

Call for evidence

HM Treasury: Pre-paid funeral plan regulation

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About Age UK

Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and local Age UKs across England, to help everyone make the most of later life, whatever their circumstances.

In the UK, the Charity helps more than seven million older people each year by providing advice and support. It also researches and campaigns on the issues that matter most to older people. Its work focuses on ensuring that older people: have enough money; enjoy life and feel well; receive high quality health and care; are comfortable, safe and secure at home; and feel valued and able to participate.

Age UK's commercial arm, Age Co, offers pre-paid funeral plans in conjunction with Dignity. Age Co have seen this response and are in full agreement.

About this call for evidence

HM Treasury (HMT) has heard growing concern about potential risk of consumer detriment in the pre-paid funeral plan sector. Following some initial work government has concluded that the current framework of self-regulation is not sufficient to ensure the fair treatment of consumers, and a more robust regulatory regime is needed. The government's proposal is that the sector should be regulated by Financial Conduct Authority (FCA). The call for evidence is specifically focused on the pre-paid funeral plans market, the Competition and Markets Authority is currently considering work on the market for funeral services themselves. This call for evidence on pre-paid funeral plans asks a wide range of questions about current practices, detriment and suitability and impact of proposals for changes to regulation. We have focused on those questions where we have relevant experience to contribute.

Key points

- We are pleased that HMT has heard concerns about risk of detriment in this sensitive market and we strongly support their proposals to require all pre-paid funeral plan providers to be regulated by the FCA.
- Customers of pre-paid plans and those who arrange the funerals they relate to are both, for different reasons more likely than the average consumer to be in vulnerable circumstances. This calls for a higher standard of conduct, and possibly a higher standard of regulation than might be needed in less sensitive markets.

Age UK Response

Q7: To what extent is cold calling present within the funeral plan sector and does this present an additional or specific risk to consumers?

We have noted, with concern, the high number of 'lead generator' websites purporting to help people shop around for funerals. We have also heard reports of doorstep selling as

well as cold calls that pressurise people to accept home visits . We are extremely concerned that this is leading to high pressure selling. Our position is that we do not support cold call selling, even in other sectors where consumers may be less vulnerable.

Cold calling fuels scams as it normalises behaviour often used in frauds, as experience with pension scams has shown. It does not help consumers to make good decisions about whether the particular product on offer is the best one for them as consumers are more likely to feel pressured to make quick decisions rather than compare different products in the market. It would require exceptionally high standards of call handling and sales, which based on the Fairer Finance report are certainly not consistently present.

Q12: What are your views on the proposal to bring the sector within the scope of the FOS and/or the FSCS? What are most common types of complaints against funeral providers?

We strongly support the proposal to bring the sector within the scope of the FOS and the FSCS. We know that encouraging consumers to complain can be difficult even when they are not in vulnerable circumstances. Making it easier to understand how to complain, ensuring that the body receiving the complaint is clearly independent and providing standards for complaints handling within firms all help to encourage consumers to pursue complaints and so drive better standards within the market. Transparency over complaints would also enable providers and regulators to focus on improving outcomes for consumers.

As many consumers perceive funeral plans to be financial products there is also a risk that a failure to pay out would reduce confidence in other kinds of savings or investments.

Q14: What are your views on the government's proposal for FCA regulation of all funeral plan contracts and whether such a proposal will meet the government's stated objectives (as set out above)? Do you consider that an alternative proposal could better meet these objectives?

We support the Government's proposal for FCA regulation of all funeral plan contracts. While we understand that there are impacts resulting from increased regulation we think that mandatory regulation by the FCA is appropriate for the following reasons.

We think that it is appropriate that the provision of any funeral plan requires regulation and that a voluntary approach is not sufficient. Funeral plans are not regular purchases and so it is difficult for consumers to become expert in understanding the benefits of different

voluntary codes and bodies. Consumers generally see funeral plans as the same as or similar to financial services. They are sold as 'safe' products containing no risk – these are used as major selling points and so firms should be required to ensure the product can deliver as promised.

The FCA has taken a leading role in developing an understanding of vulnerable customers and what it means to treat these groups fairly. It is therefore well-placed to provide consumer protection and to supervise firms operating with these consumer groups.

Many of the weaknesses identified in the Fairer Finance report would be addressed through regulation by the FCA. In particular the requirements for communications to be clear, fair and not misleading would seem to be sorely needed.

Since taking over responsibility for consumer credit the FCA now regulates a wide range of different sizes and types of firm, it therefore does not seem to be a compelling reason that the size of firms and of the sector is too small.

The current mix of competition and regulation does not seem to be producing good outcomes for all consumers currently. We recognise the efforts made by the Funeral Planning Association (FPA) and alternative proposals that they could be placed on a statutory footing. While there may remain a role for the FPA as a trade body to drive up standards and develop best practice, it appears to us that it would increase complexity in terms of regulation and consumer protection if a new statutory regulator was created. Creating a truly independent and expert regulator is a significant challenge even where best efforts are made.