FSCS Podcast - Episode 15: 3 ways to make sure your money is safe

Caroline Rainbird 0:02
Welcome to Protect Your Money With FSCS, the podcast from the Financial Services Compensation Scheme. I'm Caroline Rainbird, FSCS Chief Executive, and in this series the fantastic FSCS team will help you understand how we can help to protect your money, so you can feel confident that your money is safe. Hope you enjoy the podcast!

Jess Spiers 0:28
Welcome to the FSCS podcast. I'm your host, Jess Spiers, and I am Senior Content Manager at FSCS. FSCS, which is the Financial Services Compensation Scheme exists to protect customers of authorised financial services firms have gone bust, by paying eligible people compensation. We protect lots of financial products, but not all of them, so this podcast is designed to help you understand our protection and why it's so important.

I think it's fair to say that our money is more precious than ever at the moment with the price of pretty much everything rising. So, it's even more important to make you’re your moneys protected. We've teamed up with our friends at Which? for this episode to give you three ways to keep your money safe in these uncertain times.

Now, FSCS is independent and we don't give financial advice. So all the advice you hear from which in this episode is their own. We also mentioned certain products later in the episode, which were correct when we recorded in November 2022.

Okay, let's introduce Sam Richardson, who is our guest from which today and he is Deputy Editor of Which? Money Magazine. Hi, Sam.

Sam Richardson 1:33
Good morning, Jess.

Jess Spiers 1:34
We also have my comms team colleague, Lucy Armitage with us today who is Business Manager at FSCS. Welcome, Lucy.

Lucy Armitage 1:42
Hi, Jess. Hi, Sam.

Jess Spiers 1:44
Just a quick teaser of the question that we always ask our guests at the end of the episode, we'll be asking Sam and Lucy: We're all about keeping your money safe at FSCS, but what toy would have got you breaking open your piggy bank as a child?

Right, let's get into it then. So, Lucy, you and I were talking the other day about the results of some research that we recently carried out. And there was one particular stat that rang some warning bells for us, didn't it?

Lucy Armitage 2:11
Yeah, that's right. So we've carried out some research in September of this year, which found that as a result of the cost of living crisis, 29% of respondents so this is UK adults aged 18+ said they were now taking more risks with their money in the hope of gaining a better return. We've only just started tracking this recently. So we're going to be keeping a really beady eye on it to see if there's any changes over the coming months, especially with all the volatility we're seeing at the moment with the economy.

Jess Spiers 2:37
Yeah, that's right. And I think people taking more risks with their money brings us nicely, if that's the right word, on to our first topic today, which is scams.

Sam Richardson 2:46
Yeah, so scams are an absolute epidemic at the moment. We're seeing the most recent numbers I saw when the first half of this year alone, so six months, 361 million lost to unauthorised fraud, 249 million to authorised fraud, which is where you're tricked into paying the scammer. And that's just the losses reported to banks. It's absolutely huge.

But we've also found, you know, fraud has been around for a very, very long time. I think our awareness of it is growing, but the cost of living has added to it. You know, people are so stressed they're looking for ways to save, they're looking for, you know, ways to get extra money and scammers have adapted very, very quickly. So, we've started to see cost of living scams. You know, one of those, energy support scams are becoming really quite common at the moment.

Scam email, for example, we saw from British Gas or someone claiming to be British Gas rather, offering a non-existent refund of 315 pounds, a text message containing a link asking you to sign up for 400-pound rebates. They're all you know, imitating these genuine initiatives that have happened, genuine energy rebates that have happened, but of course the scammers are there to collect your details, these links will send you on site, harvest your details and then they either you know request actual payment details from you or they will use it to set up other scams where they could be impersonating your bank, the police, etc.

We've also seen cold calling of households again about that energy rebate. We've seen debt scam, so these are cold calls claiming to be from National Debt Relief, which is legitimate company, but these calls aren't legitimate. They're preying on people's kind of increased insecurity and their debt issues due to the cost-of-living crisis. You'll be told you're eligible for some kind of help with your debt before they ask for your personal information.

We've also seen fake letters from HMRC claiming that you owe tax and that you need to pay it right away. Often, they'll claim, you know, you'll go to prison if you don't pay up. We've also seen loan fee scams, so these are where you're asked for a fee to receive a loan. So, the loan is non-existent, but you know will be advertised and very, very good terms very low rate. You just need to pay a small amount now to secure it. But of course, you never get the loan, you pay your money and then it's just gone.

