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PRESSRELEASE

FOR IMMEDIATE RELEASE

15 June 2010

Short respite but inflation rises will punish savers further

Inflation figures released today show that the Consumer Price Index (CPI) has fallen marginally to 3.40%, still way above the Government's 2% target.

But a possible VAT increase in next week's emergency Budget could stunt any longer term reductions.

To stop their savings pot effectively eroding away, a basic rate tax payer needs to find an account paying 4.25%, while a higher rate tax payer needs to find an account offering 5.67%.

Basic rate tax payers have access to 27 accounts, but most still require an existing longer term, riskier investment product at the same time.

Savers hardest hit by the rise in inflation are those who rely on their savings to supplement their income, many of whom are pensioners. The average savings pot of a basic rate tax payer is in effect being eroded by 4.52%c per year.

Darren Cook, spokesperson for **Moneyfacts.co.uk** commented:

"Inflation may return to its upward spiral if, as predicted, the Chancellor announces a rise in VAT in the emergency Budget later this month.

"Rising inflation and falling rates mean savers are being dealt a double blow.

"Prudent savers are finding it almost impossible to combat the effects of tax and inflation.

"To break even, higher rate tax payers need to find an account paying 5.67%, a level that is nigh on impossible to achieve.

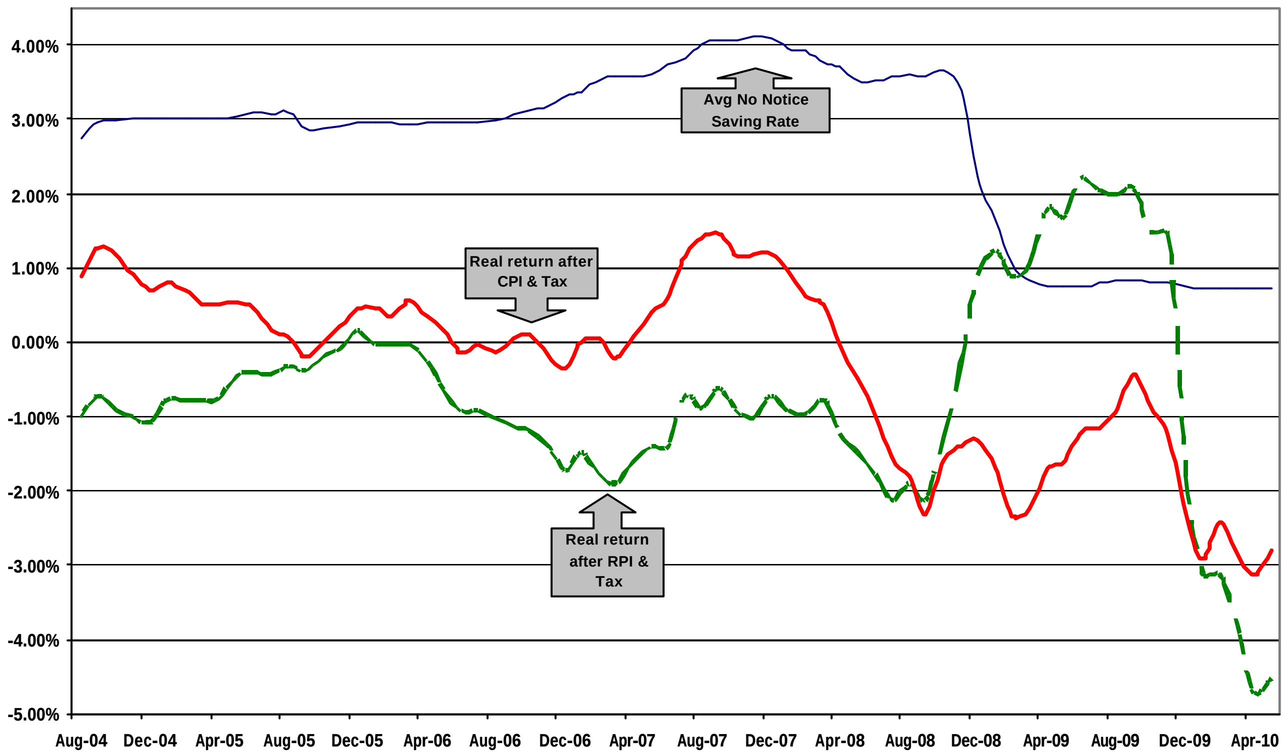
"Basic rate tax payers have an option of 27 accounts to break even at 4.25%, but restrictions on the accounts mean they will be suitable for very few.

"Savers are likely to find that the situation will get worse before it gets better.

"Savers will be hoping that inflation does not peak too high, but savers could be rewarded with a rise in bank base rate and better savings rates."

Real return on average savings rate

(*basic rate taxpayer)*



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Our increasingly popular consumer website www.moneyfacts.co.uk **helps customers make better financial decisions** and gives them the ability to check the latest best buy products and to search the **whole market** for products that suit their individual circumstances.

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Our dedicated research experts produce three monthly publications as well as providing real time news and data services to the majority of banks and building societies. Additional information can be found at www.moneyfactsgroup.co.uk.

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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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