FSCS Podcast #35: Mini-pod: Why checking the small print can make a big difference

Jess Spiers 00:01
Welcome to Protect Your Money with FSCS, the podcast from the Financial Services Compensation Scheme. Today, we've got a mini-pod for you - a special bitesized episode where we talk through a particular topic to explain it all simply. In this series, we explain how we can help to protect your money, so you can feel confident your money is safe. Let's get into the conversation now.

Amy Alford 00:26
Hello everyone. I'm Amy Alford, a Content Editor here at FSCS. Today, I'm joined by Steve Butler, who is one of our Claims Specialists and a very experienced one at that. I think you've worked here for 18 years now. Is that right, Steve?

Steve Butler 00:39
That's right Amy. During that time, I've worked on claims relating to investments, pensions, and insurance policies.

Amy Alford 00:46
Brilliant, lots of experience to draw on there. We talk a lot about checking your financial products, but that's usually in relation to FSCS protection, so that if the worst happens and your financial firm fails, we may be able to pay you compensation. If you've listened to our podcast before, you'll probably already know that there are some protection checkers on our website, which you can use to quickly check the products you have. We have checkers for pensions, investments, and savings. You'd just need to put in some details to see how much of your money could be protected by FSCS if your provider went out of business, or we'll tell you what other steps you'd need to find out.

Today, we're going to go beyond this though. We'll focus on insurance, investments and pensions and we'll talk about why it's a good idea to regularly check up on these financial products, to read the small print and make sure they still meet your needs. By spending more time checking these products and reading the small print, you're less likely to end up in a position where you'd need to claim from FSCS. And although we're proud to be able to help put people back on track, it's of course much better to not have a problem in the first place.

Now, at FSCS we can't give financial advice, and that's not what we're doing here today. For example, we're not talking about getting the best deal here, are we Steve?

Steve Butler 01:56
No that's right, FSCS doesn't give advice. If you do want some advice because you're choosing or making a change to a financial product, it's important to get independent financial advice from a regulated advisor. They will consider your individual needs and can provide you with tailored information. It really is worth carving out some time to properly check the insurance policies you've taken out and to keep track of any investments or pensions you have.

Amy Alford 02:20
You mentioned regulated financial advice, so I'll just explain that this means that the advisor you're using should be authorised by the Financial Conduct Authority - the FCA. You can check whether a financial adviser is authorised by searching the Financial Services Register on the FCA's website. OK, let's start by taking a look at insurance. What is it a good idea to be checking, Steve?

Steve Butler 02:42
If you have an insurance policy coming up for renewal, it's worth putting some time aside to check the details through thoroughly to make sure it still meets your needs. For example, check that the level of cover your buildings insurance provides is still sufficient. This is important if you've made any improvements such as an extension or loft conversion. These factors may have changed your insurance needs. You should also update your details if your circumstances have changed at all. For example, have you changed your name or moved house?

Amy Alford 03:11
Those are great points and things it's so easy to forget or overlook. It is important to keep your information up to date though, as it could invalidate your policy if it's not accurate.

Steve Butler 03:19
The other thing I really want to mention today is that it's important to take the time to read through the policy documents you're sent - the dreaded small print - so you can double check that the insurance you're taking out is actually covering what you think it is.

I've worked on a case recently in which a customer had tried to claim on their life insurance but realised that the policy wasn't what they thought they had purchased. Sadly, it meant they didn't have a valid insurance claim, so couldn't get any money from their insurer for the treatment they needed. The person they had bought the policy through was authorised by the FCA but had gone out of business, so they made a claim to us.

Amy Alford 03:56
Yes, because one of the ways that FSCS could protect you is by paying compensation if you're mis-sold an insurance policy.

Steve Butler 04:03
That's right. In cases like this, if there's sufficient evidence that the person selling the policy acted negligently, we may be able to pay some compensation. FSCS would only be able to refund some of the insurance premium the customer had paid for the policy though. We wouldn't be able to step in to pay for the treatment or go back in time and put the right policy in place. If the customer had checked the paperwork more thoroughly at the time the policy was taken out, they may have noticed it wasn't suitable for their needs and could have bought a different product.

Amy Alford 04:34
Thanks, Steve, that's really useful information. The other financial products we wanted to talk about today are investments and pensions. Now of course, not everyone will experience this, but it's possible

that you'll realise you've received bad financial advice about a pension or an investment, and that the product hasn't really been right for you. Without checking on your product regularly, this realisation may happen quite a long time after it was set up and by then, the financial advisor you've used may no longer be trading. It's at this point that you might make a claim for compensation with FSCS.

Steve Butler 05:07
Yes, and FSCS may be able to pay some compensation if there's sufficient evidence to prove the advice received was unsuitable and caused a customer to lose money from the pension or investment, and our other eligibility criteria are met. There's a limit to the amount of compensation we can pay though, which is important to be aware of. For most of these types of claims, the potential compensation is currently capped at £85,000, so if you have more than that invested there's a risk that you might not get back the full amount lost. We describe this as 'uncompensated loss'.

Amy Alford 05:40
And that's why it's worth trying to put time aside maybe once a year to take stock of the investments and pensions you have. By regularly checking on them, you're likely to notice much sooner if the product isn't right for you. And if you think the financial advice you've received was unsuitable, you can take action while the advisor is still trading.

Your first step would be to complain to the firm itself. If you're unsatisfied with the response, you could then make a complaint to the Financial Ombudsman Service. So while FSCS protects customers or firms that are no longer in business, the Financial Ombudsman Service sorts out disputes between customers and live financial firms. The Financial Ombudsman Service has a much higher compensation limit of up to £415,000 depending on the complaint. They can also decide to award compensation for distress or inconvenience as well as for financial loss. So Steve, do you have any tips about what we can be checking when it comes to a pension or investment?

Steve Butler 06:33
Firstly, check how much you have invested and that the amounts look roughly right to you. Of course, these products can fluctuate and FSCS can't pay compensation for poor investment performance, but you can speak to your provider or advisor if anything concerns you. You should be provided with annual statements, so you can check these when they arrive. You can also check which investment products may qualify for FSCS protection. You can use the Pension Protection Checker and Investment Protection Checker on our website, which is www.fscs.org.uk.

If you're thinking about making a change, make sure the financial advice you take is from a regulated adviser, consider it carefully and do your homework too. Think about what you want from your pension or investment and how much risk you are willing to take. Remember, your pension is there to provide you with an income after you retire. You can then ask your advisor the right questions around how much risk a product might have and what protection is available if something were to go wrong.

Amy Alford 07:35
I know we mentioned this at the start, but just a reminder that you can use the FCA's Financial Services Register to check whether an advisor is authorised - the web address is register.fca.org.uk.

Well, I think that brings us to the end of what we wanted to discuss today. I hope it's been interesting and that we've explained why it really is important to take the time to check your financial products and to make sure they suit your needs. Try to find a time that works for you to review what you have. A good trigger could be the annual statement from your pension or investment provider, or when an insurance policy comes up for renewal. By taking the time to check the small print and by asking your advisor the right questions, you'll potentially be saving yourself from future financial or emotional harm.

Thank you to Steve for joining me today and thanks very much for listening. If you want to hear more from FSCS you can find all of our podcast episodes on our website and wherever you usually listen to your podcasts. Give us a follow and you'll never miss a new episode!