

# Over 800,000 Knee Jerk Fixers Need Instant Access



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This year really has been a savings rate massacre for consumers, with rates falling to historic lows in line with the plummeting base rate. New research from [uSwitch.com](http://uSwitch.com) reveals that in response to this rate land slide, 9 million savers have locked away a total of £131 billion in fixed rate [savings accounts](#) in a desperate bid to bag a decent rate. Unfortunately, a turbulent financial climate has led to almost one in ten of these consumers being forced to access their savings early due to job losses (6%) and mounting housing bills (32%). As a result, these savers have incurred penalty fees averaging £132 each.

In total, over 800,000 consumers have made an average withdrawal of £3,738 each from their fixed rate account in the last year, with over a third of these incurring penalty charges. As a result, these cash hungry savers have racked up a total bill of £40 million in withdrawal penalties which are predominantly made up of interest charges. Going forward this issue is only going to get worse as a further 1.7 million (19%) people with fixed rates claiming that they might have to access their money early.

With each of these savers locking away a total of £14,237 each, this has clearly made a positive boost to the UK's £1.1 trillion savings pot which is held by 35 million consumers. This may sound like a lot of money in the current climate but it's hardly surprising as further reports have shown that the amount of money consumers are stashing away has actually gone up by 26% since January this year.

However, with 47% of fixed rate savings accounts offering consumers absolutely no access to their money before the end of the term, it's hardly surprising that 6% of these knee jerk fixers already regret locking their money away. 87% of fixed rate savers only chose this type of account because it was the only decent rate available at the time and 17% admit to making a rash decision.

**Rumina Hassam, savings expert at uSwitch.com, comments:** "Fixed rate savings accounts can offer consumers some really competitive returns, but the reality of this extra interest can be harsh. Almost half of the accounts available do not allow consumers to access their cash under any circumstances which, in a climate of recession and redundancy, is a dangerous situation for some people. The devil really is in the detail as far as fixed rate savings are concerned. Even if consumers are allowed to make withdrawals, the extra interest earned could be completely wiped out by the penalties incurred.

"Consumers that might need to access their money should think really carefully before investing in a fixed rate savings account. Some deals offer more flexibility than others but the general rule of thumb is that accounts with limited access and longer investment terms will offer the highest rates. Also, with the base rate expected to creep up again over the next year and savings rates likely to follow suit, longer term fixed rates may not be the best option."

Variable rate savings deals are on the up and there are currently deals paying as much as 3.3% with no restrictions on access with Citibank. This explains why 37% of people don't feel their rate is quite as competitive as it seemed when they first took it on. The average one year fixed rate bond now pays an average of 3.11% but Chelsea Building Society is offering as much as 3.8%. Five year bonds have gone up from an average of 3.33% to 4.61% since January however, one year fixed options have actually dropped down from 3.62% to 3.11% in the last nine months. For details of the best savings accounts available consumers can log onto [www.uswitch.com](http://www.uswitch.com).

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