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Dear Martin

Mortgage Endowment Complaints: Changes to time limits for making a complaint

I am responding on behalf of the Consumer Panel to CP158.

The Panel welcomes the FSA's proposals to reduce the risk that consumers who were mis-sold endowment policies will miss the opportunity to complain because they failed to act in time. At present, consumers who were mis-sold an endowment policy may be completely unaware that there is a time limit in which they need to register a complaint if they wish to be eligible to refer any claim for compensation to the FOS. Even if they are conscious of a time bar, they may be taking the view that it cannot possibly come into play until any prospective loss crystallises because only then will the precise extent of the loss become apparent. For these reasons, we believe it to be very important for the FSA to take steps to clarify the point at which the clock starts running and to ensure that affected consumers are aware of the time bar applicable to them.

We support the FSA's proposal that time should only start to run from the date on which consumers receive a letter from a firm warning that there is a high risk that their policy will not, at maturity, produce a sum large enough to repay the target amount (ie a 'red' reprojected letter or equivalent communication). On receipt of a warning of this nature, consumers should be taking action, including making a complaint to the firm that sold them the policy if they feel they were mis-sold. We agree that it would not be appropriate for the start of the time limitation period to be triggered by receipt of an 'amber' or 'green' letter (or equivalent communication).

We also support the proposal to extend the three-year period, where this is necessary, in order to ensure that consumers have at least six months after receipt of a second red reprojected letter (or other reminder) in which to complain.

Consumers who believe that they were mis-sold an endowment policy need to be crystal clear about the deadline for making any claim for compensation in their own particular circumstances. For this reason, we think that, in future, firms should be

required to provide their customers with a clear explanation of the rules on the time barring of complaints at the same time as they send them a red reprojection letter. We would suggest that this explanation should also be given to recipients of amber reprojection letters as a form of early warning.

We are conscious that there are some consumers who will already have received a second red reprojection letter without being given an explicit warning about the approach of a time bar. For this group of people, we believe the FSA needs to make separate and vigorous arrangements to ensure that they are aware of the time limitation on the consideration of complaints. Those arrangements need to go further than information on the FSA website. We know from our own research in the past that newspapers and the broadcast media can be very effective in getting messages across to a wide section of the population and we strongly recommend that, as part of its efforts to ensure that the warning on time bars is received and understood by a substantial number of consumers, the FSA should work closely with financial journalists.

The Panel is also very supportive of the proposal to regard a complaint as being in time if, within the relevant period, it has been lodged with the firm or with the FOS. We agree that this change should be of general application.

Yours sincerely



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Chairman

cc. John Tiner
Anna Bradley

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