

Savings account with special interest terms

Topic: **Account / Savings account** Case number: **2018/01**

A couple each opened an interest growth savings account with the bank as they considered its terms to be favourable. Upon attaining a specific savings target, the customers intended to pay off their mortgage after three years. A few months after the accounts were opened, the bank replaced these interest growth savings accounts with a different product, one with much less favourable terms, without informing the customers. The customers argued that the bank was bound by its commitment regarding the terms for the duration of their intended investment period. The bank considered that it was free to change the interest terms at any time on the basis of its general terms and conditions. The parties were unable to reach an agreement. It was possible to reach a settlement during the Ombudsman proceedings. The bank compensated the customers for the interest rate difference for the period during which they had no knowledge of the changes and were therefore not in a position to look around for a more favourable deal.

In the documentation for the interest growth savings accounts opened by the customers in early 2016, the bank stated that the reference interest rate of 0.75% would increase by 0.15% in each instance upon reaching specific savings amounts, up to a maximum increase of 0.45% once the savings amount reached 100,000 CHF. In other words, the interest paid on any amounts over and above that amount would be 1.20%. The customers had an obligation to refrain from withdrawing the savings amounts for at least 24 months or they would face penalty interest. The bank reserved the right to adjust the reference interest rate periodically in line with market conditions. No change to the increase amount was provided for in the documentation. In early 2017 the bank replaced the interest growth savings accounts with a different product which had much less favourable terms for the customers. The new product made reference to a base interest rate rather than a reference interest rate. This was initially 0.55% and increased to a maximum of 0.70% on savings amounts of 100,000 CHF and above. The customers noticed this at the end of 2017 and complained to the bank. They claimed that they had not been informed about the changes and argued that the bank should only have lowered the reference interest rate after notifying them accordingly. They felt that the bank should have been bound by the other terms of the interest growth savings accounts for their intended investment period. The bank took the view that it was entitled to change the interest terms at any time on the basis of its general terms and conditions, and that, in the present case, it had informed the customers in writing, contrary to their assertions. It therefore rejected any kind of goodwill gesture.

The customers objected to this and contacted the Ombudsman. They pointed out that the alleged written notification from the bank had been sent in December 2017. The terms with the adverse effects for them had already taken effect back in early 2017 however. The written notification made reference to changes that had been implemented by the bank in spring 2018 and also led the customers to believe that such changes would not involve any detrimental effects for them. The customers further maintained that the issue in this case was not merely an adjustment of interest terms but a significant change to fundamental product features that had adverse effects for them.

The Ombudsman pointed out to the bank the inconsistencies regarding the customer notification

claimed by it. Unfortunately, the latter clearly did not handle the customers' complaint with the required diligence. Moreover, with such interest growth savings accounts, in the Ombudsman's view, the issue is often whether or not the bank is bound by fixed interest rate promises and, if so, how long such promises are issued for. Given the unclear documentation for these interest growth savings accounts, there is no obvious answer to these fundamental questions. The Ombudsman could understand however that, apart from a possible adjustment of the reference interest rate, the customers did not expect fundamental changes within the savings period relevant to them. The Ombudsman found the bank's attitude that it was free to change the interest terms at any time on the basis of its general terms and conditions somewhat questionable in relation to the changes to the interest growth savings account. On the other hand, it is also probably not feasible to expect the bank to be bound by the terms of an interest growth savings account for an indefinite period and never be able to make changes of any kind to it. The Ombudsman considered adequate notification of such changes important along with sufficient time before such changes are implemented to allow the customers the opportunity to seek out alternatives with more favourable terms.

In this case, the bank had to concede that the customers had not been notified despite the fact that such notification was provided for in its general terms and conditions which it made reference to in its response to the customers' complaint. Ultimately, the bank was willing to compensate the customers for the interest rate difference. The period for assessing said compensation was determined such that the customers would still have had sufficient time to look around for suitable alternatives for their savings deposits after they first gained knowledge of the changes according to their own statements. The customers accepted the proposed settlement.