

FSCS Podcast – Episode 9: How FSCS protects Funeral Plans

0:02 – Caroline Rainbird (jingle)

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.

0:22 – Jess Spiers

Welcome to Episode Nine of the FSCS podcast. I'm your host Jess Spiers. As you may or may not know FSCS, which is the Financial Services compensation scheme exists to protect customers of authorised financial services firms that have gone bust, by paying eligible people compensation. FSCS is independent and our service is completely free to use. So, you'll keep all of the compensation you're owed if you make a claim direct to us.

Now we protect a lot of financial products but not all of them. So, this podcast series is designed to help you understand our protection and why it's so important. In today's episode, we are going to be chatting about the latest product to come under FSCS protection as of the 29th of July 2022, which is funeral plans. Now it's not often that a new product comes under our protection. So, this feels like a really good opportunity for us to explain it all nice and simply right from the start.

So, I've got two guests with me today who are going to help explain it all. First is Sarah Marin, who is our Chief Customer Officer. And the second is a returning guest Conor, one of my comms team colleagues who you've probably heard on previous episodes, most recently in our 'How To Claim With FSCS In Three Steps' episode, and as always, we are going to be asking Sarah our usual closing question: which toy got her breaking open her piggy bank as a child?

1:59 – Jess Spiers

Right, let's start by introducing Sarah. Welcome Sarah to the podcast for the first time.

2:05 – Sarah Marin

Thanks, Jess. And hi, everyone. I'm Sarah Marin and I'm the Chief Customer Officer at FSCS. My job is to make sure that FSCS is known and trusted for protection that puts people back on track through outstanding customer experience. This includes planning and preparing for any type of financial services firm failure and making sure we can pay back money to our customers efficiently and effectively. I'm really pleased to be on the podcast for the first time to chat about how FSCS will protect the newest product in our remit, funeral plans, and what this will mean for funeral plan holders going forwards.

2:42 – Jess Spiers

It's great to have you on. Thanks, Sarah. So, before we get started, Conor, do you want to quickly reintroduce yourself?

2:48 – Conor Richards

Yep, sure. Hi, again, my name is Conor Richard, I'm a Communications and stakeholder business partner at FSCS. I'm also the communications lead for funeral plans for FSCS. So, I've been working closely with the business over the past year to understand how our protection of this product works.

3:06 – Jess Spiers

Lovely, and I know funeral plans have become your life over the last year Conor. So, you're definitely the ideal person to help us explain it all. Okay, everyone's been introduced. So, let's get into it. So, we're talking about why funeral plans have come under FSCS protection. And I think a really good place to start would be to talk about exactly what funeral plans are. So, Conor, could you tell us a bit more about that?

3:31 – Conor Richards

Yes, absolutely. So prepaid funeral plans are products that allow you to pre-arrange and prepay for your funeral, with a provider generally for a fixed cost. They can be sold to you by a third-party intermediary. So, an example of that is a funeral director or a will writer, or they can be sold directly by a funeral plan provider. You can pay for these upfront or in instalments. These plans may help to protect customers against rising funeral costs in future because you're locked in at the fixed cost that you paid for the plan.

4:03 – Jess Spiers

Okay, why is it that people usually buy prepaid funeral plans?

4:07 – Conor Richards

So, it's often helped relieve family members of any financial burden once they pass away. It's obviously a very emotional time. So, people also pre-arrange their funeral to remove any kind of uncertainty around what kind of funeral they'd want. So, if you'd arranged it yourself, your family don't need to assume or guess what kind of funeral you'd have wanted. It just removes a bit of pressure a difficult time.

4:32 – Jess Spiers

Yeah, definitely. So, Sarah, could you tell us why funeral plans have now come under FSCS protection?

