

We Really Need To Talk ... About Cash

Presented
by

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Setting the scene – What we will cover

To hold cash or to
invest?

As CCLA celebrates 40 years of managing cash for charities (and 67 years for churches!) it seems a good time to share the challenges, the highlights and the lowlights, lessons learned and what investors might expect in the future.

Setting the scene - 1984

“Charities are depositing money with clearing banks at relatively low rates of interest”

“a Charities Deposit Fund would be a useful and viable addition to the COIF’s existing service to charities, and the Fund seems worth forming.”

Source: The COIF Trustees – January 1984

Setting the scene - 1985

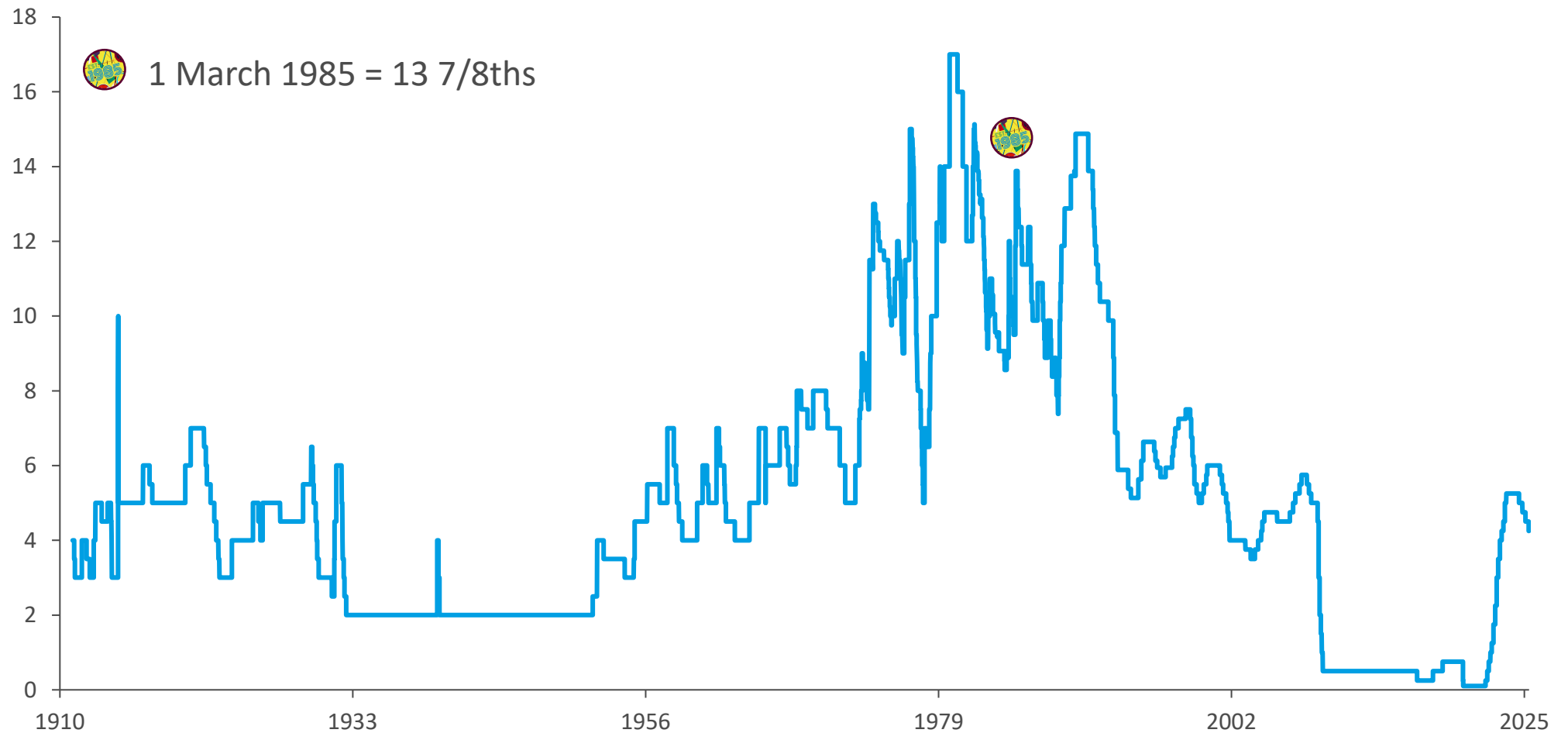
The COIF Charities Deposit Fund was born



