

Alison Rose DBE
Group Chief Executive Officer
NatWest Group



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

14 July 2023

Dear Harriett,

Thank you for your letter dated 3rd July regarding banks' savings rates.

I have set out answers to your specific questions below but would also like to take the opportunity to briefly contextualise NatWest's broader approach to our savings propositions and customer support.

Improving the overall financial resilience of our customers is a priority for NatWest and we have been working for some time on products that promote good savings habits. Around one third (3.5m) of our savings accounts have a balance of less than £100 and there are similar statistics in the broader market. That's why we launched our 'Start to Save' campaign, in February 2020, which has helped 2 million customers save for the first time, while 600,000 more customers are regularly saving compared to January 2022. We also offer MoneySense (a free financial education programme for 5–18 year-olds), 'Round Ups' on debit card spend and a free Financial Health Check to our customers.

We offer our customers a range of products and rates in what is a very competitive market, and we amend the price of products on an ongoing basis to reflect market conditions and our liquidity needs. Whilst the BoE rate is 5.00%, we pay savings rates of up to 5.90% on our 2-year fixed product, and 6% (up to £5,000) on our Digital Regular Saver (1.3m accounts opened since it was introduced in 2020) to encourage customers to build resilience and save for the first time.

The bank is also taking steps to address the risk of customer inertia, including (where marketing permissions allow) actively strengthening customers' understanding of alternatives where they have high credit balances on current and/or instant access savings accounts. We also make the full range of rates highly visible on digital platforms (our own and aggregator sites such as MoneySavingsExpert).

As base rate has increased, an increasingly competitive market has resulted in higher pass-through on instant access accounts (over 60% in H1 '23 so far) and offered frequent increases on fixed term products reflecting changes in 1 and 2 year market swap rates, and intense market competition for fixed term deposits. Finally, our pricing principles mean that we do not discriminate between new and existing customers.

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I hope this context and the detail that follows is helpful. As always, I am happy to discuss further and please do contact me or my team if we can be of any assistance.



Best wishes,

A handwritten signature in dark ink, appearing to read "Alison Rose".

Alison Rose DBE
Chief Executive Officer, NatWest Group

Specific questions

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

When setting pricing we have to consider our customers, our competitive position, and both the asset and liability sides of our balance sheet in relation to each other. We offer our customers a range of products and rates in what is a very competitive market, and we amend the price of products on an ongoing basis to reflect market conditions and our liquidity needs. We manage the level of our deposits to ensure we support lending and economic growth, while the level of savings rate paid, will influence the price of lending. I also understand the focus on price and fair value in relation to Consumer Duty. We have a set of pricing principles, aligned to the Consumer Duty, to help guide our decision making, including:

- New and existing customers should have equal access to all pricing.
- Pricing for customers will be consistent with other customers in a similar position, and variables used to determine price will be fair and appropriate.
- Communications which cover pricing will be clear, fair, and communicated to customers in a way that maximises their understanding of all pricing arrangements - including how to access any promotional price.
- Consideration should be made to customers in vulnerable situations when defining pricing communications.
- A promotional price should be transparent and accessible to all customers who are eligible, and consideration should be given to mitigate any potential adverse impact created for customers who are not currently eligible for that price.

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

Our purpose-led strategy aligns with the goals of Consumer Duty, and we have already for some time been working on building the financial resilience of our customers and supporting the community, including vulnerable customers. Similarly, a key focus on our refreshed strategy is on personalisation and lifetime value, which again is a good proxy for the goals of Consumer Duty.

We do not operate a different approach to our back book in terms of price reviews and timings and so any change applied to front book products is also applied to the back book at the same time. As part of our Consumer Duty programme, we are actively strengthening customers' understanding of alternatives where appropriate.

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

Yes, existing customers who opened their accounts a number of years ago receive the same competitive rates that we offer to new customers. This excludes a very small (0.3% of all deposits) number of customers in NI that we are actively addressing as part of our Consumer Duty plans.

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?

We have brought in several products to encourage saving, most notably our Digital Regular Saver account which has an interest rate of 6% (on balances up to £5k). We also re-entered the Fixed Term Savings Account market in January with competitive rates (as of 5th July 5.55% for 1-year deposits or 5.65% for 2-year deposits on all balances up to £100,000, with an additional 0.25% for balances over £100,000). Customers continue to adjust their behaviour with £100bn of deposits in the wider market moving from current accounts/instant access into fixed term accounts between October to February when interest rates doubled.

Savings provide a significant contribution to our lending activity. We assign higher value to fixed term savings products as they provide more liquidity value when considering the cost of funding for mortgage lending, which is predominantly on 2 or 5-year fixed rates.

We proactively tell customers when their rates change, and (where we have consent) we communicate details of other products they may be interested in. We also make the full range of rates highly visible on digital platforms (our own and aggregator sites such as

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MoneySavingsExpert).



In terms of timing of rate changes, on instant access and variable rate deposits, for which the closest benchmark is the overnight interest rate which moves in line with the BOE base rate, we have typically repriced 4 – 6 weeks following a change in the base rate. This is similar to how SVR mortgages have been repriced over the same period, which also reference the overnight rate of interest.

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 NatWest's Flexible Saver account?

We have a number of customer communications strategies which operate within the marketing consents customers themselves set. This includes (where consent exists) promotion of alternative products where a customer's money could work harder, and where we proactively change rates, high profile messaging including post log-in to our mobile app. We also ensure full visibility for all customers of our product range and rates both on our own digital platforms, and within popular aggregator/price comparison sites.

So far during 2023 we have increased the volume of communications to customers, informing them of rate rises as well as presenting new rates, such as those on term products. For our latest rate change we implemented a multi-channel engagement programme to 7m customers across mobile app log-in messages, mobile app prompts, emails (service and marketing), and websites.

We are regularly flexing how we market and looking at what products we support based on market, business, and customer context. For savings rates, we are continuing to optimise and look for ways to extend the number of customers our savings rate change communications reach through looking at different channels, targeting and messaging. As part of our campaign to encourage saving, I recently used my platform guest editing the Sun newspaper to highlight practical steps consumers can take to kickstart saving patterns.

Additionally, we are continuing to support our frontline colleagues and are providing them with live branch and telephony rate change updates to share with relevant customers. All our customers are encouraged to take advantage of a free Financial Health Check; our frontline colleagues are trained to support customers by reviewing their full financial position to ensure their money is working hard for them.

END

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