative across all cash ISA consumers.

D5 When the results across these two methods produce similar results in terms of proportions of interest then we can be more confident about

---

102 The statistical analysis presented here has been conducted using these weighted counts and significance tests adjusted accordingly. The test statistics used is the Chi-squared test: here, a 2-sided test statistic, adjusted for the survey design using design factors specific to the set of useable responses for the question being considered. Test results with a corresponding p value \(< 0.05\) are considered to indicate significant differences in results between the two surveys (response not independent of year). The effect of the adjustment in this design situation is generally, though not necessarily, to slightly reduce the significance of the observed results.
the patterns that are seen. In contrast, if the results are dissimilar more caution is required.

**Question comparison**

**Switching**

D6 Unfortunately for switching both methods cannot be used. This is because if we look at all consumers with at least one cash ISA, it is not possible to make like-for-like comparisons, as those in 2010 who have ‘only ever held one cash ISA’ were not asked the questions on switching. If we were to assume that this group of 453 consumers could be effectively counted as non-switchers and included in the base count, along with the other 412 actual respondents to these questions, then in 2010, we could argue that 17.2 percent of 866 with at least one cash ISA had switched. In contrast, in the 2014 survey, it was found that out of the 832 respondents who had at least one cash ISA, 26.1 per cent had ever switched their cash ISA(s).

D7 In using these figures, which suggest that switching rates have increased, we may be underestimating the proportion of consumers switching in the 2010 survey, as we are assuming that those who have only ever held one cash ISA have not switched that single cash ISA between providers or to another cash ISA product offered by their existing provider.

D8 However, if we use the second method and look at the comparable information for those who have at least two cash ISAs we find that while switching has increased marginally it is not significant.
Table D1: Switchers with more than one cash ISA

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>100 (33.6%)</td>
<td>198 (66.4%)</td>
<td>298</td>
</tr>
<tr>
<td>2014</td>
<td>98 (35.4%)</td>
<td>179 (64.6%)</td>
<td>277</td>
</tr>
<tr>
<td>Total</td>
<td>198</td>
<td>377</td>
<td>575</td>
</tr>
</tbody>
</table>

1 Excludes 4 responding ‘Don’t know’ in 2014.

2 Base = 298 in 2010 and 281 (=833, minus 552 with one ISA) in 2014.

3 In 2014 Respondents who answered ‘one’ to Q1 were removed to aid comparability. This reduces the useable responses to Qs 5 and 6 in 2014 by about two-thirds.

$\chi^2 = 0.21$, p-value 0.66.

**Source:** OFT analysis based on GfK NOP survey data

**D9** Based on this we are unable to conclude whether switching rates have increased based on the consumer survey. Although it appears that switching has not fallen.\(^{103}\)

**Problems in switching**

**D10** Next we look at the number of problems faced by those who have switched. In Table D2 below we include all cash ISA consumers and in Table D3 we exclude consumers with one cash ISA.

\(^{103}\) However, due to the complex counterfactual it is unclear whether this is due to OFT intervention or not.
### Table D2: Problems for all switchers

**Comparing problems over time**  
(Questions 7 in 2014 survey and 2010 survey)

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>21</td>
<td>128</td>
<td>149</td>
</tr>
<tr>
<td></td>
<td>(14.1%)</td>
<td>(85.9%)</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>15</td>
<td>200</td>
<td>217</td>
</tr>
<tr>
<td></td>
<td>(7.0%)</td>
<td>(93.0%)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>328</td>
<td>366</td>
</tr>
</tbody>
</table>

1 Excludes 2 responding 'Don’t know’ in 2014.
2 Base = 149 in 2010 and 217 in 2014.
3 Respondents answering 'yes' to Q5 or Q6 were asked Q7 in 2014.

\(\chi^2 = 5.002, p\text{-value} 0.032.\)

**Source:** OFT analysis based on GfK NOP survey data

### Table D3: Problems for switchers with more than one cash ISA

**Comparing problems over time**  
(Questions 7 in 2014 survey and 2010 survey)

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>19</td>
<td>82</td>
<td>101</td>
</tr>
<tr>
<td></td>
<td>(18.8%)</td>
<td>(81.2%)</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>8</td>
<td>89</td>
<td>97</td>
</tr>
<tr>
<td></td>
<td>(8.2%)</td>
<td>(91.8%)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>27</td>
<td>171</td>
<td>198</td>
</tr>
</tbody>
</table>

1 Excludes 1 responding 'Don’t know’ in 2014.
2 Base = 101 (149, minus 48 with one ISA) in 2010 and 99 (=217, minus 118 with one ISA) in 2014.
3 In 2014 Respondents who answered 'one' to Q1 were removed to aid comparability. This
reduces the useable responses to Q7 in 2014 by more than half; the proportions of 'yes' responses were, however broadly comparable. Respondents answering 'yes' to Q5 or Q6 were asked Q7 in 2014.

\[ \chi^2 = 4.68, \text{ p-value } 0.03. \]

**Source:** OFT analysis based on GfK NOP survey data

D11 In terms of the number of problems in the transfer process the two methods produce similar results. In both the percentage of respondents who have had a problem is lower in the 2014 survey than it was in the 2010 survey. This indicates that over time the number of problems in the switching process may have fallen.

