

Financial Services Consumer  
Panel research report:  
Consumer concerns in Northern  
Ireland

Spring 2003

**Financial Services Consumer Panel**

25 The North Colonnade  
Canary Wharf  
London  
E14 5HS

Tel: +44 (0) 20 7676 9346  
Fax: +44 (0) 20 7676 9711  
Email: [enquiries@fs-cp.org.uk](mailto:enquiries@fs-cp.org.uk)  
Website: [www.fs-cp.org.uk](http://www.fs-cp.org.uk)

# Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

## Foreword

The Financial Services Consumer Panel is pleased to publish this research report on consumer concerns about financial services in Northern Ireland.

Our job is to represent the interests of consumers to the Financial Services Authority (FSA), and we rely heavily on research among the public to find out about people's views and experiences of the retail financial world. Often we use large scale questionnaire surveys to give us numerical data on consumers in the market place and on how they are being treated by firms. At other times, such as in this study, we are interested in hearing people speak in their own terms about their use of financial services, their problems and their opinions on what should change. Here we are seeking the consumer voice.

Two of the FSA's objectives are the protection of consumers and promotion of public awareness. The Panel believes that to achieve these objectives, the regulator has to remember that there are millions of different consumers and, while they have many problems in common, they do not share exactly the same interest. Within the diversity of consumers, geographical differences are important. This is why the Panel specifically asked consumers in Northern Ireland about their concerns. There is also a companion report on consumer concerns in Great Britain.

We are grateful to those people who took part in the discussions, and we shall try to live up to their expectations.



Colin Brown  
Chairman

Financial Services Consumer Panel

Consumer concerns in Northern Ireland  
Research report

April 2003

**MORI MRC**

**92-96 LISBURN ROAD, BELFAST BT9 6AG**  
**TEL: BELFAST (028) 9050 0800    FAX: BELFAST (028) 9050 0801**

24 WINDSOR PLACE, LOWER PEMBROKE STREET, DUBLIN 2  
TEL: (00353) 1 6326000    FAX: (00353) 1 6326001

**Financial Services Consumer Panel**  
AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

## Table of Contents

---

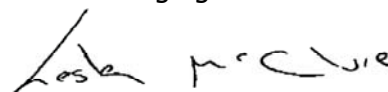
	<b><u>Page No</u></b>
I Preface	1
II Research Objectives	2
III Research Methodology	3
IV Context: Financial Services in Northern Ireland	4
V Summary of Key Findings	5
Commentary to the Research	
1 Main Consumer Concerns and Expectations	8
2 General Perceptions of Financial Service Organisations	10
3 Perceived Ways in Which Financial Institutions Could Improve the Situation for Customers	13
4 Awareness and Understanding of Financial Services Regulation	14
5 Perceptions on how Financial Service Regulators Could Improve	16

*This report has been prepared in accordance with  
MORI MRC's Quality Management System*

**Darryl Cummins**  
Senior Research Executive



**Lesley McClure**  
Managing Director



## (I). Preface

---

Report: **Financial Services Consumer Research**

Prepared for: **Financial Services Consumer Panel**

Date: **April 2003**

### **Background**

This report presents the findings from a series of group discussions carried out by MORI MRC on behalf of the Financial Services Consumer Panel.

By way of background, the Financial Services Consumer Panel was established by the Financial Services Authority (FSA), under the Financial Services and Markets Act 2000, to advise the FSA Board on the interests and concerns of consumers. The Panel is an independent voice for consumers of financial services, providing advice to the FSA on the interests and concerns of consumers and assessing the FSA's effectiveness in meeting its objectives to protect consumers' interests and promote public understanding of the financial system. The Panel also promotes the interests of consumers to Government when it is considering its policy concerning financial issues.

The Panel wished to run a number of groups in Northern Ireland to gather information into what financial issues are of most concern to consumers. The information gathered from the research is intended to help the Consumer Panel represent consumers by understanding their concerns.

This project forms part of a wider programme of research with similar studies having been conducted in England, Scotland and Wales.

## (II). Research Objectives

---

The main aims of this project were threefold, namely:

- To understand how different groups of consumers (on the basis of gender, age, and social class) interact with the financial services industry;
- To identify what their main concerns are; and
- To evaluate what consumers want (and expect) consumer representatives to do on their behalf.

Within these overall research aims, there were a number of more specific objectives. These were:

- To understand what most annoys consumers about financial services firms and what they think such firms could do to improve;
- To assess whether consumers feel confident about dealing with financial services; and whether they get enough, and the right type, of information and advice;
- To identify the ways in which consumers interact with financial service providers;
- To ascertain consumers' trust of financial services firms and their trust of financial advisers (including an evaluation what respondents mean by trust);
- To evaluate consumers' attitudes towards financial services regulation (e.g. to what extent are they aware of a regulator? What safety net do they assume exists?);
- To compare attitudes across different categories of consumer.

