



Fancy your chances at 1 in 24,500...?

National Savings & Investments have increased their interest rates – and boosted a chance of winning.

National Savings & Investments (NS&I) beat many of its banking competitors by announcing a 0.25% increase in its variable rate products. These took effect from 1 December and are shown in the table below for taxable products open to new investment:

Product	Old rate	New rate
Direct ISA	0.75% tax-free/AER	1.00% tax-free/AER
Direct Saver	0.70% gross/AER	0.95% gross/AER
Income Bonds	0.75% gross/AER	1.00% gross/AER
Investment A/C	0.45% gross/AER	0.70% gross/AER
Junior ISA	2.00% gross/AER	2.25% gross/AER

None of the non-ISA rates are especially competitive. For example, at the time of writing the best instant access rates were around 1.3%. The Direct ISA is nearer the top of the league tables, although the recently launched Junior ISA lags behind.

The Premium Bond prize fund interest rate was also boosted by 0.25%, from 1.15% to 1.40%. NS&I used the increased prize fund to improve the odds of winning a monthly prize from 30,000:1 to 24,500:1. The mix of prizes was not changed: 90% of the prize fund will continue to be paid in prizes of £100 or less. According to NS&I this will mean that in December 2017, 982 out of every 1,000 Premium Bond prize winners will receive the near-ubiquitous £25 prize.

That skew towards £25 prizes is indicative of the fact that, for complex statistical reasons, the averagely lucky Premium Bond owner will 'earn' less than 1.4% prize fund rate. The averagely lucky owner's shortfall is made up by the handful of big prize winners who receive considerably more than 1.4%.

NS&I does offer Treasury-backed security for your money, but this is a guarantee that you pay for in terms of generally lower returns. Before you put £50,000 into Premium Bonds hoping for £700 a year tax-free, do make sure you talk to us about your other options.

The value of your investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.