Source: CCLA

UK Interest Rates: Dramatic swings over the past 115 years

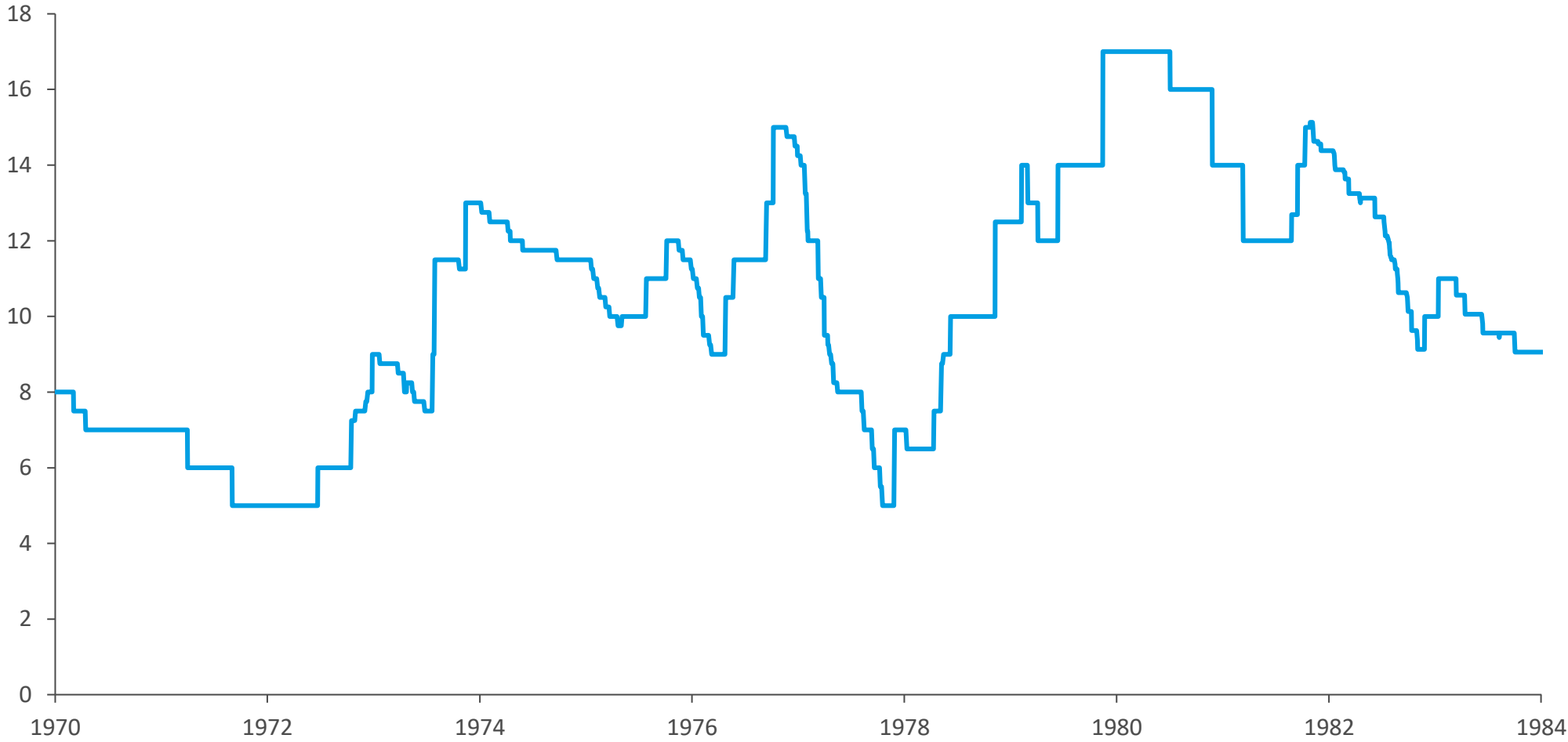
Bank of England's Official Bank Rate (%)



Source: CCLA and Bloomberg as of 16 May 2025

UK Interest Rates: 1970's raging inflation – interest rate peaked at 17%

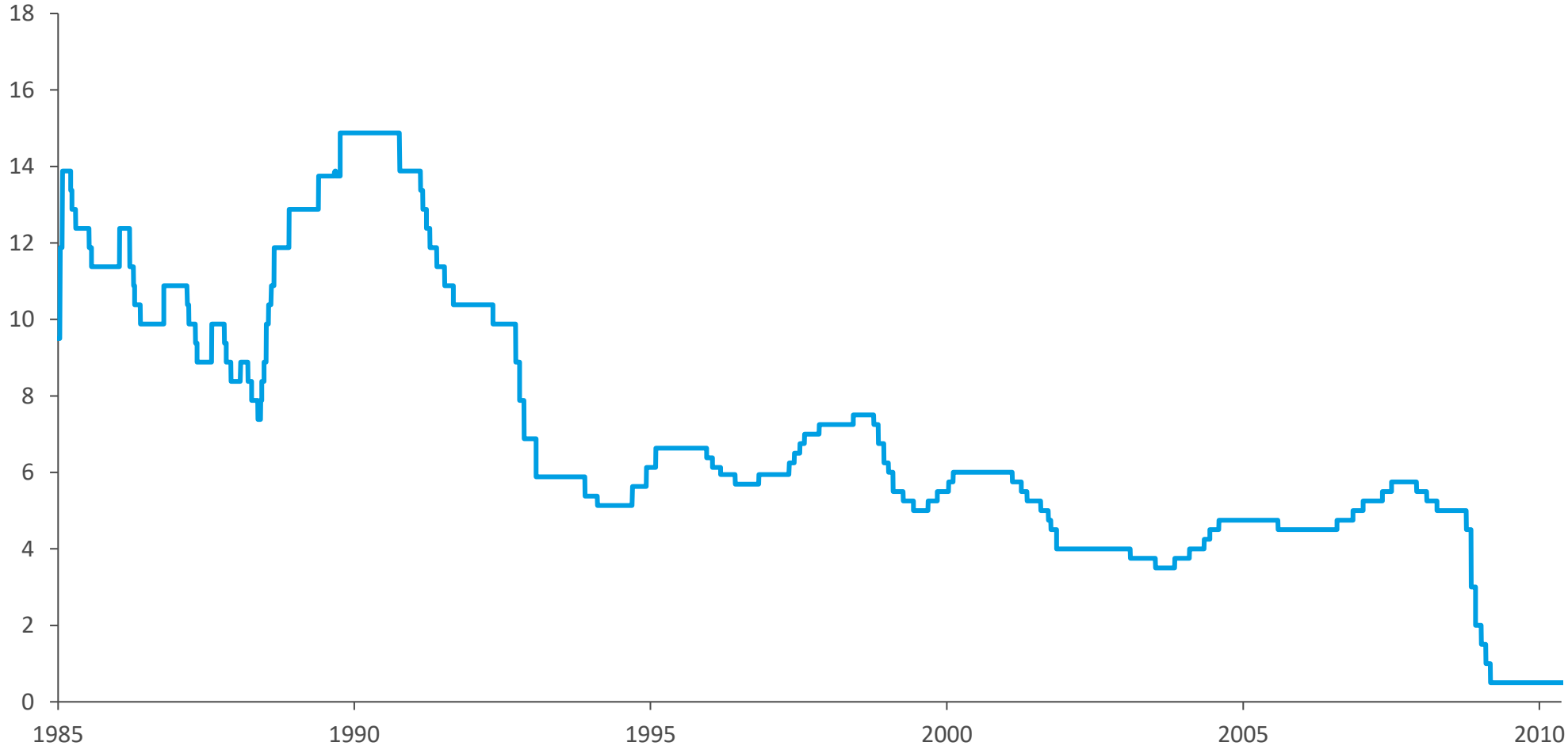
Bank of England's Official Bank Rate (%)