### (III). Research Methodology

---

A qualitative approach was undertaken for this research. Six group discussions were conducted at three locations across Northern Ireland. Groups were recruited to cover gender, social class and a spread of ages. Taking cognisance of these factors, the group structure adopted is shown in the table below:

<b>Group No.</b>	<b>Location</b>	<b>Gender</b>	<b>Age</b>	<b>Social Class</b>
1	Belfast	Male	25-40	C2DE
2	Belfast	Female	41-55	ABC1
3	Ballymena	Male	41-55	C2DE
4	Ballymena	Female	25-40	ABC1
5	Londonderry	Male	25-40	ABC1
6	Londonderry	Female	41-55	C2DE

All groups were carried out in the week commencing 27<sup>th</sup> January 2003.

## (IV). Context: Financial Services in Northern Ireland

MORI MRC has been tracking movements in the personal financial services market in Northern Ireland since 1995. Over 6,000 interviews are conducted per annum on a face to face basis among a representative sample of the population aged 16+.

The overall objective of the research is to build a comprehensive picture of the personal financial services market in Northern Ireland by providing data on market and brand shares, plus diagnostic information to explain consumer behaviour and future intentions.

As part of the main MORI group, MORI MRC has access to the MORI Financial Tracking Survey in GB, thus enabling the following comparisons to be made between NI and GB.

In terms of product penetration, almost nine in ten members of the general public in GB have a current account compared to just over three quarters of the NI population. Further differences are noted in terms of credit card penetration. While almost half of the GB population currently hold a credit card, approximately three in ten people in NI have a credit card.

Again savings account penetration is higher in GB. Almost six in ten people in GB have a savings account compared to under half of the NI population.

Although slightly more people in GB have a personal loan compared to NI (just under one in ten of the population aged 18+ in NI have a personal loan), mortgage penetration among respondents aged 18+ is similar (in each region approximately one third of the population have a mortgage).

Traditionally there have been four key players in the NI financial services market; Northern Bank, Ulster Bank, Bank of Ireland and First Trust. Increasingly the general public of NI has been enticed by the product and service offerings of 'new' banks such as Abbey National, Alliance & Leicester and Halifax. While all of the aforementioned banks compete for share across all products, it is important to note that the credit unions play a key role a key player in the personal loan and savings markets. In fact, credit unions currently hold the highest share of the personal loan market and savings accounts opened in the last year.

## (V). Summary of Key Findings

---

### THE OVERALL PICTURE

- Consumers generally lack confidence in dealing with financial matters. This, combined with their wish to have the 'least hassle' solution, often means that they rely on financial service providers to make decisions for them without shopping around, even though they recognise this might not always be the best or most appropriate deal for them. This was especially true for minor financial decisions: for more some decisions however, such as mortgages or car insurance, consumers did shop around more and did carry out research. This was particularly true among the younger age groups.
- What most annoys and concerns consumers about financial service firms in general (and Independent Financial Advisors – IFAs – in particular) is that they are often perceived to have a 'hidden agenda'. Many financial organisations are seen to be purely sales orientated, and recommend solutions not based on what is best for the consumer, but on which they will receive the most commission. As a result, consumers have little confidence on 'promised' (by financial advisors) returns on investments. In addition, consumers feel that the language used by such individuals or organisations is specifically designed to intimidate or cause confusion, while costs and charges are high and often not adequately explained.
- Consumers do not feel they get enough of the 'right type' of information and advice, and that the information they do receive is generally clouded in 'blurb' or too long-winded. To improve, consumers feel that financial organisations could be more open and up front and should use simpler, clearer language and condense information into more manageable "chunks" where possible. The feeling among consumers is that financial institutions should also review their current charges or at least be able to justify them.
- Of all the financial institutions, consumers trust banks and building societies most, primarily because they are well established and have built up a reputation over time. This view is backed up by findings from MORI MRC's syndicated Corporate Image study conducted in NI which has consistently found that banks and building societies typically have the highest rating *among customers* for trustworthiness.
- On the other hand, consumers trust loan and credit card companies least because the perception is that these organisations tend to take advantage of and target the more vulnerable members of society. They are seen by many as pariahs or "sharks".
- There were a variety of opinions on financial advisors. Among many, such individuals were not trusted and seen to be primarily out for self gain, and would make recommendations based on vested interests rather than what was best for the consumer. However in some of the groups, financial advisors were viewed in a much

more positive light, with individuals feeling that the advice they gave was good and did address and meet their requirements in a constructive way.

