David Duffy
Chief Executive
Virgin Money UK plc
Level 15, 122 Leadenhall Street
London, EC3V 4AB

Harriett Baldwin MP
Chair of the Treasury Select Committee
House of Commons
London
SW1A 0AA

By email only: treascom@parliament.uk

24 May 2023

Dear Ms Baldwin,

Thank you for your letter regarding instant access savings accounts.

Virgin Money prides itself on offering competitive savings options that are available to both existing and new customers. In the last six months, we have opened 455k savings accounts, with an average interest rate of 3.8%. We believe that our competitive savings rates are one of the key reasons that Virgin Money saw deposit growth in the first half of 2023.

As you may be aware, we are currently a market leader in ISAs, which make up 52.5% of all of our savings balances. Our one-year fixed rate ISA pays an interest rate of 4.33%, our two-year pays 4.40% and our three-year pays 4.41%. At the time of writing these options are some of the most competitive in the market.

We also offer a range of competitively priced savings products for those who want instant access to their funds. This includes a defined access savings account paying an interest rate of 2.25% that allows up to four transactions each year. In addition, we offer a linked saver for all customers with a Virgin Money Personal Current Account, including our basic bank account, which pays an interest rate of 2.5% on the first £25,000 of balances, and 2% thereafter.

When comparing the interest rates Virgin Money customers earn on their variable rate savings, the average we pay across our whole savings book is 1.53%, compared to the average rate across the market of 1.45%.

Interest rate pricing on savings accounts

Virgin Money sets interest rates based on a variety of factors. This includes the base rate but also includes the level of account access, the complexity to serve and our funding requirements (for liquidity). We must also consider our comparative market position to ensure we do not price products that risk either excess volumes that result in poor customer service outcomes, or move us outside our targeted liquidity levels.

For example, a fixed-term savings product will typically offer a higher rate of interest because it will allow more certainty as the customer’s money is committed for a defined period which allows us to use more of these deposits to support our lending activity.

It is important to note that while levels of interest will be important to many, a customer's decision on where to invest their savings is typically based on a number of considerations, which will include what features the product has and how easy it is to access their funds.

Interest rates on the Everyday Saver Account

It is for the factors listed above that the Everyday Saver product you reference in your letter is priced differently. The Everyday Saver provides very different features from a normal savings account. While most savings accounts only allow customers to transfer money out to a nominated account (commonly their own current account), the Everyday Saver is a transactional account that customers can use to make payments to anyone they wish and is often used by customers as an alternative if they don't want a full current account to pay bills. To illustrate, In the last three months, Everyday Saver customers made an average of >7 transactions. We would also note that the Everyday Saver has no barriers to exit.

While we continue to offer the Everyday Saver for those who want a straightforward easy access option, we would note that this account has limited niche appeal representing 0.3% of the savings accounts opened in the last six months. The account also does not typically attract customers with high balances. Average balances on the Everyday Saver are around four times lower than the average balance held by customers on other savings accounts.

Communicating with customers about their savings options

While our customers will determine what is most appropriate for their own needs, it is our responsibility to ensure we are transparent on the options we have available to all groups of savers and provide information that helps them make an informed choice.

On an annual basis we will write to all existing customers to make them aware of the range of alternative options that we have available. This annual communication is issued to all customers in the form of a letter for those who transact offline, and by email for those who transact online.

We also include the current rate of interest on every customer savings account statement, including the Everyday Saver, which has lower average balances than other savings accounts as signposted above.

We are taking steps as part of Consumer Duty to increase the frequency of prompts that encourage customers to consider whether their savings account remains suitable for their needs and will continue to take the necessary steps to ensure customers are aware of the range of options they have available to them.

Thank you again for your letter and your questions. I hope that we have been able to provide you with the level of detail that you require on our approach to savings rates and our commitment to offering customers a variety of competitive savings products.

Please do not hesitate to get in touch should you have any questions.

Yours sincerely,

David Duffy
Group Chief Executive Officer
Virgin Money UK plc

VIRGIN MONEY UK PLC.REGISTERED IN ENGLAND & WALES. COMPANY NO: 09595911.REGISTERED OFFICE: JUBILEE HOUSE, GOSFORTH, NEWCASTLE UPON TYNE, NE3 4PL.