Treasury Committee

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Ian Stuart
Chief Executive Officer
HSBC UK

Via email

3 July 2023

Dear Mr Stuart,

Savings rates

Thank you for your letter of 14 March 2023 [1] Now that the second quarter of the year is over, the Treasury Committee is concerned that banks' savings rates remain too low, particularly in instant access savings accounts. This is despite continuing rises in the base rate which has now reached 5 per cent. The Committee also notes that major banks have reported strong growth of profits and net interest margins in the first quarter.[2]

The Financial Conduct Authority (FCA) has stated that the Consumer Duty (which comes into force for new and existing products and services on 31 July 2023):

> will set the expectation that firms should be able to explain and justify their pricing decisions. This includes how quickly they raise savings rates and being able to demonstrate that rates offer fair value.[3]

In a letter to the Committee of 12 April 2023[4], the FCA explained that potentially the "loyalty penalty faced by longstanding customers will have increased as the base rate has risen", if they are stuck on less competitive rates.

In light of the above can you explain:

1. How will the consumer duty change the way you set your rates and your interactions with consumers who hold your savings products?

2. Is HSBC confident that its present policies and products offered to existing customers relative to new customers are consistent with the Consumer Duty?

3. Are existing customers who have opened up accounts a few years ago or more been given competitive rates which are in line with changes to the base rate and/or rates offered to new customers)?

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[1] https://committees.parliament.uk/work/7262/retail-banks/publications/3/correspondence/
[2] https://www.hsbc.com/investors/results-and-announcements/all-reporting/1q-2023-quick-read
[3] FCA joins other regulators to call on firms to help struggling customers | FCA
[4] committees.parliament.uk/publications/39041/documents/192061/default/

4. How would you persuade us that all your savings rates provide 'fair value' to your customers, and that customer inertia is not being exploited?

5. What steps are you taking to notify your customers of the benefits of switching to higher rate products, particularly where they have significant savings in instant access savings accounts, such as HSBC's *Flexible Saver* account?

We would be grateful for a response by 17 July 2023. In line with our usual practice, we would expect to publish this letter and your response.

Yours sincerely,

Harriett Baldwin MP
Chair of the Treasury Committee