So, the Financial Conduct Authority, the finance regulator, so reports to its contact centre about this type of scam, up by 36%, over a third, in June this year compared to June last year. And finally, you know, with the cost-of-living scams, gift cards and giveaways, we've seen quite a lot of pages advertising vouchers for stores including Tesco and Morrisons, often circulating on social media. We've seen BP and Shell petrol vouchers. None of these vouchers are legitimate. They are invented by fraudsters usually to get your details in order to receive them.

Lucy Armitage 5:44
Unfortunately, we've seen many FSCS-related scams as well. I think it's worth highlighting that a key giveaway that it's a scam and not FSCS contacting you is if you're asked for money. So as FSCS we will never ask you for money. Our service is completely free if you claim direct with us. So please always check with us if you're unsure if it's a legitimate contact. All our contact details are on our website.

Sam Richardson 6:09
Thanks, Lucy. So other than the FSCS scams asking for money, what are the other common types of scams you see kind of imitating the FSCS then, or involving the FSCS?

Lucy Armitage 6:18

We see a lot of investment scams. So this is fake investment offers products websites claiming to be FSCS protected, or using our logo without permission. So websites saying that they're FSCS regulated, we're not a regulator. So this is definitely a tell-tale sign of a scam.

Usually FSCS can't protect scams, so the person or the firm that's carried out the scam, often they're not regulated by the Financial Conduct Authority, or the Prudential Regulation Authority, we can only protect regulated firms. But we do raise awareness of scams to try and help people stay safe. In fact, earlier on in this podcast series of the is number four, we do mention scams and high risk investments. So it's definitely worth a listen.

Sam Richardson 7:04
Yeah, I think it's also worth just reminding listeners, you know, the common signs of scams. This is not an exhaustive list, by the way, I will say there is a scam out there for everyone. Don't assume they're going to be easy to spot. But some typical signs we see you know, contact out of the blue, a phone call and email, you know, sometimes they will know something about you, they may even know your bank, they may get this information, other scams, but you know, your bank and investment firm is not going to contact you out of the blue.

And in fact, when it comes to pensions, cold calling about pensions is actually illegal now, if you haven't signed up for contact. There's also often promises of guaranteed returns. The whole point of investing is returns aren't guaranteed, you know, some are less volatile than others. But ultimately, you're taking that risk with your money to get more, a bigger interest rate, or likely return than you would get with a savings account. Another common sign of a scam is request for bank details and personal information, especially if it's very early on in the process. Spelling and grammar mistakes can often be a giveaway, but again, don't assume it. Some scammers are getting much better at this sort of thing.

And time pressure, this is a really typical one, you need to sign up now otherwise, you're going to miss out on some sort of exclusive offer or investment. I would also just add to this list, you know, we see a lot of investment scams related to exotic schemes based abroad. The excuse being that no one has spotted this amazing palm oil/mining, you know, opportunity yet in a far-flung location. Very, very typical sign of a scam there.

Lucy Armitage 8:43
Well at FSCS we often say if it looks too good to be true, then it probably is. Sam what should people do if they think they've been scammed?

Sam Richardson 8:52
So, if you've paid the scammer, so arranged a bank transfer to a scammer, get in touch with your bank as soon as possible. They will probably recommend or do it themselves to get in touch with the receiving bank as well. It may be possible to stop some of this payment, it may be possible to reverse some of them. If you've paid by direct debit, you can cancel that, you don't need the other party's permission. Then you want to report the scam to Action Fraud or if you're in Scotland directly to Police Scotland, so Action Fraud you can report scams online actionfraud.police.uk. Or you could call 0300 123 2040. For Police Scotland call 101 and then it's time to talk to your bank about could you get reimbursed for any of the money you've lost.

So, if money was taken without your consent, which unauthorised scam, you're legally entitled to reimbursement, but if you sent the money to scammers, it is a bit more complicated, but you may still be able to get your money back. I'd recommend visiting which.co.uk/scams and looking at the information we have there. The important thing is that if you think your bank's decision is unfair, don't just accept it. You know, look at your options, there may be ways to get your money back.

You can find other information about scams using the Financial Conduct Authority scam smart tool. This is a really useful one to check potential pension investment opportunities because it will flag some as instantly suspect. We've got a lot more resources on our website as do MoneyHelper and Action Fraud.

