

News Analysis

Savers diversify in eurozone crisis

Deposit accounts

Wealth managers advise savers with large cash holdings to move to more secure UK banks, says **Tanya Powley**

Savers are seeking advice from wealth managers on the safest banks in which to hold large cash deposits as the eurozone debt crisis continues to dominate the news.

This week, the Irish government's announcement of a four-year plan to shore up the country's economy failed to stop its bonds being downgraded – and, in spite of agreement on a European Union-funded bail-out of the country's banks, as well as a government deposit guarantee scheme, wealthy savers have been moving their money out of Irish accounts.

"We're getting a lot of clients ringing us and saying they have money on deposit with various Irish banks and is it safe there," said Jane Sydenham, a private client adviser at Rathbones. As a result, some clients have transferred their money to better capitalised institutions.

Jonathan Seal, director at Rensburg Sheppards, said the company has been telling clients over the past two years to be "very careful" about investing in Irish institutions. "While there is a governmental guarantee, the quality of that guarantee had question marks against it," he added.

Jonathan Fry, who runs a private wealth management firm, said he had been actively monitoring the eurozone debt crisis on behalf of its clients, who have a total of £50m deposited in a range of banks through his Dynamic Cash Management (DCM) service.

This aims to source a competitive rate of interest for clients with deposits of more than £250,000, but also analyses, monitors and rates the financial strength of financial institutions. It will place a client's savings with a range of European banks based upon their need for liquidity, attitude to institutional risk and confidence in the deposit protection schemes in force.

"We see this as being a valuable service, particularly for high-net-worth individuals who are concerned about adequate due diligence, diversification and reducing the administration associated with managing their cash deposits," said Fry.

As a result, the firm has



Photo: Photoshot

Where to shelter from the debt crisis



Source: Jonathan Fry

Santander Media Awards

FT named best for personal finance

The Financial Times was this week named the Personal Finance National Newspaper of the Year in the Santander Media Awards 2010, for its coverage of consumer finance stories in the weekly FT Money section.

The judges said the FT had been chosen for its "combination of excellent news delivery, presentation and objectivity".

In particular, the judges said they were impressed with how the FT went about "truly focusing its content on issues of interest to its readers".

FT Money was selected from a shortlist of national newspapers that included



The Times, Daily Telegraph and Daily Mail.

The award was accepted by FT Money's online editor, Lucy Warwick-Ching (left), at a ceremony hosted by John Sergeant at the Honourable Artillery Company in London on Wednesday evening.

Tanya Powley, FT Money's mortgage and property reporter, was also recognised for her work throughout the year, being named runner-up in the Specialist Personal Finance Journalist of the Year category.

Judges commended her articles for their "excellent analysis and insight into the mortgage industry".

€100,000

Savings per person in UK banks that will be protected by the UK Financial Services Compensation Scheme (FSCS) from January

excluded all of the Irish banks from its recommendations. It has even decided to move clients' accounts from the Post Office's Online Saver account, which is provided by the Bank of Ireland UK and protected by the UK Financial Services Compensation Scheme (FSCS), into an alternative institution – to avoid unnecessary concern following media coverage of the Irish debt crisis.

"We have a rule that we wouldn't use an institution if it is given a score of 20 or less out of 60 on our ratings database – this is normally where the institution has a very poor credit rating with one of the major ratings agencies or if it is deemed to be weak following our analysis of financial records," explained Fry.

In cases where the firm cannot find sufficient information on an institution's financial strength, it will not deposit a client's savings – regardless of the interest rate that might offer.

Fry said the firm had not included the Bank of Cyprus – which currently features in Moneyfacts' best buy table for one-year fixed-rate bonds – in its recommendations due to concerns about the bank's exposure to Greece.

All of the highest-rated banks on Fry's database are UK banks, such as HSBC, Bank of Scotland and Barclays.

Rensburg Sheppards has also been encouraging clients to spread their deposits across stronger banks. "It is just as important now to have diversification and an eye to the security of an investment in a deposit-based investment as it is in an equity or property-based investment," said Seal.

Sydenham of Rathbones agreed and said recent developments have made clients as worried about their deposits as they were in 2008, following the run on deposits at Northern Rock.

"The answer has to be that clients must diversify and not put hundreds and thousands of pounds with a single bank," she said. "I think clients have become much more disciplined about the size of deposits they maintain with a single institution," she added.

Savings in UK banks are protected by the UK FSCS, which covers the first £50,000 in any bank, rising to €100,000 in January.

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