Source: CCLA and Bloomberg as of 16 May 2025

UK Interest Rates: 1985 to 2010 Boom to Bust

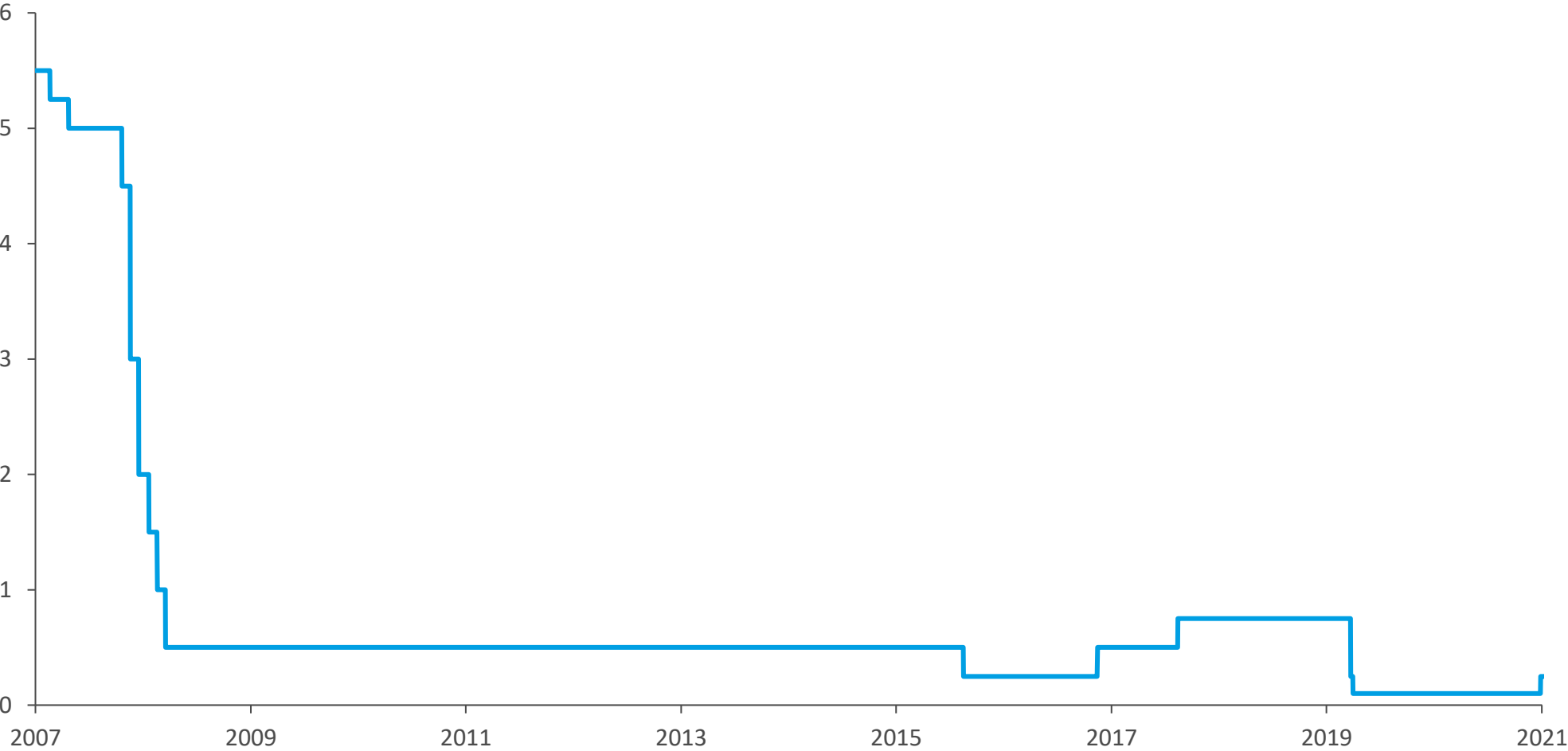
Bank of England's Official Bank Rate (%)



Source: CCLA and Bloomberg as of 16 May 2025

The Lost Decade – a dire time for savers - ‘Money For Nothing’

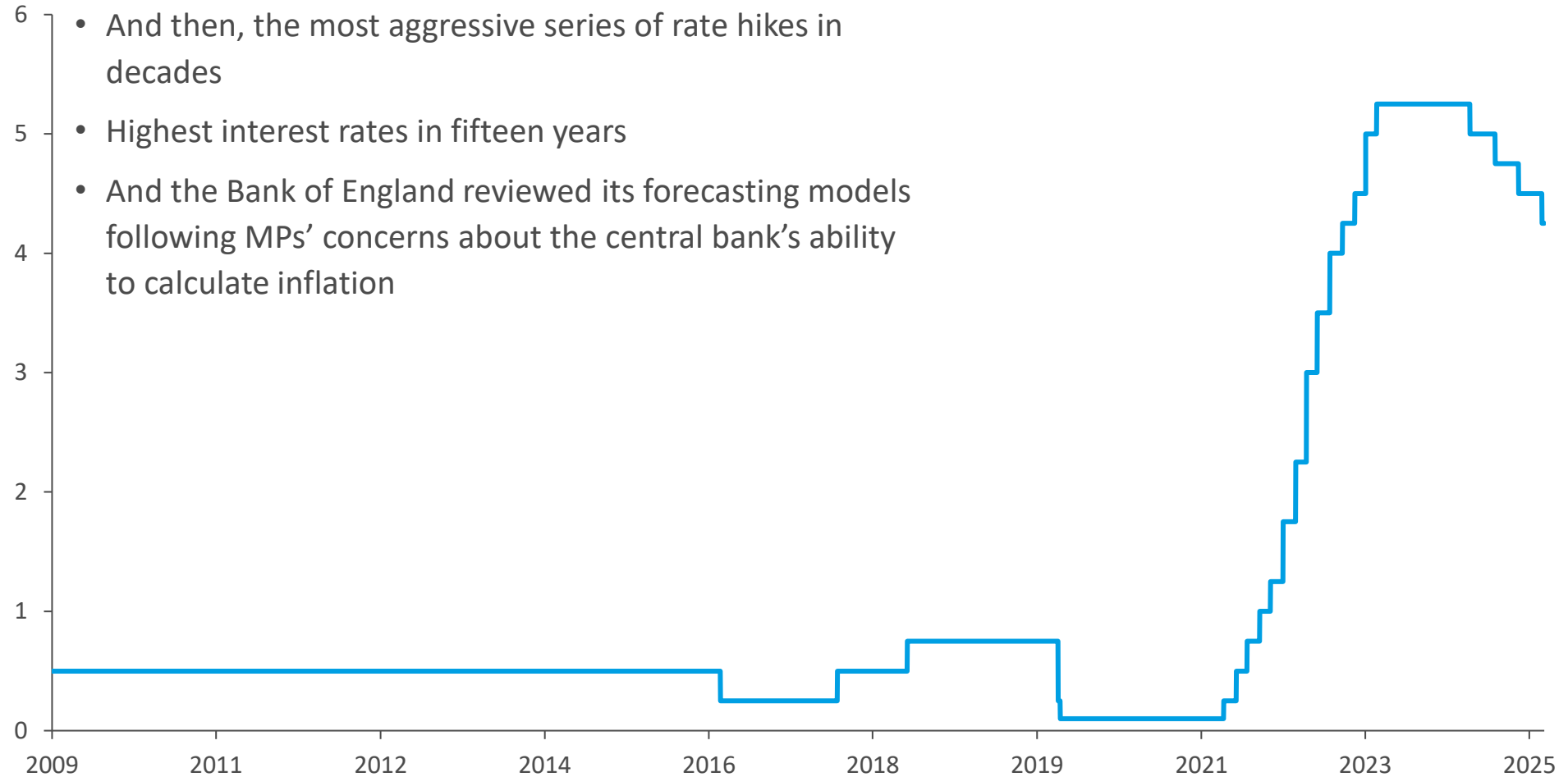
Bank of England’s Official Bank Rate (%)