Jess Spiers 10:28
Thank you, Sam. And Lucy mentioned FSCS scams earlier. I just wanted to mention that we've got a page on our website all about FSCS scams that we keep updated. So, you can just find that at www.fscs.org.uk/scams. So, Sam, you mentioned debt scams earlier, which kind of brings us on to our next topic for today, which is debt. And again, sadly, another hot topic at the moment. But although it is often a bad situation to find yourself in debt isn't always a problem, is it Sam?

Sam Richardson 11:01
Certainly not. I think we really need to stop looking at debt as one sort of enormous thing where it's all the same, you know, most of us have some kind of debt that we've chosen. I've got a mortgage, I've got student debt, you know, I've got an overdraft. And that's quite different, those debts to being unexpectedly in debt or debts at a very high interest where they are quite expensive.

So, let's talk about a common example of debt that people choose and one that you can really kind of control and make it low cost if you pick carefully, which is credit cards. So, you know, in some cases, credit cards can be a low or zero cost way to borrow when used in the right way. For example, if you're paying your bill off every month, so you never pay interest, that makes it zero cost. Some cards also offer you 0% interest for a set period, after you take them out. And you can set up, you know, direct debits automatically pay off each month, so you don't forget. I would just caution with that you obviously need the money in your bank account to be able to do that. And if you know paying off your credit card is sending you and your bank account into overdraft, could also work out quite expensive. So again, you know, you do need to keep an eye on your spending.

And I would also caution that if you're only paying off the minimum amount on your credit card each month, you could actually end up paying more in interest than your original debt. Credit card interest rates if you do pay them are quite high. So, there are often cheaper ways to borrow.

Lucy Armitage 12:30
So Sam, if you've considered all your other options, and debt is kind of the only answer what's the cheapest or the best way to go about it.

Sam Richardson 12:39
So, if you're going to need to be, say, spending a bit more than you've got coming in for a few months, perhaps, you know, you're waiting for a new job to start, something like that, I'd really recommend looking at 0% purchase credit card. So, they'll give you 0% interest for a certain number of months, it can be as long as you know two years, a little bit more than that. Point is here, although you don't have to pay interest, you do still have to make minimum payments on the debt itself. So, you're not just getting that money for free for two years. But it is definitely worth looking into those cards.

Another option is getting a bank account that has an interest free overdraft. So first direct has £250 interest free, this is more useful if you know you occasionally dip into that overdraft, it obviously isn't a long-term solution, because eventually you will use up that £250, have to go deeper into it. Nationwide also has an initial offer on their flex direct account, which is interest free. But with all of these, you know before you go into debt before you get these products, think about how am I going to get out? Like what is the end game? Because otherwise, you know, you really need to be looking at your spending as well. Debt isn't a permanent solution.

Jess Spiers 13:58
Yeah, thanks Sam, and I guess that's sort of making me wonder what about the other side of debt then, the sort of unexpected debt that we touched on?

Sam Richardson 14:05
Yeah, so I mean, unexpected debt, we assume we won't get into it, but can be as simple as your car breaking down. And you've got to borrow to get it repaired, get it back on the roads, get to your job, whatever. It's super stressful, and especially a problem with so few people having savings, enough savings at the moment.

You know, just before we launch into kind of more unexpected debt, I would really recommend people to have a rainy-day savings fund in place, we usually say Which? it should be three months' worth of expenses, or six months if you're retired. Or if you do have that money spare, I'd really recommend putting it into a dedicated savings account, not touching it for anything, just having it sitting there just in case. So, back on unexpected debt, the StepChange debt charity reported in September this year that the cost of living was the most commonly cited individual reason for debt among people seeking help, with 22% of those contacting the charity in August saying it was the reason for their difficulty. And this is in contrast to usual reasons for debt, which can include kind of unexpected expenses, as I mentioned earlier that typically relate to loss of income, you know, for losing your job.

Lucy Armitage 15:20
So there's Talk Money Week that runs every November, so earlier this month. There was a big focus on credit. It's all about encouraging people to open up about money. And there's a lot of research that shows that people who talk about money are far less stressed and anxious. I'm just thinking about how money and mental health are connected. So to me, there's definitely a clear link between debt and poor mental health, isn't there?

Sam Richardson 15:44
Yeah, there is. So, a 2016 study by the Money and Mental Health Policy Institute found that 86% of people with mental health problems said their financial situation had worsened their condition, 72% said their mental health problems had worsened their finances. So that really, you know, there's an interplay between the two.