4:38 – Sarah Marin

Yes, of course. From the 29th of July this year, the Financial Conduct Authority started to regulate firms and intermediaries that sell and arrange prepaid funeral plans. Firms and intermediaries operating in this market had to apply for FCA authorization earlier this year, in order to carry on selling and carrying out funeral plans. Now the FCA is responsible for funeral plans, they now also fall under FSCS protection. This means that if a funeral plan provider went out of business on or after the 29th of July this year, customers of FSCS authorised funeral plan providers may be eligible for FSCS protection.

5:21 – Jess Spiers

Okay, so the funeral plans market is now regulated by the FCA and that means that customers of authorised funeral plan providers are now FSCS protected in certain circumstances, which we will talk about in a minute. So, Conor, do you want to tell us a bit about why funeral plans have come under FCA regulation?

5:40 – Conor Richards

Yes, sure. So, the FCA has brought prepaid funeral plans under regulation in a bid to drive higher standards in the funeral plans market and boost consumer protection. So, before the 29th of July, the funeral plans industry was self-regulated by the Funeral Planning Authority. So registered members followed a set of rules and a code of practice. Unfortunately, without FCA regulation and FSCS protection, if a customer's provider went out of business, they risk losing all of the money that they put into their plan, and they would have no funeral plan cover in place.

If a customer is unhappy about the way a live firm is acting now that there's FCA regulation, people can also refer a complaint to the Financial Ombudsman Service if they're not happy with the providers initial response. It's worth mentioning quickly that the Ombudsman deals with complaints against firms that are still trading, whereas FSCS deals with claims against firms that have gone bust.

6:33 – Sarah Marin

That's right Conor, the FCA is trying to bring about better standards for customers. Now that funeral plans market is under its regulation. What that essentially means is that they're looking to make sure that customers get the plan they've paid for at a fair price. Your money is looked after and used responsibly by providers to fund the plan which the customer purchases, and that customers get the information they need to make an informed decision about which plan best meets their needs. The FCA is also introducing other measures to better protect customers, such as a ban on cold calling. This means unless a firm has an existing relationship with you, they can't call you.

7:15 – Jess Spiers

I think something it's also important to mention is that we know that historically, some funeral plans have gone unclaimed because the plan holder's families didn't know about them. So, unfortunately, this often means that the family ends up paying for a funeral when they didn't need to, or they weren't able to use the plan later down the line. So, I think it's definitely worth checking with family members if they have a plan. Or if you've got a plan, make sure that someone you trust knows about it. So, before we get into talking about FSCS protection of funeral plans, I've got a question about FCA authorization. So how can I go about finding out if a funeral plan provider's FCA authorised?

7:54 – Conor Richards

You can check this online via the FCA register. So, you just need to enter the firm's name or their firm reference number. It's sometimes called an FRN and then you'll get an answer as to whether they are authorised.

8:05 – Sarah Marin

It's also worth mentioning that by law funeral plan providers and intermediaries can now only operate if they are FCA authorised, some firms decided not to apply for authorization, and others decided to transfer their plans to other providers. All customers should have been informed by now what has happened with their funeral plan. But if you're unsure, get in touch with your provider or visit the FCA website as Conor said.

8:32 – Jess Spiers

Okay, so we've now covered a little bit of the background funeral plans. Let's get into our main topic today - how FSCS protects funeral plans. So, before we get into it, I think it's worth mentioning our compensation limits for funeral plans. So, for all types of claims with us, you are protected up to £85,000 per eligible person per firm. In today's market, the average value of issuing your plan sits at around £10,000 at the time that we're recording this. So, I know there are a few different types of funeral plan claims that people can make with us. Conor, shall we start by talking about the funeral plan provider claims?

9:12 – Conor Richards

Yeah, of course. So, as we mentioned, if you have a funeral plan and your provider has gone out of business on or after 29th of July this year, FSCS may be able to protect you. This includes funeral plans that were bought before the 29th of July, as long as your provider is FCA authorised. If your provider does go out of business, it should have arrangements in place to ensure that a new regulated provider can carry out your funeral plan. Alternatively, it may pay you compensation.