Source: CCLA and Bloomberg as of 16 May 2025

UK Interest Rates: From Minimal to Meaningful

Bank of England's Official Bank Rate (%)

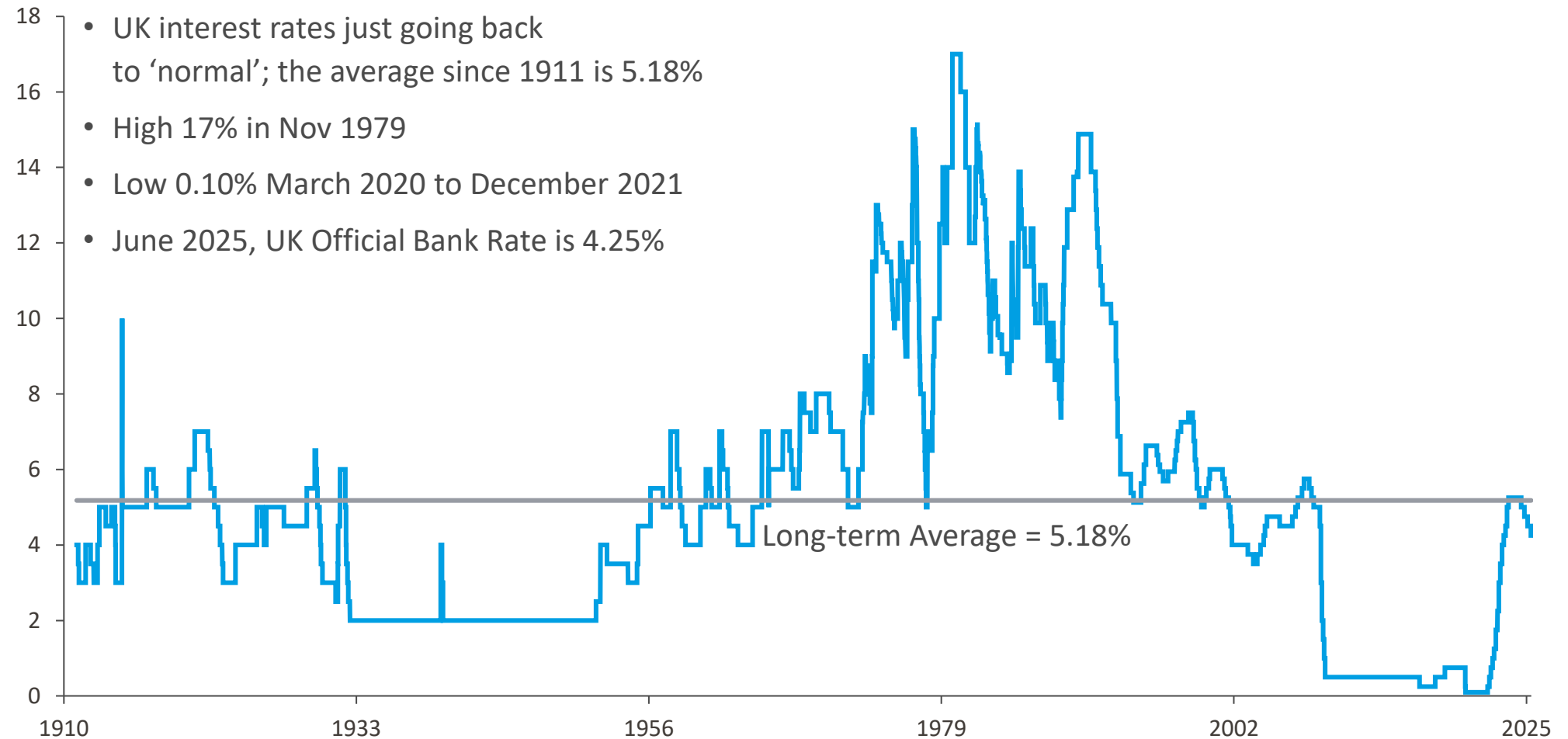


- And then, the most aggressive series of rate hikes in decades
- Highest interest rates in fifteen years
- And the Bank of England reviewed its forecasting models following MPs' concerns about the central bank's ability to calculate inflation

Source: CCLA and Bloomberg as of 16 May 2025

UK Interest Rates: But only back to the long-term average

Bank of England's Official Bank Rate (%)



Source: CCLA and Bloomberg as of 16 May 2025

Why aren't banks giving depositors the benefit of higher rates?

