

Beware the High Street Scrooges on child savings

IF YOU are looking to put money away for children this Christmas, avoid the High Street Scrooges.

While some children's accounts pay as much as 3pc before tax, others pay children a miserly 0.05pc.

These are in easy-access savings accounts designed for shorter term saving, rather than the new Junior Isa where money you put away is tax-free and tied up until your child reaches 18.

The meanest include some of the biggest names in the High Street, including Barclays, Britannia and Santander.

Money in Barclays Children's Savings and Britannia First Saver earns just 0.25pc before tax — or 25 pence interest a year on savings of £100.

Santander pays 0.4pc in its Flexible Saver for Kids while a handful including RBS and HSBC pay 0.5pc. Some small societies pay even less. Hinckley and Rugby's Flying Start rate is just 0.1pc.

This account is closed to new savers while the society's latest version, Starter 4 Ten, pays a much better 2pc.

Marsden BS Young Saver pays

By **Sylvia Morris**

0.15pc, but among the very worst is West Bromwich Acorn — now closed to new savers — at just 0.05pc, which means you earn just 5 pence interest a year on savings of £100.

And in a particularly nasty twist, some of the biggest names on the High Street pay less on specialist children's accounts than they do on adult ones.

For example Santander pays 2.5pc before tax, including a bonus for the first year on its Flexible Saver, open to anyone over age 11, but only 0.4pc to younger children in its Flexible Saver for Kids.

Children can also be ruled out of top-paying internet accounts because you need a bank account to run them — but an adult can often open one in their name in trust for their child. So where can you go for a decent deal? Northern Rock's Little Rock pays a much healthier 3pc.

Other good accounts include: Chelsea Ready Steady Save, Halifax Young Saver and C & G Young Investor (all 2pc); Skipton (1.8pc); Norwich & Peterborough (1.75pc); and Yorkshire Building

Society (1.75pc). Some local societies pay good rates — at Stafford Railway and Swansea building societies the rate is 2.75pc.

Lloyds TSB pays 3pc but you need to have your current account with the bank to open this one. If you want to put money away for your child each month, Halifax Kids' Regular Saver pays 6pc. Paying in £100 a month builds up to £1,239 in total over a year.

When you open an account, make sure you fill in form R85, available from banks and building societies. This will allow interest to be paid before tax is deducted. Children have their own personal tax allowance — currently £7,475 — but they can earn only £100 interest from money given by each parent before they face paying tax.

Once the interest breaches this limit, tax is paid at the parent's highest rate of tax on all the income, not just the amount over £100.

At 3pc, the top rate available on easy-access children's accounts, each parent can put in £3,300 without going over the limit. At 2pc, it's £5,000.

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