

Covid-19 Information Sheet – *Investments, Savings & Pensions*

This information sheet has been produced by students from BPP's Pro Bono Centre under the supervision of legally qualified staff members. The information contained in this document is accurate as of 8 April 2020.

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Current Accounts and Savings

Overdraft limits and charges

Many individual banks have announced that they are increasing their buffer zones (allowing you to go overdrawn interest free) for the next 3 months on their current accounts. This will give you a bit more flexibility in managing your money during these difficult times. The Financial Conduct Authority (FCA), the UK's regulatory body for the financial sector, is expected to require banks, upon request, to provide an interest free overdraft of up to £500 for 3 months to help customers who need additional financial support. Customers are encouraged to contact their bank to discuss their overdraft requirements.

Personal loans and Credit Cards

The FCA is expected to introduce measures in early April to allow customers to ask for temporary payment freezes on personal loans and credit cards of up to 3 months. This has only just been announced, so expect further information from your banks in the near-future. 'Persistent debtors', who have failed to pay down their balance over the course of 18 months, are also included in the FCA announcement so your bank should be able to help you regardless of your circumstances. Most importantly, these measures are not expected to negatively affect your credit rating.

Savings

The Bank of England cut its base rate to a historic low of 0.1% on 19 March. Whilst this is good news for homeowners with tracker mortgages, this is likely to be bad news for savers as the interest their savings generate decrease. Many banks are also allowing savers to withdraw savings early from a fixed-rate savings account without having to pay a penalty. Finally, it is worth remembering that all UK-regulated current or savings accounts and cash ISAs in banks, building societies and credit unions are covered by the Financial Services Compensation Scheme (FSCS). The FSCS protects customers when authorised financial services firms fail

and compensates customers up to £85,000 per person, per financial institution. More information about the FSCS scheme can be found through this link: <https://www.fscs.org.uk/>.

Where can I find out more information?

Due to the frequent updates, we would recommend that you regularly check your bank's website and social media feeds for the latest information.

MoneySavingExpert's Martin Lewis (@MartinSLewis) is also a great source for general financial information relating to COVID-19.

The Financial Conduct Authority is also regularly updating its information for consumers through: <https://www.fca.org.uk/consumers/coronavirus-covid-19>.

It is also important to note that there are many scammers attempting to exploit fears around peoples' savings at this time. More detail on this can be found at <https://www.fca.org.uk/news/news-stories/avoid-coronavirus-scams>.

Pensions, Shares and Investments

What are the main issues?

Since the outbreak of the coronavirus, stock markets have been volatile with almost all sectors seeing a significant downturn.

There is also a great deal of uncertainty in terms of knowing when this situation will come to an end, which is likely to result in continued volatility for at least another few months, and most likely, longer.

Many people's savings and pensions are invested in stocks or funds which will go down or up in value in line with the economy.

Market Summary > FTSE 100 Index
INDEXFTSE: UKX



Figure 1 FSTE 100 Share Index since 1984 (Google)

As you can see form the chart on the left, the stock market has seen several downturns and periods of volatility in the past.

The impact of this volatility will only be crystallised if you are due to sell your investments or take your pension soon.

How will my pension be affected?

At present, there are no governmental changes proposed in relation to pension investment and access from an individual's perspective as a result of coronavirus with the exception being the changes introduced by the COVID-19 Bill. This includes pensions provisions to allow ex-NHS employees who have recently retired to return to work, and retired staff who have already returned to work to increase their work commitments, without having their pension benefits suspended.

The impact of stock market volatility will depend on what type of pension you have:

State pension

The State Pension is unaffected by fluctuations in the stock market and so is unlikely to be affected by the current pandemic.

Defined Contribution pension

These are the most common workplace pensions, where a portion of your wages are invested by your pension provider.. As these contributions are invested in the stock market, their current value are likely to be affected. For those who are close to retirement or considering within the next 5 years, it is likely that your pension provider will have moved your pension savings into predominantly less risky funds. For those who still have several years or more before planning to draw on your pension, then there is time for your pot to achieve growth over the long term and recover from the fluctuations in the stock market. This is because, historically, big stock market crashes usually recover in the following years.

Defined Benefit pension

These workplace pensions are sometimes referred to as a 'final salary' scheme. If your pension is held in a defined benefit arrangement, then any investment risk is borne by the sponsoring employer.

Investment and Pension Scams

With the downturn in the market, many savers and retirees may be wondering whether there is a safe harbour for their investments. Unfortunately, this has coincided with a rise in the number of related scams which encourage risky or non-existent investment. Savers should be particularly wary of making any large financial decisions at present and talk through their decision with a financial advisor or their bank. Do not rushed or feel pressured into making a decision. More information on how to spot a scam can be found here: <https://www.fca.org.uk/news/news-stories/avoid-coronavirus-scams>.

More Information on avoiding scams during COVID-19 can be found in BPP Pro Bono Centre's 'Information for Consumers' factsheet available on the Pro Bono Website (details below).

Further Information

BPP Pro Bono Centre has produced a series of Factsheets looking at how COVID-19 impacts on a range of different people. All of our factsheets can be viewed on the Pro Bono Centre Blog here: <http://probono.bppuniversity.ac.uk/blog/>

Where can I find out more information?

1. [Pensions Advisory Service](#)
2. [Step Change](#), A debt advisory organisation, StepChange has a useful coronavirus guide on how to deal with the financial implications.
3. [The Money Advisory Service](#)

Help and Advice

1. Turn2us is a national charity helping people when times get tough and is very good on benefits advice. Go to www.turn2us.org.uk
2. Citizens Advice has more than 21,000 advisers. Go to www.citizensadvice.org.uk.

Information and Updates

The UK Government publishes a number of documents and updates as part of the ongoing response to Covid-19. These can be found on the UK Government website here: <https://www.gov.uk/coronavirus>

Wellbeing

This is an extremely difficult time for everyone. There is much uncertainty and a lot of anxiety. Along with your physical health, it is important to look after your emotional wellbeing during this period.

If you need any support, contact:

Mind - 0300 123 3393 (Monday to Friday, 9am to 6pm) www.mind.org.uk