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Get 7% in war to pull in savers

SAVINGS rates will shoot to a record-breaking 7% this week when **ICICI** launches a new fixed-rate savings account, *writes Elizabeth Colman.*

The savings bonanza has arisen out of the credit crunch, as providers look to attract deposits with top rates on savings and fixed-rate accounts, despite three Bank rate cuts since December.

Last week, Alliance & Leicester and Nationwide launched fixed-rate bonds at 6.83% and 6.4% respectively.

The 7% rate from **ICICI**, owned by India's **ICICI** Group, eclipses the previous market-leading one-year fixed-rate bond from Iceland's Kaupthing Edge and Icesave, both paying 6.86%.

To open the **ICICI** account you need just £1, while Kaupthing requires a minimum deposit of £5,000 and investors in the Icesave fixed-rate bond need £1,000.

However, to take advantage of the **ICICI** rate you have to open a HiSave savings account first.

Figures from financial data firm Moneyfacts reveal the gap between top rates and Bank rate have never been wider.

Abbey will this week launch a no-notice account fixed at 9.1% for a year – but the catch is you have to invest the

same amount or more in a Abbey investment product.

Rachel Thrussell at Moneyfacts said: "The rate looks very attractive compared with 6.81% from Birmingham Midshires as long as you are happy to meet the criteria. The Abbey products are linked to the stock market and should be considered long-term investments. There is always a chance you won't get your investment back in the short-term so there is a risk there."

Thrussell said these top rates may prove a minefield for savers.

Halifax, for example, increased the rate on its Websaver account to 6.85% last week, but to be eligible you must open a variable rate account, paying just over 4% on balances of £1 to £4,999.