Perceptions and willingness to switch

D12 Next we look at whether those who have switched would consider doing so again. In Table D4 below we include all cash ISA consumers and in Table D5 we exclude consumers with one cash ISA.

Table D4: Whether switchers would consider doing so again

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>112</td>
<td>37</td>
<td>149</td>
</tr>
<tr>
<td></td>
<td>(75.2%)</td>
<td>(24.8%)</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>183</td>
<td>29</td>
<td>212</td>
</tr>
<tr>
<td></td>
<td>(86.3%)</td>
<td>(13.7%)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>295</td>
<td>66</td>
<td>361</td>
</tr>
</tbody>
</table>

1 Excludes 1 responding 'Don’t know’ in 2010 and 5 in 2014.

2 Base = 150 in 2010 and 217 in 2014.

3 Respondents answering 'yes' to Q5 or Q6 were asked Q10 in 2014.

\[ \chi^2 = 7.28, \text{ p-value } <0.01. \]

**Source:** OFT analysis based on GfK NOP survey data
Table D5: Whether switchers with more than one cash ISA would consider doing so again

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>81</td>
<td>19</td>
<td>101</td>
</tr>
<tr>
<td>2010</td>
<td>(80.2%)</td>
<td>(18.8%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>85</td>
<td>11</td>
<td>97</td>
</tr>
<tr>
<td>2014</td>
<td>(87.6%)</td>
<td>(11.3%)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>197</td>
<td>48</td>
<td>198</td>
</tr>
</tbody>
</table>

1 Excludes 1 responding 'Don’t know' in 2010 and 1 in 2014.

2 Base = 98 (150, minus 53 with one ISA who didn’t transfer) in 2010 and 102 (= 217, minus 116 with one ISA who didn’t transfer) in 2014.

3 In 2014 Respondents who answered 'one' to Q1 were removed to aid comparability. This reduces the useable responses to Q10 in 2014 by more than half; the proportions of 'yes' responses were, however broadly comparable. Respondents answering 'yes' to Q5 or Q6 were asked Q10 in 2014.

\[\chi^2 = 2.15, \text{ p-value} 0.16.\]

Source: OFT analysis based on GfK NOP survey data

D13 Again it can be seen that the results are consistent across the two methods. In both there has been an increase in the number of switchers who would consider switching again. Further, this is consistent with the results when we breakdown respondents from the 2014 survey and look at recent-switchers and older-switchers.\(^{104}\) Therefore the results from the consumer surveys indicate that there may have been an increase in the perceptions of and willingness to switch of those who have previously switched.

D14 We can also look at whether those who have never switched have ever considered switching. In Table D6 below we include all cash ISA consumers and in Table D7 we exclude consumers with one cash ISA.

\(^{104}\) See Table 1 in Chapter 3.
Table D6: Whether non-switchers have ever considered switching

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>175 (24.7%)</td>
<td>532 (75.3%)</td>
<td>707</td>
</tr>
<tr>
<td>2014</td>
<td>60 (9.9%)</td>
<td>548 (90.1%)</td>
<td>608</td>
</tr>
<tr>
<td>Total</td>
<td>235</td>
<td>1080</td>
<td>1315</td>
</tr>
</tbody>
</table>

1 Excludes 9 responding ‘Don’t know’ in 2010.

2 Base = 716 in 2010 and 179 (=607, minus 428 with one ISA who didn’t transfer) in 2014.

χ² = 49.34, p-value <0.01.