- Consumers strongly believe that financial services' regulation is necessary. They feel that financial service organisations do need to be monitored and "kept in check". Furthermore, they are of the view that the regulatory body should have real (rather than perceived) power and should be allowed to impose strict, punitive sanctions on those firms or organisations behaving outside the regulations. If the body does not have this power or its hands are tied, then its effectiveness and usefulness is perceived to be minimal. When specifically asked, very few respondents were aware of (or could name) the regulator, even when prompted about the FSA and the Consumer Panel.
- It should be appreciated that respondents did not understand that the Consumer Panel was an advisory body only. Consumers want and expect financial service consumer representatives to tell them more about their services, and about what they can do to help consumers. At the moment, consumers do not feel well informed. Some thoughts on how the Consumer Panel could improve were that it could be advertised more widely; that firms should be made more accountable to them (and hence consumers); the organisation should be more proactive than reactive; it should be more local (in terms of publications, advertising, or "on-the-ground" presence) and reflect the needs and wants of the local community rather than seen as operating from afar; it should also ensure that information is simplified and in layman's terms where possible; and it should be fast and effective in its responses.

## Commentary on the Research

---

## 1. Main Consumer Concerns and Expectations

---

Many respondents feel intimidated by the language of financial services, citing a lack of information in layman's terms and too much misleading small print. This leads to an acceptance (but not necessarily understanding) of products as people are unable to understand how they work, so they tend to accept what they have or what is recommended to them without much shopping around. That said, those in the younger groups were more likely to shop around and carry out research on various offerings (especially for decisions on mortgages, car insurance etc.), thus making more informed decisions.

It is a widely held perception that many financial organisations do not have the customers' interests at heart: they are seen as being very sales driven and preying on vulnerable customers. Furthermore there is a concern regarding the issue of 'How independent is independent advice?'. Many did not feel there was such a thing.

Across the majority of groups, there is a distrust of credit cards and loans and a concern about the ease of obtaining these products. In fact, there is a strong concern about a 'lack of morality' concerning lending to young people (e.g. student loans), and storecards (a feeling which was especially strong in the Derry and Belfast female groups). There is a special worry for young people not being concerned with debt and the danger that storecards, student loans etc. could leave them 'financially strangled for years'. Some groups tended to use credit cards only to take advantage of the initial interest rate and then swap around to others.

Respondents are also suspicious about the lack of openness surrounding bank charges. While realising that some are necessary, and that banks need to make money in some way, the feeling persists that banks are out to 'take the customer's money' by levying charges which are perceived as too high and "hidden" charges of which consumers are not aware.

There is an overall lack of confidence in dealing with financial services, especially amongst females (but not exclusively). This lack of confidence and general financial knowledge leads to:

- 'ostrich' behaviour when it comes to reviewing finances
- relying on financial service providers to make decisions on their behalf, not necessarily because they 'trust' them, but because they feel it's the best option available to them

Allied to this point, is the fact that financial behaviour is determined by the least 'hassle' or quickest option, especially for less complex transactions (e.g. when changing account). To this end, respondents often tend to stay with the financial organisation they have historically been with as this is seen as the least hassle option. This is not such an issue among younger people, who do tend to switch around more.

For mortgages and car insurance there is greater evidence that people are more likely to shop around more (carrying out research themselves, consulting friends/relatives, financial advisors etc.). This is especially true among the younger groups.

A further finding is that consumers do not necessarily choose the cheapest option. In fact, there is a deep-rooted suspicion of 'free' or 'get rich quick schemes'.

General perceptions of financial services influenced to a large extent by banks, mortgage providers, perceived 'mis-sold' endowments/pensions and media scandals (Enron, AIB etc).

There is general uncertainty and suspicion of gaining the 'promised' return on endowments/Pensions/Shares, but respondents put this down mainly to the current state of the financial market.

## 2. General Perceptions of Financial Service Organisations

---

The majority in each of the groups tended to trust well-established organisations (predominantly the main four banks and building societies), and those with which they have had good experiences. An important point to note is that respondents were often referring to the de-mutualised building societies which are now banks.

Reputation is a key factor, and determines to a large extent the faith which consumers have in a Financial Institution. In Derry, the Credit Union is particularly well trusted.

Attitudes among consumers to the various financial service organisations are discussed below:

### **Banks:**

Across all groups banks are seen as the most trustworthy, specifically because they are well established and have developed strong reputations over time. This high level of trustworthiness reflects findings from MORI MRC's syndicated Corporate Image survey which found financial institutions to have the highest levels of trust among their customers.

