

UK Savers Losing Billions Of Pounds In ISA Accounts Each Year

Money Stand

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As billions of pounds of British savers money is being lost in ISA accounts, the government's consumer watchdog Consumer Focus is due to launch an official complaint on the matter. The move which could potentially 'shake up the ISA industry' is a long time coming suggests Matt Spencer, founder of UK based personal finance blog Moneystand.co.uk.

Consumer Focus have highlighted numerous 'unfair obstacles' financial providers have put in place for savers to transfer their accounts to other banks, which pay higher interest rates.

The cash ISA market is currently worth around £158 billion, as savers flocked to the tax free service introduced in 1999. Upon its launch rates averaged a healthy 6.32 %, however this figure has plummeted to 0.42 %, a figure that is below the Bank of England base rate.

Mike O'Connor, chief executive of Consumer Focus suggests that a slow ISA transfer process and bureaucracy from the banks has caused many of these problems. He suggests that only 12 % of people have moved their ISAs to a more preferable savings rate, which is costing UK savers millions per year in lost revenue.

As a large consumer group, Consumer Focus can launch a 'super-complaint' to the Office of Fair Trading (OFT). This would force the OFT

to give an official response within 90 days to the matter and a decision over what action it would take towards the issue.

Common issues that arose include the length of time it takes for transfers to occur when sending funds and information from one bank to another. Official government guidelines recommend a limit of four weeks for this process. Findings from Consumer focus show that a third of people switching their ISAs waiting more than five weeks for funds to clear into the new account.

Customers should be wary when looking for a new ISA provider however warns Matt Spencer, suggesting:

“Banks are offering introductory rates with high interest levels to entice new customers to open new ISA accounts. These short term bonuses often hide very poor interest rates once the honeymoon period is over.

It’s time for savers to get the rates they deserve, so be sure to make your money is working as hard as possible for you. This might mean that you need to change your current ISA provider, despite the long transfer times between banks.”

Personal finance blog MoneyStand provides unbiased personal finance, [IVA help](#) and debt related information. Founded in 2008, MoneyStand was created in response to the worsening financial situation of individuals in the UK and across the world. For more information on personal finance, visit www.moneystand.co.uk.

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