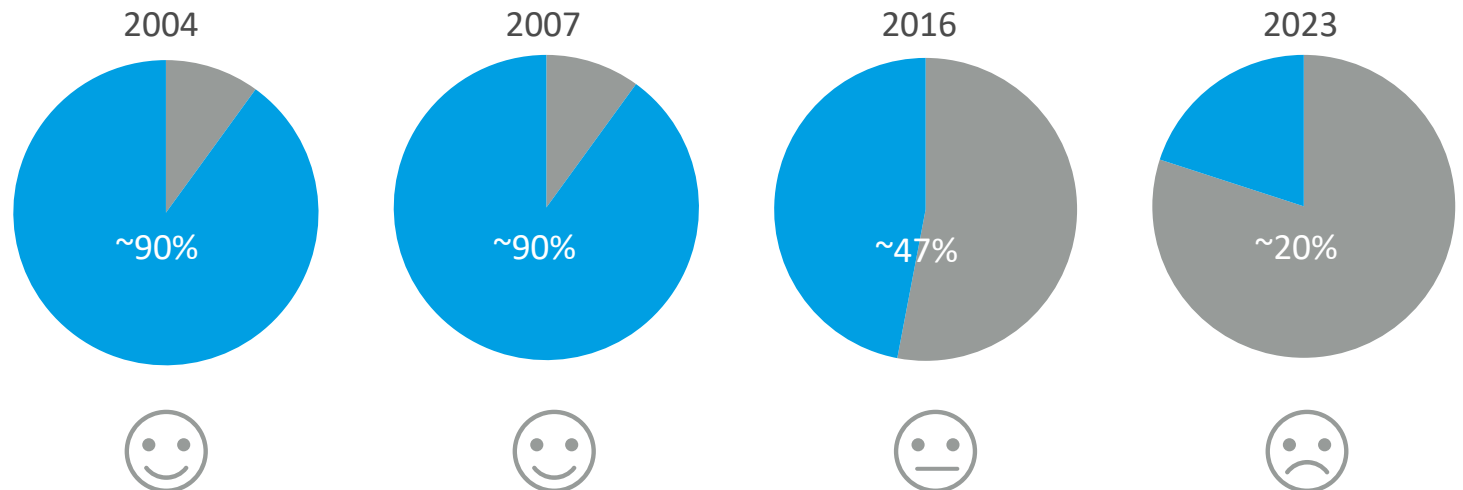
UK charities are being short-changed on many fronts when it comes to their cash reserves

From savings rate, to choices of banks on offer

Why is this such a problem?

- Charities are unable to generate income on their cash reserves
- Fewer and fewer banks/building societies accept accounts
- Some accounts have additional fees in addition to low interest
- Limited deposit options leading to undiversified risk

Charity bank account savings rates as a proportion of bank rate*



Sources: * Data taken as at 1 Jan of each year. Median savings rate used from historic data collected by CCLA. Base Rate data taken from Bloomberg.

Why aren't banks giving depositors the benefit of higher rates?

Cross-party Committee of MPs started a campaign for banks to increase the savings rates offered to loyal customers
Around 60% of household deposits are held in instant access accounts, according to the BoE who reported the pass-through of rate rises to savers has been “unusually weak”

High Street bank CEOs defend their rate setting policies



“we hear from our constituents, on an ongoing basis... when mortgage rates go up, you raise rates very quickly and yet they do not see the increase on their savings rates at the same sort of pace.” – Harriett Baldwin



“UK Banks too slow to raise interest rates for savers.” – Jeremy Hunt



“Where all of your rates are currently under 1%, even though the bank rate is now 4%” – Dame Angela Eagle

Source: Harriett Baldwin and Dame Angela Eagle quote from parliament.uk 7 Feb 2023 and Jeremy Hunt in the House of Commons 26 June 2023.

Why aren't banks giving depositors the benefit of higher rates?



Ring-fencing was widely regarded as the UK's definitive structural response to enhancing financial stability following the global financial crisis

While well-intentioned, it has inadvertently constrained the geographic diversification of UK banks, exposing them to concentration risks and operational inefficiencies

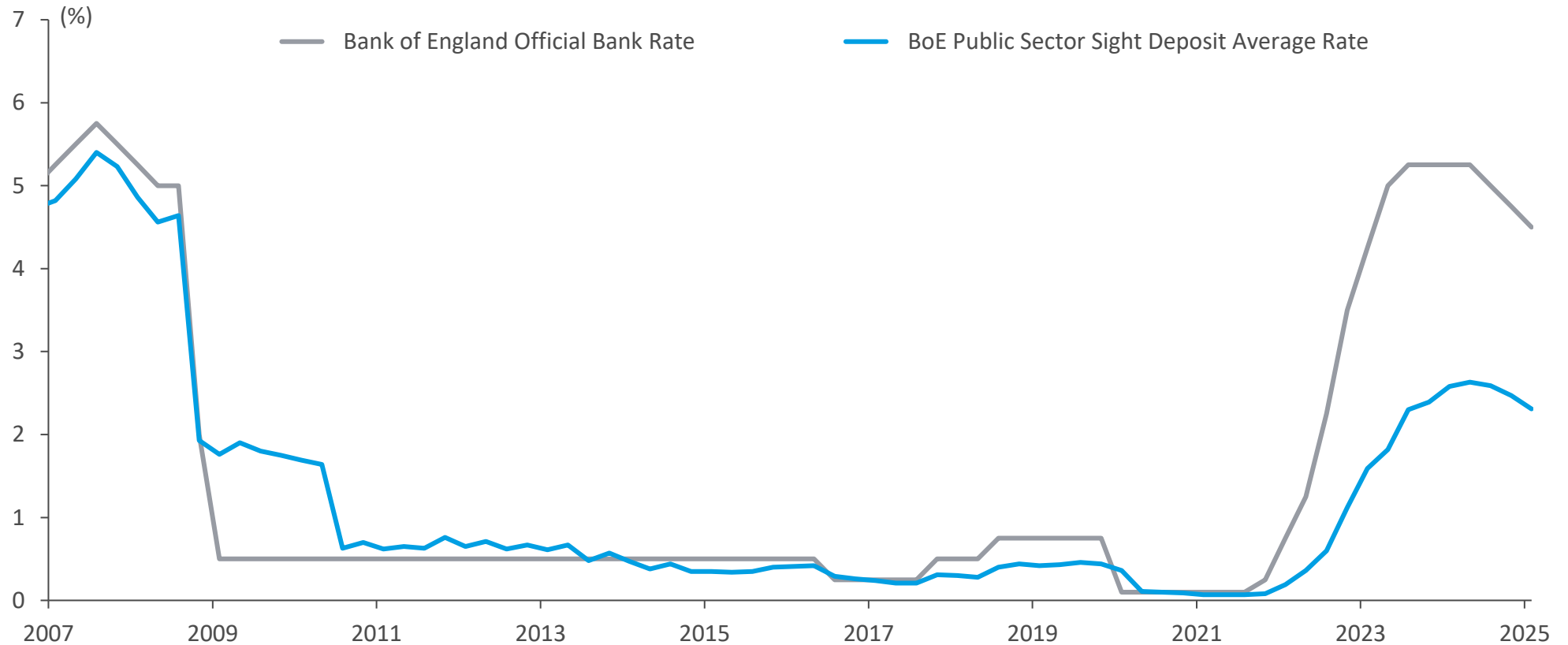
Six years on, depositors continue to face persistently low savings rates despite rising gilt yields