That said however, there was a strong feeling that banks still have room to improve, and were more respected 15-20 years ago. Allied to this, there is an increasing sense among many that banks are now less service providers and more product providers/businesses. This perceived move to a sales, rather than customer care, focus annoys and intimidates customers. There is also a feeling that banks in Northern Ireland are losing their "localness" and sense of community, as they are being taken over by larger, international organisations. In the Derry groups there were particular concerns about the location of banks and queues, and in the Derry and Ballymena areas there still tends to be higher face to face interaction among consumers with their bank: indeed many know their bank manager personally.

### **Building Societies:**

Building societies (albeit that many are now banks) are also held in relatively high regard by consumers and are considered trustworthy. Thus their previous incarnations as building societies still serve these organisations' well in terms of consumers' perceptions. Consumers feel such institutions are more "people friendly", and provide a better service, being that their opening hours are longer and more accessible than banks. Such organisations are also seen as more up to date and modern than banks. On the downside, there is a feeling among some of the groups that they are less stable and could be bought over and become part of a larger organisation.

### **Financial Advisors/IFAs:**

A large number of respondents have no direct knowledge of (or contact with) Financial Advisors/Independent Financial Advisors (IFAs). The perception of Financial Advisors was mixed among the groups. Some feel that financial advisors play a useful role in

researching the various financial products and recommending the one which best suits the customer. Some also believe that although the information they receive may be biased to some degree, some knowledge and advice about the myriad of financial products was better than no advice at all. There is also a higher degree of trust if the individual has been personally recommended or if they are known personally by the consumer.

Others had a lack of trust in financial advisors and perceived these individuals to be out for self gain and totally commission led. Thus, the feeling was that they would not recommend the best product for consumers, but the one for which they would receive the most commission. Respondents also saw these people as having a hidden agenda and were regarded much more negatively among some groups than others (especially male).

Independent financial advisors are generally more highly regarded than financial advisors per se, but there is still some degree of scepticism among some as to just how independent the advice they receive actually is.

#### **Stockbrokers:**

Most respondents had no personal experience of using stockbrokers, and little (if any) knowledge of them. For those who were informed (and it was a minority), the overall impression is quite negative, the perception being that they are just 'gambling' with your money.

#### **House and Motor Insurance Companies:**

Respondents feel this varies substantially between providers. There is great diversity in terms of service and premiums and these inconsistencies in turn lead to confusion and frustration among consumers, who often feel they have no way of knowing what the service would be like until a claim was made. There is resentment, especially with the high premiums for car insurance and respondents do not feel there are any benefits to be had for staying with a particular company.

#### **Life Insurance/Pensions Companies:**

Consumers by and large have a negative view both of these products and of the organisations which sell them. Major concerns relate to mis-selling (particularly of pensions), media scandals surrounding these products, and the disparity between what you pay in and what you get back. Others took a more negative view, claiming such organisations are "bandits".

#### **Loan Companies and Credit Card Companies:**

Loan and credit card companies are viewed as least trustworthy virtually unanimously across all groups. Attitudes to these organisations evoked the strongest (negative) reactions, with many feeling that they target/manipulate the most vulnerable members of society.

**Loan companies:** These are deemed untrustworthy, purveyors of misleading information, and of deliberately targeting the most vulnerable members of society.

**Credit Card Companies:** Overall, there is a negative view of credit card companies. There is a fear of using credit cards (not just in credit terms, but also from a safety point of view where card details can be accessed by others). There is also widespread irritation and annoyance among respondents with how easy it is to get a credit card, and with the associated heavy and persistent advertising (usually in the form of individually addressed “junk” mail). A further major concern is that such companies actively sell to more susceptible individuals.

Some consumers believe that if credit cards are used ‘properly’ and exhibit self control then they are a useful and (in some instances) a safer alternative to cash. At the same time, many believe that it is the individual’s own responsibility to pay the amounts off regularly.

### 3. Perceived Ways in Which Financial Institutions Could Improve the Situation for Customers

---

There were a number of suggestions among respondents as to how Financial Institutions could improve the situation for customers.

One of the main propositions is that charges (for setting up direct debits and using other banks' ATMs) could be reduced or eradicated completely. Even though some of these charges do not exist, many respondents still *perceived* that they did. At the very least, consumers felt that charges should be made clearer and more transparent.

Another common suggestion is that Financial Institutions could be more visible, upfront, and clearer in their correspondence and literature by making the small print bigger, using less "gobbledegook", clarifying things, and generally by explaining issues in a clear, simple, and easily understandable way.