More recently, Which? looked at the relationship between mental health and losses to scams. And we found that victims of fraud with a diagnosed mental health problem are less likely to get their money back. 6 in 10, 58%, got all of some of their money back compared to 7 in 10 of fraud victims with no mental health condition. I know that might not seem like a huge gap, but you know, we're talking about 10s of 1000s of pounds, or people's life savings, in some cases. Fraud victims with mental health conditions were also around twice as likely to not have enough money for essentials following a scam or to go into debt following a scam. They also, you know, had an increased likelihood of having to borrow money from friends or family to make ends meet.

Jess Spiers 16:52
Yeah, that's right. So, Sam, from Which?'s point of view, have you got any advice on how people can pay off their debts?

Sam Richardson 16:59
Yes, we do. We've got quite a lot of advice on our website, if you do go to which.co.uk/debt, but I'll just list off a few of my favourites. I think the first step which is really, really helpful is just to list your debts in some sort of spreadsheet or just on a piece of paper, you which are the most expensive of your debt. So, by most expensive, I mean, not just the size of the debt, but the interest you're paying on it, you could look at your recent bank statements to see how much you're repaying for each type of debt. It's those debts that have the biggest monthly repayments you really need to focus on, you know, so for example, my mortgage is, it's a huge amount of money, but the repayments each month are predictable. The fact that they're not growing, that's quite different from say, a very expensive overdraft or credit card debt.

Once you've listed those debts, if there are ones which are credit card debts, you could consider switching to a balance transfer credit card. This is a credit card for essentially receiving debts from other credit cards. What it gives you is a certain number of months where you don't have to pay interest on your debt. At the moment, I believe it's up to 34 months. Again, like a purchase credit card that I mentioned earlier, you still need to make minimum repayments. But that's a lot less than having to pay the interest as well. 34 months is a long time, you know, hopefully to cut your spending, if possible, improve your income, work on those other debts, which may be even more expensive. Third tip, check if you're eligible for any benefits, I'd really recommend going to the website Turn2Us. And that's Turn, the number 2, and then Us because it's got a free online calculator to work out if you're eligible for benefits. There are quite a few out there and you may not be aware of all of them.

I'd also recommend talking to lenders that you've borrowed money from. There's this idea that you know, lenders want to see you in financial difficulty and it's just not true lenders don't want to see you lose your house, for instance, that's the absolute worst thing for a mortgage lender because they lose out as well. And in fact, they're obliged by the regulator to offer flexibility to customers that are in financial difficulty. That could be a payment holiday, we don't have to make payments for a certain number of months. It could be an instalment plan for paying off your debt.

But if you don't ask you don't get so I'd really recommend just getting on the phone to lenders, you know, they are there to help you out. It's worth the time.

Jess Spiers 19:37
Some really useful bits of advice there. Thanks, Sam. And if you do find yourself in debt, and you use the firm to arrange a debt management plan for you, which is basically a plan that lets you pay off your debt at a rate that you can afford, FSCS might be able to protect you if the firm then goes bust. I think it's probably worth mentioning up front that the Financial Conduct Authority, the FCA, sets out certain criteria that have to be met for a claim against the debt management company to succeed with us. And our protection for this area is very complex. So, we won't get into all the intricacies or the full scope of our protection today but wanted to mention it in our chat around debt. So, I think probably of all the financial products we protect debt management plans are probably the least well known. Would you agree, Lucy?

Lucy Armitage 20:22
Yeah, they're also a relatively new area to fall within our protection, so we've covered them since 2018. Our protection for debt management plans is pretty narrow. It's not often we have any debt management claims to be honest, but it is worth mentioning in the context of our discussion around debt.

So with that management claims there has to be a shortfall in the client money a debt management firm holds. When we say client money, this is the agreed amount of money, the client sends the debt management firm, so usually every month, which is then distributed among creditors. Also, the firm that arranged the debt management plan must have been authorised by the Financial Conduct Authority for FSCS protection to apply. And as with all our claims, we have to assess each one individually before deciding whether or not it's eligible for compensation. But our website includes full details of eligibility and the scope of our protection, so you can head there to find out more.

