

Consultation response

Ref: 3209

Office of Fair Trading – Financial Services Strategy

June 2009

All rights reserved. Third parties may only reproduce this paper or parts of it for academic, educational or research purposes or where the prior consent of Age Concern and Help the Aged has been obtained for influencing or developing policy and practice.

Jane Vass
Email: jane.vass@ace.org.uk

Age Concern and Help the Aged
Astral House, 1268 London Road
London SW16 4ER
T 020 8765 7200 F 020 8765 7211
E policy@ace.org.uk
www.ageconcern.org.uk

Age Concern and Help the Aged
207–221 Pentonville Road
London N1 9UZ
T 020 7278 1114 F 020 7278 1116
E info@helptheaged.org.uk
www.helptheaged.org.uk

We support the broad thrust of the proposed strategy. However, we hope that OFT can take into account the following.

1. Disadvantage

In some markets competition can work against the interests of disadvantaged consumers, who may be excluded from the market because of low income or health problems. We hope that while championing competition OFT can find a methodology that will take into account their needs. For example:

- in the travel insurance market many companies have age limits that exclude people over 75. And although the market for 'cheap and cheerful' travel insurance policies is very competitive, often this is achieved by imposing blanket exclusions for pre-existing medical conditions – which effectively exclude many older people.
- In the banking sector – competition does not work effectively for older people who may find their choice restricted by difficulties with physical access or the exclusive reliance on one form of technology. We are particularly concerned about the implications of bank consolidation for branch access and hope that OFT can monitor this and ensure that local access is maintained. It would be particularly helpful for older people if all banks were to make their current accounts accessible through Post Offices, as this would then enable the option to be clearly publicised. Another option would be the introduction of shared branches.
- payment methods – the Payments Council has been diligent in establishing a strategic direction for the industry and has worked hard to consult consumers. However there remain many aspects of payment mechanisms that are in the 'competitive space' and depend on the actions of individual banks or other businesses. The availability of appropriate payment mechanisms is of crucial importance to older people, and we are concerned that the options available, such as cheques, are steadily diminishing, with few suitable alternatives either being developed or adequately publicised. For example, there has been no strong commitment to publicising the chip and signature alternative to chip and pin card.

2. Implications of the Equality Bill

The Equality Bill currently before Parliament will contain provisions to stop age discrimination except where this can be shown to be a 'proportionate means of achieving a legitimate aim' (which we anticipate would include pricing insurance products by age). We hope that OFT will build the implications of this legislation into its planning, for example:

- Irresponsible lending. The debate around irresponsible lending needs to take age into account in a way which does not lead to the imposition of age barriers under the guise of 'responsible' lending. Age Concern and

Help the Aged accepts that age may have a role in assessing risk, provided that this can be objectively justified by evidence, but the decision to lend should be made on ability to repay, not on age alone. We are concerned that older people without access to reputable sources of credit may be driven into expensive or unregulated alternatives.

- Risk-pricing of credit products. Many of the arguments around risk-pricing relate to the general lack of transparency in credit assessment. These are equally relevant to pricing by age.
- The public sector equality duty. The Bill reaffirms the existing duties and extends them to cover age. It also introduces a new duty aimed at reducing socio-economic disadvantage. While the bodies to which this duty will apply are still subject to Parliamentary debate, it may have implications for OFT's role in relation to financial inclusion.

3. Debt

There have been worrying indications that problem debt is increasing among older people, with people forced out of the workplace in their 50s being particularly at risk. Figures from equity release providers suggest an increase in the use of equity release to pay off unsecured credit. While secured credit is a responsibility of the FSA, not OFT, we hope that OFT will consider whether there are any aspects of debt recovery in the current economic situation that bear particularly heavily on older people and liaise with FSA as necessary if it is found that older people are being pushed into secured lending unnecessarily.

Banking conduct of business

We are pleased that OFT intends to look at self-regulation in the lending sector. However, we are equally concerned that other aspects of the Banking Code – such as sections relating to basic bank accounts and branch closures – may be lost in the gap between the FSA and the proposed Lending Standards Board. We would be interested to hear whether OFT sees these issues as being within its remit.

4. Financial education

We are pleased to hear about OFT's plans in this area and welcome the decision to continue the 'Save Xmas' campaign. We hope that OFT will include delivery mechanisms that meet the needs of older people who are less likely to have access to the internet but who may have an extremely important role in influencing other family members. Both the predecessor charities have had educational projects in the past and Age Concerns in the North East and North West are currently partners in FSA's Moneymadeclear pathfinder project.

We also welcome the work OFT has carried out on scams and were pleased to see the useful research you recently published on scam victims.