

Executive Summary of Financial promotions research – commissioned by the Financial Services Consumer Panel, and published July 2006.

- 1 Review of financial promotions for investments, mortgages and general insurance products published in national newspapers on 11th February. Two regional newspapers and one further specialist national publication were also reviewed. A total of 220 promotions were reviewed for compliance. In some cases, firms had produced one promotion which was repeated across a number of publications.
- 2 The promotions published were reviewed for compliance with the appropriate financial promotions rules in COB, MCOB and ICOB and with the Principles for Businesses and TCF.
- 3 Where a promotion was found to be in breach of the rules, it was allocated an appropriate risk score based on the actual breach, or the number and frequency of breaches. Risk was graded as low, medium or high risk to consumers as a result of the breach/es.
- 4 Four promotions were deemed to pose a high risk to consumers because of the breaches found; 29 were classified as posing a medium risk to consumers and the rest were classed as low risk. Across the different product areas, based on the examples of non-compliance, this breaks down as follows:
 - 5% of mortgage promotions were classed as high risk; 36% medium risk and 6% low risk;
 - 1% of investment promotions were high risk; 8% medium risk and 32% low risk;
 - 79% of general insurance promotions were classed as low risk.
- 5 Typical examples of breaches found were:
 - Failure to provide an APR in promotions aimed at non-status borrowers (high risk);
 - Failure to provide the correct risk warning for promotions aimed at non-status borrowers; or failure to provide a risk warning at all (high risk):
 - Failure to provide details of the (investment) firm (high risk);
 - Failure to make prominent the disadvantages to the mortgage product (medium risk);

- Failure to provide details of the commitment in investment promotions (medium risk);
 - Failure to explain how a firm could reduce a consumer's insurance premium (low risk);
 - Using inappropriate abbreviations for some terms - e.g. pp per policy (low risk);
 - Illegible small print (low risk);
 - Failure to provide evidence for claims made in promotion e.g. about the size of funds under management (low risk);
 - 47% of general insurance promotions failed to adequately explain that advertised premiums may differ depending on the consumer's individual circumstances (low risk);
- 6 Overall 57% of financial promotions reviewed did not comply. Broken down according to the individual product areas, the percentage of promotions found to be *non-compliant* were:
- 79% of general insurance promotions;
 - 47% of mortgage promotions; and
 - 41% of investment promotions.
- 7 10% of promotions reviewed failed to meet the general requirement to be clear, fair and not misleading. 17% of general insurance promotions failed to meet this requirement.
- 8 Brand advertising helped investment firms achieve a higher compliance level because it involves fewer regulatory requirements.
- 9 There was some evidence of 'template' compliance. This involves a firm producing a template of a compliant promotion to use as a guide for e.g. marketing staff to ensure compliance and approve a promotion. This means that not all promotions will be seen by a compliance specialist.