Sam Richardson 21:11
So, there are a few places to mention for kind of useful debt resources and advice if you do need help. There's our website, of course. The MoneyHelper website has a lot of good debt advice on there. The Breathing Space Scheme is worth mentioning here as well. This was launched by the government in May last year. And the idea is to give people who have problem debt who are really struggling legal protection from their creditors, i.e., kind of, banks, credit card companies, for 60 days. And during those days, the interest and penalty charges are frozen, and enforcement action is pause. As the name suggests, you know, breathing space is there to give people a chance to sort

out their finances, if possible, not be rushed into kind of unsuitable options, and also seek good debt advice.

If you're getting to the stage where you need to use the Breathing Space Scheme, which you can apply for online, I would hugely recommend talking to a debt charity. So StepChange that we mentioned earlier, excellent, National Debt Line as well. There are private companies operating in this space and sometimes they can look very much like the charities. But I'd really recommend going to the charities first.

Jess Spiers 22:26
Absolutely Sam. Okay, let's move on to our final point on keeping your money safe for today, then, and that is the FSCS protection checkers. So, the research that we carried out in September this year, found that of those people are aware of FSCS, 82% feel more confident taking out a product that's FSCS protected, and 68% are likely to invest more money if the provider is FSCS protected.

So that tells us that knowing your product is FSCS protected, obviously does make a big difference. But we know that a lot of people aren't sure how they would go about checking if they'd be FSCS protected if their financial provider did go bust. And we want to change that don't we Lucy?

Lucy Armitage 23:07
Yeah, that's right. I just think knowing you've got that safety net in place if your provider went bust, it's just so important for peace of mind that your money safe if the worst happens. So we've built three protection checkers on our website just to make it as easy as possible to check if you're FSCS protected. So we'll start with our bank and savings protection checker.

So as people are generally most concerned about day-to-day money at the moment, so this is going to tell you how much of the money in your bank, you're building society or your credit union is FSCS protected. So all you need to do is enter the name of your bank, your building society or your credit union. How much money is in your account? If it's a personal account, a joint account, a charity or a limited company? And then you get your results.

Jess Spiers 23:48
Yeah, that's it. It's pretty quick and easy, that one. And what about our other two protection checkers?

Lucy Armitage 23:54

So we have a pension protection checker. So pensions are probably the most complex product we cover. Our protection varies depending on the type of pension product. So where we can't give you a definitive answer, which you know, sometimes we just can't, our checker will give you next steps to take to find out for yourself.

And then we've also got our investment protection checker. So as with pensions, there are many different types of investments, not all of them are FSCS protected. So you can use the checker to find out if an investment you're considering or you've already got is something we could protect. And again if we can't say for sure, then we'll tell you what you need to do next to find out.

Jess Spiers 24:29
Absolutely and you can find all of those protection checkers on our website which, one more time, is www.fscs.org.uk/check. OK, we've covered a lot today around scams, debt and the protection checkers. Hopefully it's given you some useful information around how to keep your money safe.

I think we've just got one final thing to do now, we're going to ask Sam and Lucy: we're all about keeping your money safe at FSCS but what was the toy that would have got you breaking open your piggy bank as a child? Sam, would you like to go first?

Sam Richardson 25:11
So, mine was Lego. Who even knows the value of Lego that's sitting in my parents' attic right now. I really should do something with it. I'm really hoping actually that it's kind of appreciated in value. I guess maybe it could be my pension in the future.

Jess Spiers 25:29
It's not a bad idea, actually, Sam and you know what Lego is a really common answer. You just can't go wrong, can you?

Sam Richardson 25:34
Yes, the best.

Jess Spiers 25:37
Lucy, how about you?

Lucy Armitage 25:38
Yeah, I was. Well, as far back as I can remember, all I wanted to do was to be able to drive and obviously can't do that as a child. So the next best thing was to have a remote control car. Well,

that was just way out of my way out of my league and the spending potential. So I saved up and eventually this is going to show my age here because I got one of the remote control cars that had the little wire attached to the car. So it wasn't really, a proper, don’t laugh Jess, wasn't a proper remote control car but it was right around the time of Herbie goes bananas showing my age again, with a little Volkswagen Beetle. So yeah, that's what I got a little Volkswagen Beetle, remote control car with wire.

Jess Spiers 26:18
I was on mute there and laughing wasn't I Lucy. That's a great answer, thank you. Thank you very much. So, thank you so much, Sam and Lucy for everything today. And we hope that everyone listening enjoyed the podcast. So, you can find all our podcasts on our website, and the usual places you find your other podcasts. Please do follow us wherever you listen to your podcasts, so you never miss a new episode. Thank you for listening.