City watchdog wants answers on savings rates as 70 firms investigated over customer treatment

The City regulator has revealed that it is seeking answers from banks about how they decide on savings rates after complaints that they are failing to reflect the increases in the Bank of England's base rate.

The Financial Conduct Authority's executive director for competition and consumers, Sheldon Mills, also told a conference that it was investigating banks for failing to do enough to help customers struggling during the **cost of living crisis**.

He warned of the possibility of intervention unless attitudes in the sector changed.

"We have identified 30 firms that need to do more to help struggling customers and will investigate the activities of 40 more."

Cost of living and economy latest

The announcements follow hot on the heels of more noise from regulators about the treatment of customers as inflation remains at a 40-year high, with bills for energy, food, fuel and other essentials among biggest risers.

The watchdog said earlier on Thursday that it had told the insurance sector to behave itself, given the squeeze on family budgets.

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“The FCA is taking action to support households, by writing to insurance industry chief executives to make sure their customers are protected from unnecessary products or add-ons and unfair penalties,” it said in a statement.

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Financial crisis promo
“Where poor practice is found, the FCA will quickly intervene to protect customers from harm.”

The Bank of England has been raising the base rate of interest since December, when it was 0.1%.

Action to help tame inflation has pushed the Bank rate to 2.25% since then, and financial markets now see that figure rising to 6% next year in the wake of the government’s mini-budget, which has placed policymakers in Threadneedle Street on a collision course with Downing Street.

That is because the **Truss** administration’s package is widely seen as inflationary in nature through the £45 billion of tax giveaways to stoke economic growth.

As people who have a **mortgage** on a tracker or standard variable rate have found to their cost this year, successive increases in the Bank rate aimed at tackling inflation have been passed on to borrowers. The mortgage market is also in turmoil after the withdrawal of loans from the market because of the expectation of more interest-rate increases.

While fixed-rate deals are adjusted to account for these forecasts and wider financial market movements, seeing them shoot up in the process, savers have had a much tougher time of it – since the financial crisis of 2008 to be exact – because of rock bottom rates.

Savings rates have failed to match the pace of Bank rate rises, although competition has started to gather pace in recent weeks.

Moneyfacts reported on Thursday that the best easy access rate available on the market was 2.1% although 4% was widely available for fixed-term accounts.

But at those levels, they remain well below the annual rate of inflation which is 9.9%.