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New report rates bank products - for the first time - by how much they help improve the Financial Well-being of customers

The latest report, published today by independent research based-charity FairBanking, rates core UK banking products by the extent to which they help improve the customer's Financial Well-being; a measure of much more than just how much money they have*. FairBanking hopes that by carrying out this analysis and publishing clear and transparent ratings of these products (current accounts, savings accounts and credit cards), banks will be encouraged to compete increasingly on product attributes that help Financial Well-being, rather than just over headline rates.

The report - "**FairBanking Ratings: socially useful banking**" – does show just how much room for improvement there is, but also uncovers some very promising situations:

Firstly, it shows that it is possible to clearly identify those product features that genuinely help the customer's financial well-being and assess where those features are present and where they are not. This provides transparency and clarity around how and where products need to be improved, offering banks important insight as to what they need to do to help their customers improve their financial well-being.

Secondly, although positive results were only achieved by a fairly small number of products and with only moderately good ratings, it shows that some banks and building societies are already 'out of the starting blocks' when it comes to helping to improve the financial well-being of their customers. Perhaps more importantly, direct feedback from these organisations uncovered a real commitment to make further and bigger improvements to the performance of their products against these ratings as soon as practicable. Without exception, all of the banks that FairBanking has spoken to have welcomed this new analysis and were hoping that future product improvements would result in improved ratings.

Both of these findings reflect good news for the UK consumer and offer positive evidence of the promise of new and better delivery from UK banks in the near future. If embraced across the industry, FairBanking Ratings will be a pivotal catalyst for positive change; bringing about ongoing competition amongst banks to do the best job they can to improve the financial well-being of their customers.

Antony Elliott, Director of FairBanking said: *"We have been encouraged by what we have discovered in carrying out this study. There is of course huge room for improvement, but we are seeing the beginning of a transformation of the UK banking industry towards the provision of healthy financial products and services. This report identifies where positive seeds are germinating in banks and that with ongoing encouragement, products that help improve financial well-being will flourish."*

This latest report from FairBanking takes the next logical step from the work carried out in the charity's first research, published by the CSFI in July 2009 entitled, "*FairBanking: the road to redemption for UK banks**". This first study was a crucial initial step; through extensive qualitative and quantitative research, it identified the factors that drive financial well-being for young workers and families in the UK. It went on to establish a 'Financial Well-being Index' that enables the measurement of changes to financial well-being over time.

In taking the next step and rating core banking products against these financial well-being criteria, this latest FairBanking project made the following conclusions:

Savings products – only two banks (Saffron Building Society and NatWest) contribute positively to the top 10 average, with three-star and two-star ratings respectively (maximum is five stars). All other banks score zero for savings products using the 14 components of the rating.

Credit cards – the top 10 providers of FairBanking features average a one-star rating, although a US role model (Discover) shows that a three-star rating is possible. A US product would need to be tailored to the UK market, but Discover's product clearly demonstrates that the technology exists to allow these products to be developed. Barclaycard is looking to develop more FairBanking content, so it is hopeful that the picture could change even during the course of 2010.

Current accounts – the quality is similar to credit cards with the top 10 banks only achieving an average of a one-star rating. However, O2 does (just) achieve a two-star rating. It is noteworthy that O2 is not a bank, and that it promoted its offering with the slogans "never overspend" and "your money in your hands".

Full details of the FairBanking Ratings criteria are included in the report, which can be downloaded free at www.fairbanking.org.uk.

Looking to the future, FairBanking's report also identifies some important areas for further development to encourage the growth of healthy products that help to improve financial well-being:

- FairBanking could introduce a kitemarking-type scheme to help the consumer to identify the 'healthier' products that offer a minimum standard of financial well-being assistance.
- The charity's work on financial well-being could be widened to include additional subsectors of the population (to add to the 'young workers' and 'families' groups already researched), and a wider range of financial products such as mortgages, personal loans, etc could be included.
- Further research could be carried out to identify whether appropriate use of fees to incentivise healthier use of financial products could work, how charitable donation options might be a contributor to financial well-being, and how website help content needs to be integrated with product use to have financial well-being benefits.

Antony Elliott concluded, "*This is a big first step, but it will certainly not be definitive. We will continue to develop and enhance the ratings system, and look forward to widening its reach over time. We welcome any further input or feedback from the banking sector, regulators, the Government and consumers to help us improve the system. We hope that this project encourages*

fundamental cultural change, with benefits for the consumer, the banking industry and the UK as a whole.”

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Notes for Editors

***Financial Well-being** was explored and researched in great depth in the charity’s first report “FairBanking: The road to redemption for UK banks”. This study identified the main drivers of Financial Well-being; factors that are much more about how in control of their finances someone feels, rather than how much money they have. FairBanking ratings thus reviewed products to see how well they:

Factor 1 - Assist customers with the control of their money;

Factor 2 - Assist customers (particularly younger customers) with “thinking of their money in pots for different purposes”;

Factor 3 - Assist customers (particularly families with young children) to adjust their expenditure on non-essentials when life events occur;

Factor 4 - Assist customers with having plans to reduce debt or increase savings

A copy of the latest report “FairBanking Ratings: socially useful banking” can be downloaded free at www.fairbanking.org.uk

A copy of the first report “FairBanking: the road to redemption for UK banks” can be purchased at www.fairbanking.org.uk

Fairbanking is a unique research-based charity dedicated to encouraging and assisting banks to improve the financial well-being of their customers. It was set up in 2008 by its Director, Antony Elliott, former Group Risk Director at Abbey National and holder of senior positions in various financial services companies.

Full details about FairBanking, its mission and its work can be found at www.fairbanking.org.uk