

## Blow for loyal savers as plan for minimum interest rates is scrapped by banking regulator

- Plans to protect loyal savers with a minimum interest rate have been shelved
- FCA announced earlier this year that it planned to shake up the savings market
- Move would have required every bank and building society to pay a blanket rate

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Plans to protect loyal savers with a minimum interest rate have been shelved by the banking regulator after interest rates plunged to rock bottom in the virus crisis.

The Financial Conduct Authority announced earlier this year that it planned to shake up the savings market to stop banks rewarding new customers at the expense of long-standing savers.

The move would have required every bank and building society to pay a blanket rate to existing customers, and was expected to hand an extra £381million in interest rate rewards to loyal savers.



**Plans to protect loyal savers with a minimum interest rate have been shelved by the banking regulator after interest rates plunged to rock bottom in the virus crisis (stock picture)**

But now the plans have been abandoned. The Bank of England set the base rate at a record low of 0.1 per cent in March and now most major banks are paying a pittance at 0.01 per cent on savings in easy access accounts.



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The FCA yesterday said that because interest rates were so low, enforcing a minimum rate would make little difference.

Savings rates in Britain have been close to rock bottom since the financial crisis of 2008. And Baroness Ros Altmann, a consumer campaigner, last night said the FCA was in danger of putting Britons off saving altogether.



**The Financial Conduct Authority announced earlier this year that it planned to shake up the savings market to stop banks rewarding new customers at the expense of long-standing savers (stock image)**

She said: 'It is just so hard to understand why the past 12 years have seen such a curtailment of the incentives for savers. Younger people have got the message that saving is not worth it. It would be wise for the FCA to bear in mind the need to encourage saving.' The blow to the nation's 40 million savers comes as households stuck at home in lockdown have put away more than £88billion since March.

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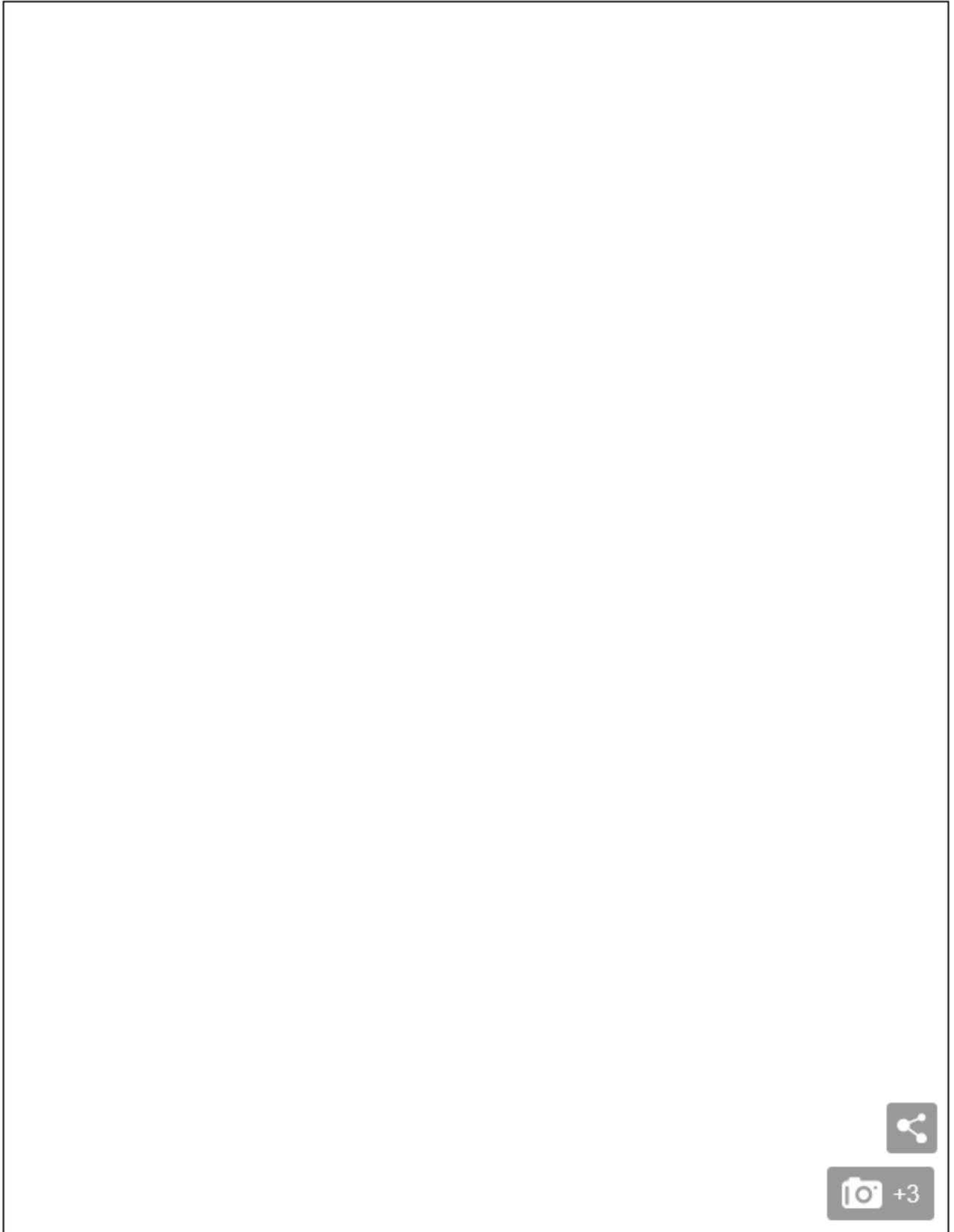


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Sarah Coles, personal finance analyst at investment firm Hargreaves Lansdown, said the City watchdog had taken the view that the single rate would be 'using a sledgehammer to crack a nut that has already fallen open'.

However, she said the plan for the blanket rate had risked penalising savvy savers who shop around. She said: 'The basic savings rate was far from perfect.'

An FCA spokesman said: 'Given the continuing impact of coronavirus and the low-interest rate environment, we have decided to stop this work. As interest rates for new products fall, so does the gap between rates paid to new and long-standing customers, and the size of the harm falls.'



Baroness Ros Altmann (pictured in 2017), a consumer campaigner, last night said the FCA was in danger of putting Britons off saving altogether