'Free Banking' is coming at a cost

A whole generation only known rates close to zero percent

Why aren't banks giving depositors the benefit of higher rates?

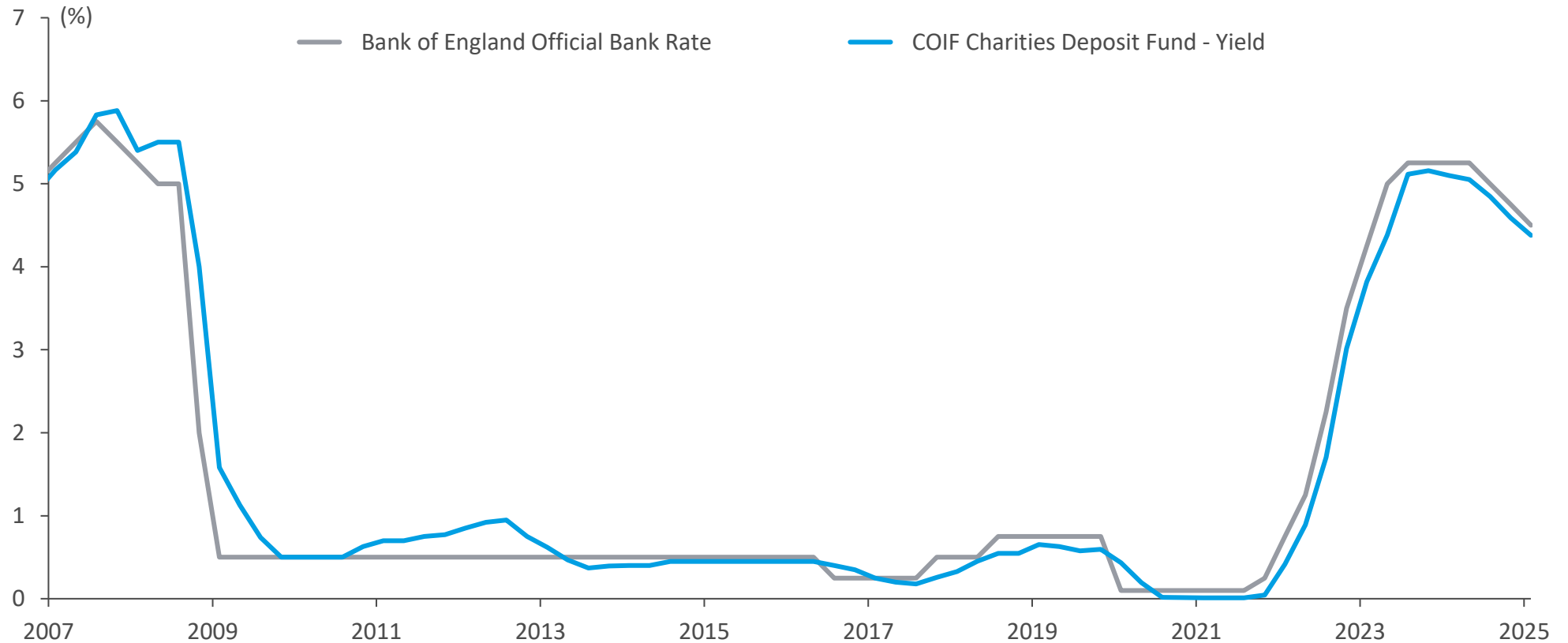
- It is increasingly evident that banks are withholding a significant portion of the interest rate increases, choosing not to fully transmit them to consumers.



Source: CCLA and Bank of England as of 22 May 2025

But Charity Depositors can benefit

- Unlike many banks, our [COIF Charities Deposit Fund](#) has closely tracked the Bank of England's Official Bank Rate increases — almost mirroring them!
- It's a clear reflection of our commitment to delivering real value to our depositors, staying responsive and aligned with the market

