

On 27 June 2013, the Financial Conduct Authority (FCA) published a review focussing on the way in which mobile phone insurance firms design products and handle customer claims.

The FCA commented that whilst mobile phone insurance could be useful, it had found examples of poor practice in a number of areas:

- Elements of the product were not designed to meet customer needs.
- Some terms and conditions were unclear and unfair.
- There were examples of poor claims and complaints handling.

Hot on the heels of the publication of the FCA review, on 3 July 2013, the FCA announced that it had fined the insurance intermediary Policy Administration Services Limited (PAS) just over £2.8 million for poor complaints handling. PAS administers mobile phone insurance policies sold by Phones 4u and is responsible for customer relations and claims and complaints linked to these sales.

The FCA said that it had found significant failings in the way PAS handled complaints, particularly PAS' failure to record complaints. This, in turn, meant that PAS' management information and regulatory reporting was wrong.

The FCA said that other serious shortcomings included:

- Complaints not being investigated fully or resolved appropriately or consistently.
- Complaints about misselling were often rejected just because the customer had signed a direct debit form, but it was not clear why PAS thought this alone indicated a valid sale.
- PAS' failure to investigate and address the root cause of complaints about the sale of insurance policies, such as misselling.

The FCA said that, collectively, these failings meant that PAS was unable to treat customers fairly and come to a balanced decision about whether or not customer complaints had substance. PAS was also unable to accurately detect areas with repeated complaints, meaning they could not rectify the problems and improve customers' experiences.

Since the investigation, PAS has reviewed their third party complaints process and has conducted a separate review to identify customers who have suffered loss and paid them redress. PAS settled with the FCA at an early stage of the FCA's investigation and therefore qualified for a 30% discount on the fine; without the discount, the fine would have been just over £4 million.

Tracy McDermott, the FCA Director of Enforcement and Financial Crime commented:

*"PAS had wide ranging failures across its complaints handling processes – it failed to investigate complaints properly or to keep accurate records. This is simply not good enough – it does not meet our requirements and does not meet the needs of customers".*

At the same time, Ms McDermott sent a strongly worded message to all insurance firms, not just those involved in the mobile phone business, about how the FCA expects consumers to be treated fairly:

*"Last week we published the finance review into mobile phone insurance which found that sometimes there was a gap between what customers expect and what they are really getting. These are common themes in this case that revolve around consumer expectations and how they are sometimes being treated in practice. That review publication and this Final Notice stand side by side and I wholeheartedly recommend that all insurance firms – not just those in the mobile phone insurance market – read the two together".*

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