Savings interest is getting more…

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…well…interesting

There's a lot going on in the savings world at present – as well as taking the lead with the Building Societies Association (BSA) and other providers in the mutual sector to launch the first ever UK Savings Week, we're working on lots of exciting new products and propositions, all designed to offer great savings solutions to new and existing customers.

With UK Savings Week on the way, and in line with our Savings Rebooted priority, we're delighted to announce that we're making an innovative change to many of our products to genuinely help customers build their financial resilience.

Back in 2020, the Savings team set about building a case for changing the way we pay interest on some savings products. Customer needs were changing, and when added to the current economic climate and wider savings market, colleagues in Savings believed that offering **flexible interest solutions** would really help us:

- Develop purposeful financial resilience and loyalty propositions.
- Enable more purposeful interest 'pass back / floor raising' solutions.
- Add more tools to our pricing and product management strategies.

Flexible interest allows us to pay **different rates on proportions of a customer's savings balance** rather than the full balance, and also enables us to pay **higher rates on lower balances** (the opposite to how we've traditionally tiered some savings products).

After a lengthy period of design and development, we launched our first product with flexible interest tiers in July this year – the Family Savings Account, and now we're taking it further.

Taking it to the next level

We're now taking this new capability even further, and plan to migrate almost all of our back book savings products onto flexibly tiered products. We'll be writing to almost 1.5 million customers fro week letting them know our plans, and then the migration will take place in mid-November.

Since the Bank of England base rate started to increase in December 2021,

we’ve passed 1% on to our variable savings rates, bringing the minimum rate offered across our book up to 1.50% - this means we currently offer the **highest average back book rate** vs all of our key competitors.

Moving customers onto a flexible tiered product will enable us to further increase their interest rate, and we’ll be doing this at the same time as the migration, so it’s a really positive message to customers.

Rates will increase by **0.10%** on the first **£20k** of balances for all products being migrated to the flexibly tiered functionality. Setting the first interest tier at £20k means we can pay customers a higher rate on the first £20k of their savings balance. All balances above this will continue to get the same great existing rate.

Why we’re doing this

So why did we choose £20k as the first tier? You may remember our Nation’s Nest Egg Report published last year, which found that UK adults require a nest egg of £17,465 to feel financially secure - with the average Briton needing an additional £7,220 to reach this goal.

Aligning our first tier to this firmly puts YBS in the position of not just chasing high balances to support the portfolio, but really thinking about real help for our customers. By having purpose in our activity, which we can support with meaningful communications, we increase the chance of it resonating with customers and having a lasting impact.

Savings Senior Propositions Manager, Hayley Tepliakov said:

> “We’re constantly trying to find innovative and creative ways to provide additional value to our customers whilst at the same time creating a competitive advantage over rival banks and building societies.
>
> "Flexible interest tiers give us another tool that we can use tactically and strategically, and will certainly enhance our customer proposition.”

Any questions?

If you have any questions about flexible interest tiers, contact:

Savings Trading: Steve Robinson / Hazel Satloka

Savings Propositions: Michael Ratcliffe / Dan Topley