

9 March 2010

Savings rates tumble to fund mortgage cuts

In order to maintain their balance sheets, providers can either offer competitive mortgage or saving deals, not both.

Since November 2009, mortgage rates have been reducing, but in order to fund these cuts, savings rates have fallen too (*see appendix*).

The biggest rate reductions have been on fixed rate bonds, but numerous best buy easy access deals have also been withdrawn. The only exception is ISAs, where the current ISA season sees providers competing to attract savers' tax-free allowance.

Account Type	Top rate - Nov 2009	Top rate – Today	Change
Easy Access	3.35%	3.00%	- 0.35%
Notice	3.30%	3.25%	-0.05%
ISA (Variable)	3.25%	3.50%	+ 0.25%
ISA (Fixed)	4.60%	5.00%	+0.40%
1 Year Bond	3.95%	3.30%	- 0.65%
2 Year Bond	4.35%	4.10%	-0.25%
3 Year Bond	4.70%	4.60%	- 0.10%
4 Year Bond	5.10%	4.50%	- 0.60%
5 Year Bond	5.65%	5.10%	- 0.55%

Source: Moneyfacts 9.3.10

Michelle Slade, spokesperson for Moneyfacts.co.uk commented:

“Providers have moved their focus to the more profitable mortgage market, with savings rates being reduced to fund mortgage cuts.

“The frozen money markets and requirements on providers to hold more capital reserves pushed savings rates upwards during last summer and autumn, but the demand for deposits appears to have eased and rates are now falling.

“Despite providers having many more savers than borrowers, it is savers who are being neglected, with those who really rely on their savings to supplement their income being hardest hit.

“It is already virtually impossible for savers to find an account paying a positive real return after tax and inflation and falling rates are only going to exacerbate the situation.

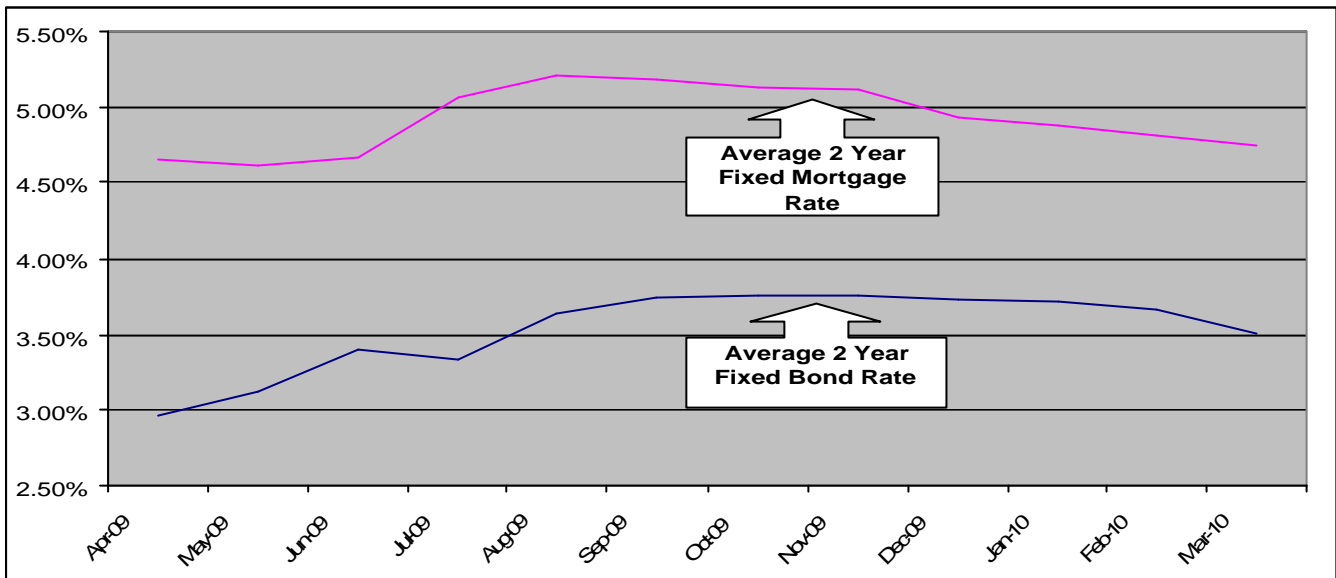
“Savers with fixed rate deals coming to an end now are likely to be for a real shock at the lower rates of return they will receive on any new deal.