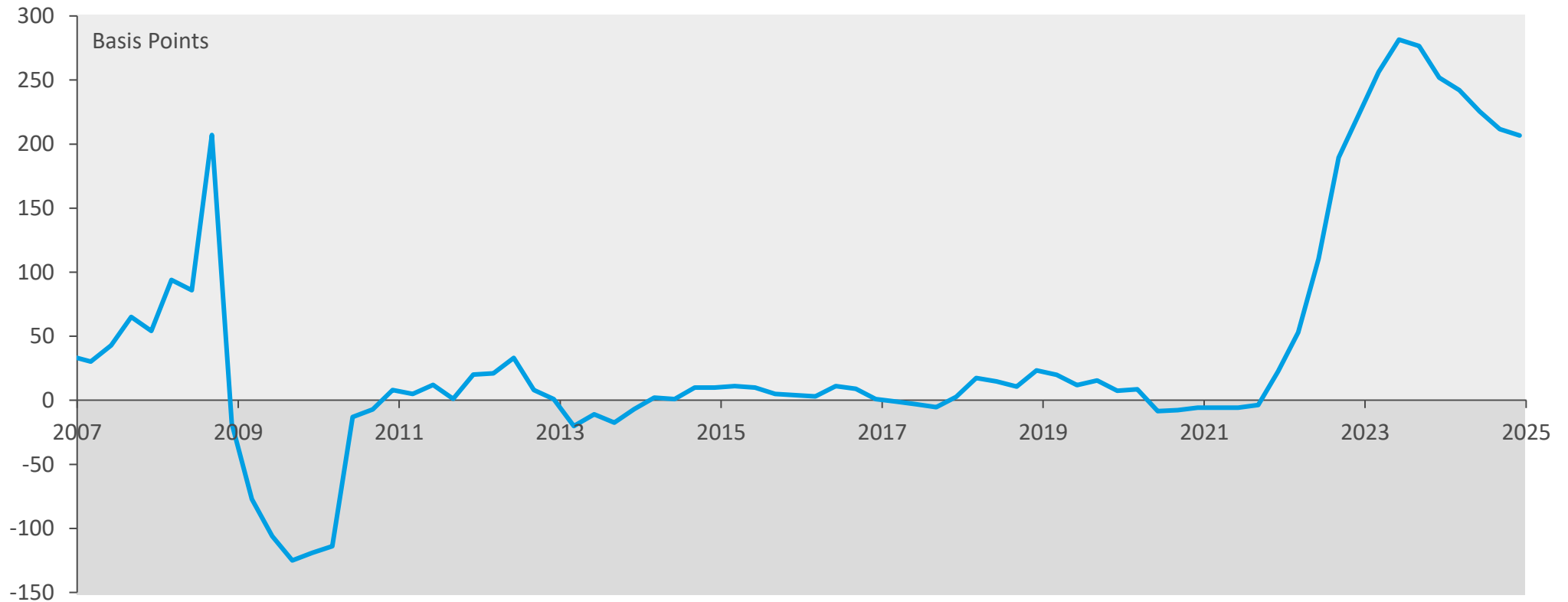


Source: CCLA and Bank of England as of 22 May 2025

But Charity Depositors have and are benefiting

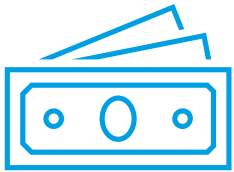
- We have seen some banks offer new very attractive alternatives to instant/current account
- Many though are gimmicks, or modified new types of offerings, generally not open to charities
- **COIF Deposit Fund** rate has consistently outpaced the returns of average charity banking accounts over the past couple of years, delivering significantly higher value for those precious reserve holdings

COIF Deposit Fund Yield relative to the Public Sector Average Instant Access (Sight Rate)



Source: CCLA and Bank of England as of 22 May 2025

COIF charities deposit fund our solution to maximise cash returns



- Open-ended Charity Commission Common Deposit Fund
- Special type of short dated fixed-income fund
- Focused solely on highly liquid, high-credit quality, short-term investments
- Investors gain exposure to a low-risk diversified debt portfolio that can generate modest returns on cash in the short-term
- They are considered by many financial advisors to be “safe” temporary investment

