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# Savers Friend®

GUIDES YOU

# Easy Access Savings **Guide**

**For many savers, being able to access their money as and when they want is a must. It is therefore unsurprising to learn that there is a plethora of easy access accounts from which to choose, with many banks and building societies having more than one such offering, including easy access ISAs.**

However, despite seemingly being based on the simplest of premises, the accounts are not always as straightforward as they perhaps should be. For instance, ask most people what springs to mind when presented with a no notice account and it is likely 'instant access' and 'restriction-free' will figure prominently amongst the responses. To these people in particular, it will come as a surprise to learn that this is not always the case.

### Important differences

In the first instance, it is important to realise that a no notice account and an instant access account are not one and the same. In general, instant access accounts are branch based, and allow account holders to obtain cash immediately either at a branch or via an ATM. Some instant access accounts are able to be opened and operated by post, telephone and online, but will provide a cash card or passbook so that instantaneous withdrawals are possible.

No notice accounts, on the other hand, are more likely to be post, telephone or internet operated accounts. In addition, although no notice is required to withdraw funds, the money being taken out is usually transferred through the bank's system (BACS), which takes three working days, or a cheque is issued.

Obviously, this means that laying hands on money from a no notice account typically takes longer than if a

**continued overleaf**

## Key Facts

- **Instant access accounts tend to be branch based and allow savers immediate access to funds held within the account.**
- **No notice accounts are usually operated by post, telephone or internet. Although money can be withdrawn without notice, it is usually transferred by BACS, taking three days, or issued by cheque.**
- **If the rate on an account includes an introductory bonus, its competitiveness should be re-evaluated when the bonus expires.**
- **Some accounts restrict the number of withdrawals which can be made within a given period and impose a penalty if this is exceeded.**

## Useful Links

**See latest Easy Access Savings rates**

Variable    Cash ISAs

**Link to Reviews**

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withdrawal is made from an instant access account. Despite this, there are some characteristics that the accounts do share.

Both typically offer a variable rate of interest, meaning it is possible that the return delivered can both rise and fall. This will usually depend either on movements in the Bank of England base rate or the bank or building society deciding to make a change to its own rate.

### Bonus considerations

Furthermore, it is possible the headline rate of interest paid by either type of account could include an introductory bonus. Once this expires, which is usually after a period of between three and 12 months, the rate drops. At this point, it is essential to review the competitiveness of the account and move the funds if a better rate is available elsewhere.

It is also possible for both types of account to offer a conditional bonus. This is usually an annual bonus which is paid as long as a certain condition is met. Making no withdrawals throughout a 12 month period, the account remaining open on a specified date or keeping the balance above a certain level are all commonly used conditional bonus criteria.

Paying due care and attention to the finer details of the terms and conditions should reveal the details of any such bonuses and how the interest rate will be calculated at any given point in time.

### Withdrawal restrictions

Although the monikers of instant access and no notice do furnish savers with the ability to access savings quickly, what they do not always mean is that savers have unlimited access to their funds.

Indeed, often these accounts are subject to some surprisingly stringent restrictions, particularly in relation to the number of withdrawals that can be made. The most popular limit imposed is three withdrawals per year. Any subsequent withdrawals then typically result in a penalty being applied to the account.

Some accounts are more generous and permit up to 12 separate withdrawals per annum without consequence. Similarly, there are also those which are less generous, and allow just one penalty-free withdrawal. Some impose a penalty as soon as any withdrawal is made.

> **“Balancing the obvious desire for a decent rate against a realistic assessment of whether the withdrawal limits can be adhered to is key.”**

### Pay the penalty

Once the specified number of withdrawals has been breached, savers can expect to either have their account closed, be charged a fee or, most commonly, see a drop in the interest they receive. On some accounts, a set interest penalty is applied, while on others the bonus element of an interest rate could be lost. Certain accounts will pay no interest at all if a withdrawal is made.

The reduction in interest might apply only to the month in which a withdrawal is made, or alternatively a lower rate of return could be applied for the rest of the time money remains in the account.

It should also be noted that certain banks and building societies include the closure of an account as a withdrawal. If this takes the overall number of withdrawals above the permitted amount, the penalties will come into play at the same time that money is being moved away from the account.

### Small-print

Besides considering such penalties, it is important to check the small-print for other potentially limiting conditions too, particularly in relation to no notice accounts. For instance, some no notice accounts will limit the time when withdrawals can be made to specific days of the year. It is also worth checking whether an account has a minimum and/or maximum amount that is allowed to be withdrawn at any one time.

Furthermore, as mentioned previously, many no notice accounts will only pay withdrawals by cheque, while others insist on making payments by BACS to a nominated account. This is important because BACS payments can take three working days to process, and a cheque will need to be cashed if pounds and pence are what the saver is really after.

### Striking a balance

In general, savers are likely to find that the higher the rate that is on offer, the more onerous the restrictions on an account are likely to be. This makes it essential that savers consider carefully whether they are likely to have to make any withdrawals (and how many) before committing to an account which might pay a high rate at the outset, but drops significantly once money starts to be taken out.

Balancing the obvious desire for a decent rate against a realistic assessment of whether the withdrawal limits can be adhered to is key.

As to the safety of instant access and no notice accounts, as long as the provider is regulated by the Financial Services Authority, it is protected under the Financial Services Compensation Scheme. This means savers are guaranteed to receive the first £85,000 of their investment back should the institution fail.

**See latest Easy Access Savings rates**

Variable    Cash ISAs