“ISA savers could now have more than £60,000 invested and it is no wonder providers are keen to attract their money, but when the ISA season comes to an end in a couple of months, rates are likely to fall again.”

Appendix

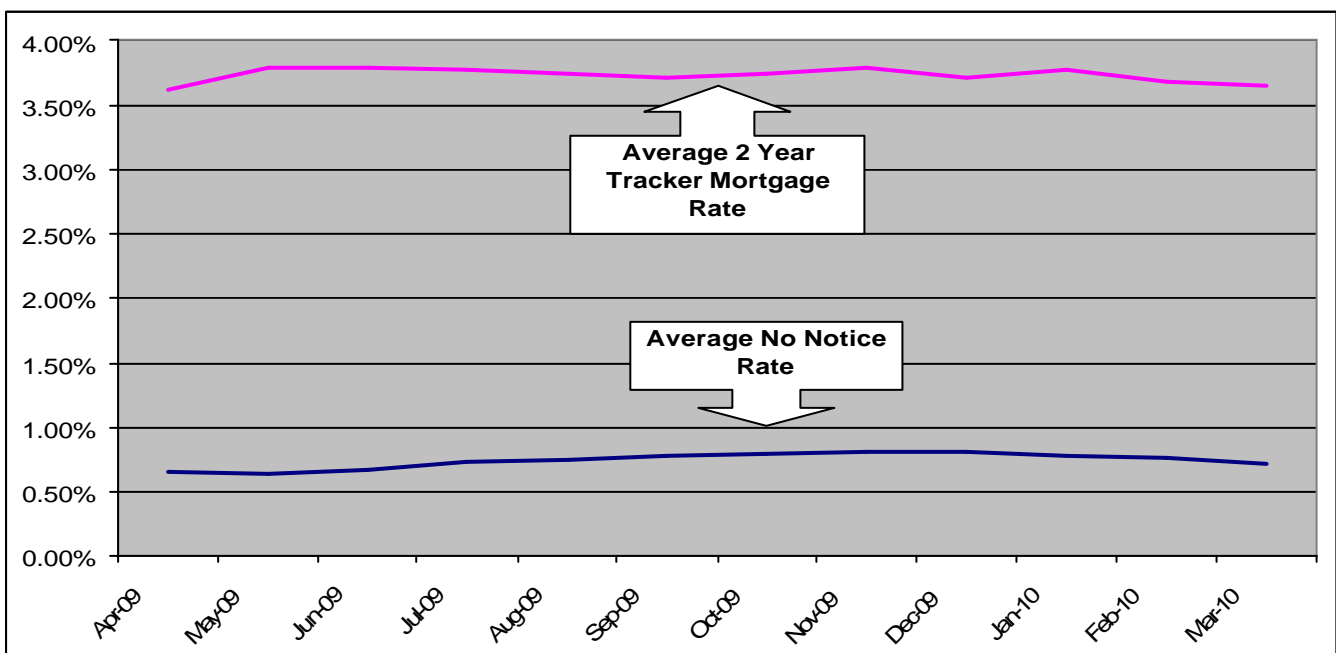
Fixed Rate Mortgages

Date (1st month)	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10
Average 2 Year Fixed Bond	3.75%	3.73%	3.72%	3.67%	3.51%
Average 2 Year Fixed Mortgage	5.11%	4.93%	4.88%	4.82%	4.74%



Tracker Mortgages

Date (1st month)	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10
Average No Notice Rate	0.81%	0.81%	0.78%	0.76%	0.72%
Average Tracker Mortgage	3.78%	3.71%	3.77%	3.68%	3.65%



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Contact us...

Looking for extra comment, a chart or more information, then please give us a call. We are always more than happy to help.

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