The Rules

Cannot invest in any security with a maturity date longer than 397 days

Weighted average maturity date must be 60 days or less at any given time

Cannot invest more than 5% of their portfolio in securities from a single issuer

COIF charities deposit fund - considerations

Security = safety

Managing to the highest standard

Security

Liquidity = accessibility

Must be available to meet demands

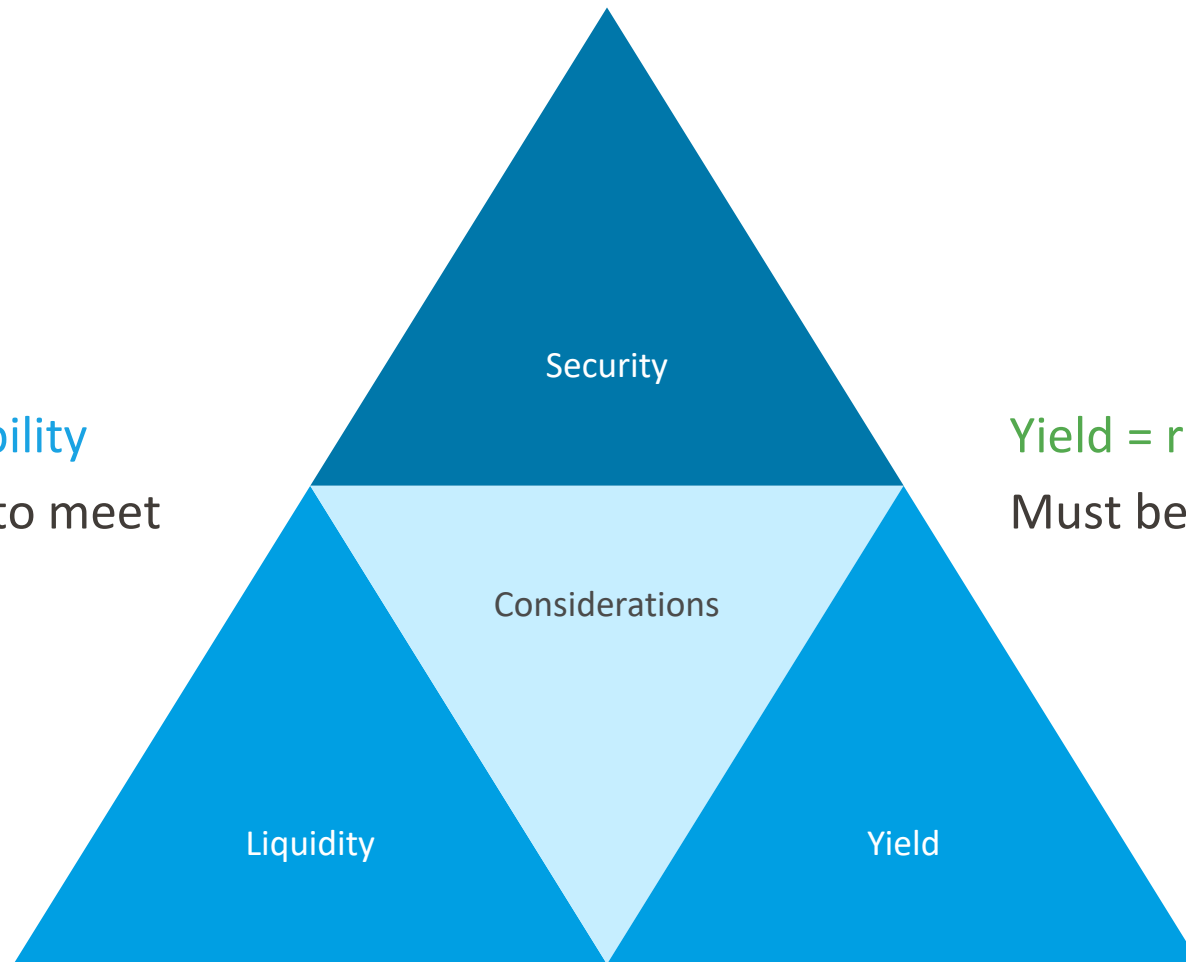
Yield = return

Must be competitive

Considerations

Liquidity

Yield



COIF charities deposit fund – versus bank account



Bank account

£1m earning 2% for 1-year = £20,000

- Daily liquidity
- No minimum balance
- Lower interest rate return
- Covered by the FSCS (up to £85k)



COIF Charities Deposit Fund

£1m earning 4.25% for 1-year = £42,500

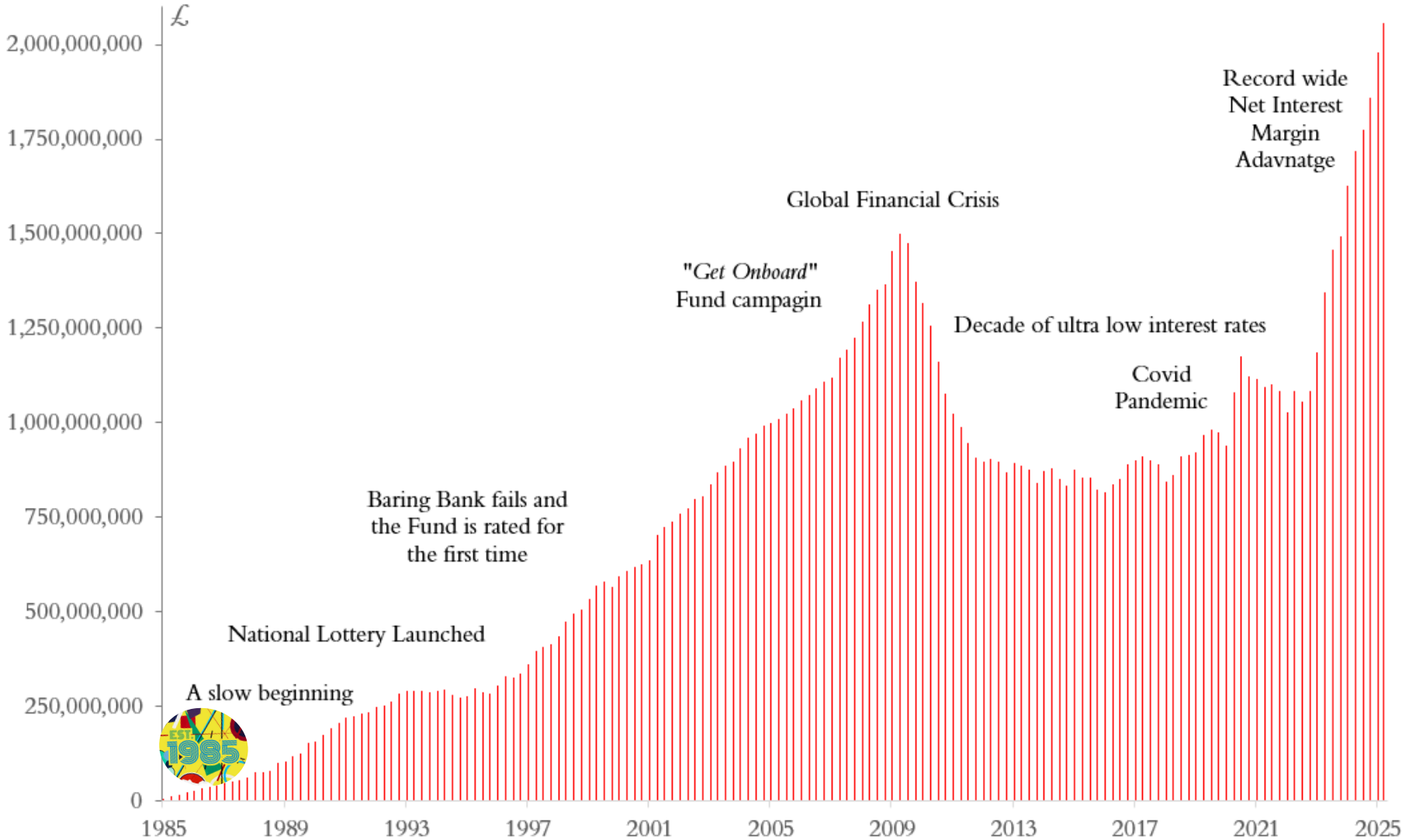
- Daily liquidity
- No minimum balance
- Higher interest rate return
- AAAmmf rated / highly diversified
- ESG analysis on counterparties

Source: CCLA. Bank account interest rate is estimated for illustration purposes.

*Declared yield as of 21 May 2025. The daily rate on the Fund will fluctuate. A.E.Y. = annual equivalent yield, which illustrates what the annual interest rate would be if the monthly interest rates were compounded.

COIF charities deposit fund client deposits exceeds £2 billion

External COIF Client Deposits - Now over £2 billion



Source: CCLA as of 21 May 2025

Celebrating 40 years of the COIF Charities Deposit Fund

Find out more at
ccla.co.uk/happybirthday

Image courtesy of Koestler Arts. *Carnival*, HM Prison Inverness.

Important information This is a marketing communication.
Capital at risk. CCLA is authorised and regulated by the FCA.