Respondents also felt that the process for changing accounts could be made easier and that there should be more rewards and incentives from financial institutions to encourage loyalty among customers.

## 4. Awareness and Understanding of Financial Services Regulation

There was no spontaneous mention of the FSA or the Financial Services Consumer Panel in any of the groups. The supposition among many is that there must be some form of government legislation, or a 'Financial Act' that all financial providers must comply with. Once the FSA was mentioned, then there was some limited recognition – they had seen the name on the bottom of financial correspondence etc.

The over-riding assumption, therefore, is that if regulation exists then it is ineffective as people did not know about it. Consumers feel that a much greater awareness of FSA and Consumer Panel is needed and more must be done to let consumers know these bodies exist.

When the aims of the FSA and Consumer Panel were mentioned, consumers were generally positive about them: they are seen as laudable, and consumers felt that they summed up exactly what these bodies should be doing. The Consumer Panel is seen as being particularly relevant because it directly represents the interests of the consumer and would ensure they are not duped or "ripped off".

That said however, there was some debate as to how the bodies could fulfil these aims. There were doubts among consumers as to whether financial services organisations would fear the FSA, and whether such a body would have the necessary power to inflict penalties upon those non-complying organisations. A further concern among consumers is that they believe financial service providers could follow all guidelines, but ultimately still sell an unsuitable product in the correct way. At the end of the day, consumers acknowledged that providers could fulfil all their legal obligations and inform them about the pitfalls and drawbacks. However, consumers ultimately felt that providers would lean towards selling a particular product to the consumer (which may not be the most suitable) and through a persuasive personality or persuasive selling would get consumers to choose this particular product. This was commonly cited among those who had endowments.

The lack of awareness as to the actual membership of the Consumer Panel leads to concerns among some consumers about accountability, and what their motivations are, with the feeling that members may have vested interests.

Respondents were shown two showcards giving a brief overview of the FSA and of the Consumer Panel. Much of the discussion above relates to these. The two showcards are shown on the following page:

### **The Financial Services Authority (FSA)**

- The FSA is the independent watchdog set up by Government to regulate financial services in the UK and protect the rights of retail customers.
- It sets standards that require authorised firms to be competent, financially sound and to treat their customers fairly.
- It monitors standards and ensures that information provided to consumers is clear and not misleading. It takes action when firms or individuals break the rules.
- It aims to help consumers become better informed about financial matters. It works to secure an appropriate degree of protection for consumers.

### **The Financial Services Consumer Panel**

- The Financial Services Consumer Panel was set up by the FSA to represent the interests of consumers.
- It advises, comments and makes recommendations on FSA policies and practices.
- The Panel reviews, monitors and reports on the effectiveness of the FSA from a consumer perspective.
- It can advise the Government on the scope of financial services regulation.
- It speaks out publicly when it wishes to draw attention to matters in the public interest or when it disagrees with the FSA.

## 5. Perceptions on how Financial Service Regulators Could Improve

The feeling among the majority of consumers is that the FSA and the Consumer Panel should be more recognisable and in the public domain more. They need to publicise themselves, not just in terms of their purpose and what they do, but also their achievements and how they have helped consumers in the past and in what ways. They should be advertising more, visiting the regions regularly and making themselves better known among consumers: at the moment many feel they are anonymous and faceless. In short, respondents believe that both the FSA and Consumer Panel need to be more proactive than reactive.

People wanted to know where to go to find out information about the Panel and its activities. It should be appreciated that respondents did not understand that the Consumer Panel was an advisory body only. There is also a strong view that the Consumer Panel needs to have a “face” and needs to be accessible to the public in Northern Ireland, through a local office or a helpline at least. Correspondence in writing from England is not deemed to be as effective or powerful.

Related to the above point is that consumers want to know more about the FSA, the Consumer Panel and their activities – who sits on it, how were people chosen, where you go to find the guidelines etc. At present, consumers feel they know very little about the Panel or the FSA.

Many consumers made mention of the need for the Consumer Panel to have teeth and to have actual power to impose sanctions against non-compliant financial organisations. The Panel needs to prove to the public that it is hard-hitting and not merely a figurehead. Allied to this was the belief that the Panel needs to have the ability to act quickly and be effective, rather than bureaucratic and letting consumer-related issues drift over time.

There is a sceptical attitude among some regarding regulation – some believe that the rules may be so broad that they are rendered worthless. The feeling is that regulations must be relevant and focussed, and must place the emphasis on financial service organisations to ensure they are compliant and acting in the best interests of customers.

---