Source: OFT analysis based on GfK NOP survey data

Table D7: Whether non-switchers with more than one cash ISA had ever considered switching

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>46 (24.7%)</td>
<td>148 (75.3%)</td>
<td>194</td>
</tr>
<tr>
<td>2014</td>
<td>16 (8.9%)</td>
<td>163 (91.1%)</td>
<td>179</td>
</tr>
<tr>
<td>Total</td>
<td>62</td>
<td>311</td>
<td>373</td>
</tr>
</tbody>
</table>

1 Excludes 4 responding ‘Don’t know’ in 2010.

2 Base = 716 in 2010 and 179 (=607, minus 428 with one ISA who didn’t transfer) in 2014.
In 2014 Respondents who answered 'one' to Q1 were removed to aid comparability. This reduces the usable responses to Q11 in 2014 by two thirds. In the full data set, 10% of the 607 respondents answered 'yes' to Q11.

\[ \chi^2 = 14.66 \quad p\text{-value} < 0.01 \]

Source: OFT analysis based on GfK NOP survey data

D15 In terms of those who have never switched both methods show that the number who have ever considered switching has fallen. At first glance it seems illogical that the number of non-switchers who have ever considered switching has fallen. However, this may be explained if switching has increased. This is because if switching has increased then some respondents who in the 2010 survey would have answered that they had previously considered switching had switched by 2014 and therefore were no longer asked the question.

D16 Despite this the results indicate that there is still a large number of cash ISA consumers who have never switched and have never considered switching.\(^{105}\)

Awareness of interest rates

D17 Next we look at the whether those have switched would consider doing so again. In Table D8 below we include all cash ISA consumers and in Table D9 we exclude consumers with one cash ISA.

Table D8: Awareness of interest rates across all cash ISA consumers

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>331</td>
<td>534</td>
<td>865</td>
</tr>
<tr>
<td></td>
<td>(38.3%)</td>
<td>(61.7%)</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>276</td>
<td>557</td>
<td>833</td>
</tr>
<tr>
<td></td>
<td>(33.1%)</td>
<td>(66.9%)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>607</td>
<td>1091</td>
<td>1698</td>
</tr>
</tbody>
</table>

\(^{105}\)In the 2014 survey 65.9 per cent of 832 respondents who hold a cash ISA have not switched and have never considered switching.
1 In 2014, responses ‘Yes I know the exact rate’ and ‘Yes I know approximately the interest rate’ were combined, as were ‘No but I know where I could find it out’ and ‘No’, to aid comparability with 2010.

2 Base = 865 in 2010 and 833 in 2014.

χ² = 4.11, p-value 0.04.

Source: OFT analysis based on GfK NOP survey data

Table D9: Awareness of interest rates for cash ISA consumers with more than one cash ISA

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>134</td>
<td>164</td>
<td>298</td>
</tr>
<tr>
<td></td>
<td>(45.0%)</td>
<td>(55.0%)</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>110</td>
<td>170</td>
<td>280</td>
</tr>
<tr>
<td></td>
<td>(39.3%)</td>
<td>(60.7%)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>244</td>
<td>334</td>
<td>578</td>
</tr>
</tbody>
</table>

1 In 2014, responses ‘Yes I know the exact rate’ and ‘Yes I know approximately the interest rate’ were combined, as were ‘No but I know where I could find it out’ and ‘No’, to aid comparability with 2010.

2 Base = 298 in 2010 and 280 in 2014.

χ² = 1.91, p-value 0.17.

Source: OFT analysis based on GfK NOP survey data

D18 Again the results are similar across the two methods. Both indicate that the number of consumers who know their interest rate has fallen. However, it is important to consider this in the context of low interest rates. Consumers are well aware that rates are low and this may tend to reduce engagement. They may well have concluded that knowing rates are low is sufficient and that they do not need to know the exact rate.
ANNEXE E: ADDITIONAL INTEREST PAYMENT BENEFIT

E1 As outlined above consumer benefits have arisen because two providers have changed policy such that they backdate interest to the point at which they receive the transfer request. In this Annexe we outline how we calculated this benefit.

E2 Two providers went further than the OFT’s recommendations on interest payments. These two providers not only backdate to the date the old provider closes the account, but backdate interest all the way to the point at which they receive the transfer request from the consumer.

E3 This means that their customers also benefit from receiving their new interest rate for the time between the new provider receiving the request and the old provider closing the account.

E4 To calculate this benefit we use:

- the average transfer times provided by these providers
- Moneyfacts information on the interest rates they offer, and
- our estimates of the value of assets transferred to these providers.

E5 The benefit only occurs between receipt of the transfer application and the old provider closing the account. As we do not have exact information on this the gap has been estimated using information from the guidelines and provider transfer times.

E6 Similar to the calculations above we find the consumer benefit by combining the benefit time period, the new interest rate received and the value of assets switched. In doing this we find an annual consumer benefit of £1.32m to £1.78m (2013 prices).

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106 See footnote 90.
107 This estimate is calculated by combining information on average transfer times and from the guidelines. The guidelines indicate that a maximum of 11 working days should elapse between receipt of the transfer application and the old provider closing the account. As this is roughly two-thirds of the transfer time we have scaled down the transfer times by one-third.
108 A more detailed breakdown of this calculation is not provided for confidentiality reasons.