Santander

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

24 May 2023

Dear Ms Baldwin,

Thank you for your letter of 10 May regarding the interest rates on instant access savings accounts. I recognise that savings rates are important for customers looking to plan for their future, and I fully understand why this matter is of interest to you and your committee.

Banks play a key role in supporting people across the United Kingdom to achieve their financial goals, helping them to borrow or manage their money, buy their own home, save for the future and start their own businesses. I strongly believe that Santander UK offers a range of good savings products with features that suit the diverse needs of all our different customers.

We take many factors into account when determining the interest rates we offer to savings customers. Base rate is a factor, but not the only one. When making pricing decisions on our mortgage and range of interest paying banking and savings products, we also want to ensure we can continue to provide the level of investment in our services which we believe our customers value and expect.

At the heart of this investment has been our network of 449 branches across the country, renovating them so they are a welcoming and vital part of the high streets in our towns and cities. In response to increased customer demand, we have also spent £900m since 2019 to improve our digital capabilities significantly. We have also grown our financial support team, adding 200 people in 12 months to our now 600-strong team of specialists, dedicated to helping those customers who are facing challenging financial circumstances in the current economic environment.

Of course, as with all financial institutions, we have a number of important non-negotiable costs, notably those associated with the regulatory change and compliance agenda. Alongside this we hold significant levels of capital to safeguard our customers' savings. We also have the constant challenge presented by cyber criminals and by fraudsters, who are continually evolving their methods. UK consumers lost £485m to authorised push payment fraud in 2022, and it is right that we continue to invest significant sums into protecting our customers whilst the nature of that threat evolves at pace. Lastly, as with any other business, running the bank requires significant investment in a range of other areas, including the cost of raising additional funding, marketing, human resources and customer communications to ensure we can compete effectively with our peers and challengers, big and small, from across the sector.

I am confident that we strike a good balance between ensuring high service levels, meeting regulatory requirements, investing in our business and in the competitive pricing of our products. We operate in a competitive marketplace, and I believe that our range of banking products stands up well against our competitors, whilst at the same time compared to our larger peers, our Net Interest Margin (NIM) has risen less since the end of 2021.

As requested, I have included specific responses to each of your three questions below.

1. **How does Santander UK determine how increases in the base rate are passed on to its savers?**

As mentioned above, the base rate is not the only factor we take into account in our pricing decisions. We must also balance pricing against all our fixed and funding costs. All pricing and rate changes are agreed at our weekly pricing forum, chaired by our CFO, where decisions are subject to robust scrutiny from across the business. Since the base rate started rising, we have significantly increased the amount we have paid to our savers.

It is also worth noting that 89% of our loan book is on fixed term rates, and as such rises in the base rate don't automatically translate into higher costs for customers - or higher income for us. We are one of the only high street banks that offers cashback and interest on balances up to a specific threshold on our current accounts, which gives customers a chance to earn money on essential spend such as supermarket spending, as well as another account to use for instant access savings, thereby helping customers mitigate some of the pressures of inflation.

2. **Why is the interest rate on its 'everyday saver' account so much lower than the base rate?**

As mentioned above we have a range of products to help our customers meet their financial objectives. These range from the instant access accounts, where customers can withdraw their money whenever they want, through to fixed term products such as Bonds and ISAs. As with any other bank, we can provide a higher rate on savings accounts with more certainty of tenure.

For those customers who want to invest longer term, our market-leading ISA range offers up to 4.25%. Alternatively, we have a range of options for customers who place more value on easy access. As these accounts are easy access though, they are less stable source of funding for us, and therefore we offer a lower interest rate to reflect that instability. This includes our Everyday

Saver. Alongside this we have our 123 current account, which offers 2% on balances up to £20,000, and our Edge current account, which has a linked savings account paying 4%. Both of these are easy access, allowing customers to withdraw money at no penalty. (I include a brief summary of some of our highest paying savings accounts in an appendix for your reference.) We continually keep all our products and rates under review to ensure that our rates remain competitive.

3. **How does Santander UK communicate with its consumers, in particular those with large balances in their 'everyday saver' account, to make them aware of what could be more suitable, higher rate savings options available to them?**

We contact customers before their fixed term product reaches maturity, informing them of alternative products and their options. For customers not in a fixed term product, we will notify them 60 days before any drop in our savings rates, highlighting the old and new rate. In addition, we provide annual statements showing the rates they receive on their savings products, and we ensure that any customer's savings rate is clearly visible when they access online or mobile banking.

Presently we endeavour to contact customers regularly who have not opted out of marketing communications to ensure they are aware of the range of products available for them. As a consequence of the new Consumer Duty expectations, we have been considering what further actions we can be taking to contact customers irrespective of their marketing preferences and we plan to commence a series of test and learn activities shortly using different media approaches to reach out to customers.

Thank you once again for your letter and I hope that the above answers are helpful. Santander UK remains committed to working with policymakers to deliver on our customers priorities, and I would be delighted to engage further with you or your committee colleagues on this issue should you have any further queries.

Yours sincerely,

Mike Regnier
CEO, Santander UK

Appendix

We offer a wide range of highly competitive rates for both existing and new customers looking to save. As of today, these include:

- **For customers looking for tax-free savings**: our market-leading ISA range offers up to 4.25%; and our Fixed Rate ISAs also come with a £50 retail voucher for customers looking to transfer in an existing ISA.
- **For customers with smaller deposits**: our Edge Saver pays 4% on balances up to £4,000 (including a 0.50% loyalty bonus for the first 12 months).
- For customers wanting good rates (plus cashback) on a transactional account, our 123 Current Account, pays 2.00% AER on balances up to £20,000 (rates have been increased on six separate occasions).
- **For existing customers looking to save for their first home**: our Help to Buy ISA and First Home Saver pay 2.30% (with both increasing to 2.45% on 2 June).
- **For children and young people looking to save**, our 123 Mini children's account pays up to 3% on balances up to £3,000; we also offer a Junior ISA at 2.65% (rates have been increased seven times in 2022). (Our Junior ISA is increasing to 2.80% on 2 June).