9:41 – Sarah Marin

That's right Conor and if these arrangements aren't in place, FSCS will protect plan holders of authorised funeral plan providers that have failed. We'll work closely with the failed firm, the FCA and the insolvency practitioner to make sure that we have the information we need. This means in most circumstances you won't need to make a claim. We'll handle it for you.

10:03 – Conor Richards

Yeah, exactly. So, there are multiple ways FSCS can protect you if your provider goes out of business. We'll give you the option of entering into a new contract with a replacement regulated funeral plan provider, or you can receive compensation instead. If you choose a replacement plan, this will be a like for like replacement funeral plan with the same terms as your original plan, or a similar as possible to the original just with a different provider.

10:27 – Sarah Marin

And if you'd rather receive compensation, we'll calculate the amount you're due by reference to what it would cost to buy the same plan in today's market. If we aren't able to arrange replacement funeral plan, we'll pay you compensation on the same basis.

10:46 – Jess Spiers

Great, thanks, guys. So that covered funeral plan provide claims. So, just to sum it up: in the first instance, we will aim to arrange a replacement funeral plan with a different provider but will also give you the option of receiving compensation or pay compensation if a replacement plan can't be arranged.

11:04 – Conor Richards

Yeah, that's right. There are also other types of funeral plan claims. For example, from the 29th of July 2022, you may also be able to claim compensation for certain activities carried out by a funeral plan provider or their intermediaries.

11:17 – Jess Spiers

Can you give us any examples of these activities, Conor?

11:21 – Conor Richards

Yeah, sure. So, examples of these would be advice to take out a funeral plan or the way that a funeral plan was set up. The key distinction between this and provided claims is that the specific activity that happened must have occurred on or after the 29th of July 2022. If you think you might have a claim, you can check on the FSCS website. So, head to www.fscs.org.uk and click "check if you can claim" at the bottom of the page and you can find out in a few steps whether you're eligible or not.

11:50 – Jess Spiers

That's right. I believe there's one other way that FSCS may be able to help. And that's if a funeral plan holder passes away and their provider then fails. Sarah, could you tell us a little bit more about this?

12:03 – Sarah Marin

Yes of course, Jess. This one can be quite complicated, so I'll try and explain it as clearly as possible. If a plan holder were to pass away after their funeral plan provider fails, but before FSCS has been able to secure a new funeral plan, contract or pay compensation, and also if the providers insolvency practitioner is not able to arrange the funeral home, then FSCS may be able to help with the provision of a funeral. If that does happen, and you're a customer's nominated representative or next of kin, please contact the named funeral director in the original plan, they'll be able to advise you on next steps. This will be the named firm of undertakers under the terms of the funeral plan. Or if you don't have that information, the firm of undertakers you've chosen.

12:55 – Conor Richards

Once you've contacted the funeral director, please also notify FSCS of your situation, you can contact us by phone free of charge on 0800 678 1100, or get in touch by email, post, or live chat. Contact details are available on our website. Our customer service team is on hand to help by whichever way is easiest for you.

13:17 – Jess Spiers

Yeah, that's right, please don't hesitate to get in touch. So, we've now covered all of the ways that FSCS protects funeral plans. Now we definitely appreciate there's a lot of information to take in here. You can visit our funeral plans web page for a written summary of our protection to read in your own time if that's easier. So just go to the website Conor mentioned which is www.fscs.org.uk and click on "funeral plans" on the homepage. So, before we wrap up, is there anything that you guys would like to say?

13:48 – Conor Richards

Yeah, I think there's two things I'd like to mention. So, listeners might have seen in the news in the last six months that some providers decided to wind down their business and leave the funeral plans market ahead of the 29th of July regulation day. This resulted in some customers losing money or having no funeral plan in place. In many instances, other providers in the funeral plans industry have worked hard to come up with solutions for these customers, such as taking on plan cover themselves to make sure people still had funeral plan cover in place. But clearly situations like this cause confusion and distress for consumers. And that may have knocked their confidence.

I think the point I'd like to make here is that for me, this has really shown the importance of the FCA's regulation of the market coming in, as well as FSCS protection, to avoid situations like this happening again. The second thing I wanted to mention is that the FCA aren't anticipating any firm failures in the first year of regulation. So, if you're listening and our talk of providers going out of business has got you worried, please try not to and if something like that did occur, there's protection in place.

14:48 – Sarah Marin

And I think the other thing that I'd like to mention is about the extended transition period. As we mentioned earlier in this episode, funeral plan providers and intermediaries had to apply for FCA authorization ahead of the 29th of July. However, the FCA has worked with the Treasury to agree a longer transition period in limited circumstances for certain funeral plan providers to make appropriate arrangements for the next steps of their business. This transition period is set to run until the 31st of October this year, 2022.

15:24 – Jess Spiers

So, Sarah, what exactly does this extended transition period mean for firms?

15:30 – Sarah Marin

It basically allows specific firms more time to achieve FCA authorization, wind down their business or find an authorised provider to take on their business. These providers can continue to deliver any existing funeral plan contracts bought before the 29th of July, but they're not allowed to sell any new plans during the transition period.

15:51 – Jess Spiers

Okay, I've just got a couple of questions, Sarah. So firstly, how can anyone listening find out if their provider is in the extended period and secondly, are providers that have entered the extended transition period FSCS protected?

16:06 – Sarah Marin

If a provider has entered the extended transition period, they should have told their customers already. If you're unsure ask your provider or visit the FCA website and take a look at their status list of authorised providers. Providers that have entered the extended transition period aren't FSCS protected, because we can only protect funeral plan business carried out by authorised firms.

16:31 – Jess Spiers

Great. Thanks, Sarah. Okay, I think that probably concludes our episode on funeral plans today. So, we've talked about why funeral plans have come under FSCS protection, what regulation means for this market and the different ways that FSCS can protect you if your funeral plan provider goes out of business. So, hopefully the podcast has been useful to you. As the newest products come under our protection, we're sure you've got lots of questions about funeral plans. So, as we said, please do visit our website if you're looking for more information. And don't hesitate to get in touch with us if you need any help at all.

17:14 – Jess Spiers

Okay Sarah. As you know, we always finish our podcasts with the same question, which is: we're all about keeping your money safe, but what was the toy that would have got you breaking open your piggy bank as a child?

17:26 – Sarah Marin

Well, of course, I knew this question was coming, Jess. And it's had me reminiscing about lots of wonderful memories from my childhood, and the toys that my brother and I would play with, or should I say fight over as children. There were so many options to choose from, it was difficult to get it down to just one. But with a slight stretch on toy, the item that got me breaking open my piggy bank was my first pair of ice hockey boots. There was a local ice-skating rink that I used to visit two or three times a week with friends. And I like to think of myself as quite a good speed skater.

Of course, looking back now I was somewhat average at best. But I couldn't wait to get my first pair of ice hockey boots so that I could look the part when skating around the ring. Plus, who wants to wear those terrible blue high boots that hundreds of other people have won. I think owning your own boots was a sign of how seriously you took the sport, which is an essential purchase for someone like me, who is sometimes known for having a little bit of a competitive streak.

18:22 – Jess Spiers

Oh, that's great. There. So, can we still find you out on the ice today? Have you kept it up?

18:28 – Sarah Marin

Not anymore. No, the boots have been hung up. I think I probably embarrass myself to be honest.

18:34 – Jess Spiers

Great. Well, thank you so much to Sarah and Conor for joining today. We hope that you enjoyed the podcast. So, you can find all the podcasts on our website, or the usual places that you find your other podcasts. We would really love to hear what you think of the podcast so please do rate and review us and you can also let us know on our social channels. Just search for @FSCS. Thanks for listening.