



## **The Consumer Council for Northern Ireland response to the Financial Ombudsman Service's (FOS') consultation on future funding**

### **The Consumer Council**

1. The Consumer Council is a non-departmental public body (NDPB) established through the General Consumer Council (Northern Ireland) Order 1984. Our principal statutory duty is to promote and safeguard the interests of consumers in Northern Ireland.

### **Consultation Response**

2. The Consumer Council of Northern Ireland welcomes the invitation to respond to FOS' consultation on future funding and welcomes the opportunity of exploring the idea of working together with FOS.
3. The Consumer Council believe it is best placed to provide an overview of the issues in relation to the services that FOS provide and the unique needs of Northern Ireland consumers. Therefore, this response will be focussed on those areas.

### **Considerations about Northern Ireland**

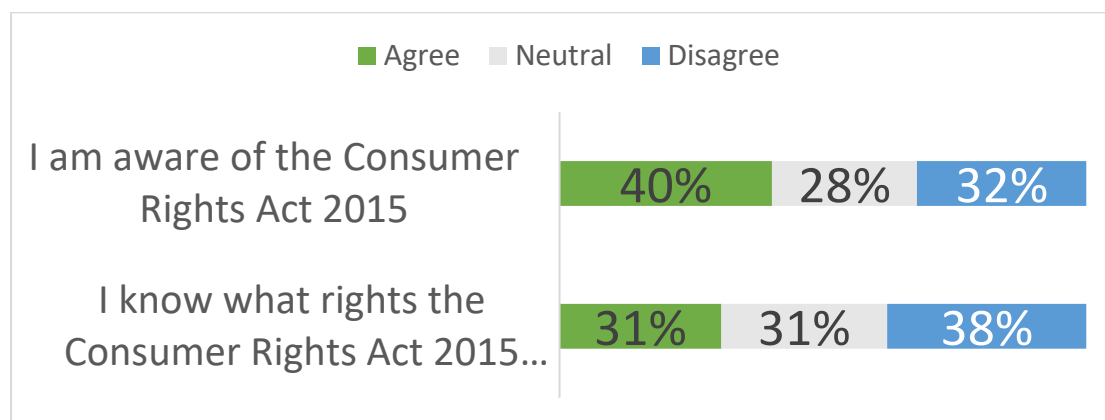
#### **Consumer Principles**

4. The Consumer Council uses eight consumer principles to understand how particular issues, policies and regulatory proposals are likely to affect consumers. The principles are below:
  1. Access – can people get the goods and services they need or want?
  2. Choice – is there any?
  3. Safety – are the goods or services dangerous to health or welfare?
  4. Information – is it available, accurate and useful?
  5. Fairness – are some or all consumers unfairly discriminated against?
  6. Representation – do consumers have a say in how goods or services are provided?
  7. Redress – if things go wrong, is there a system for putting them right?
  8. Education – are consumers aware of their rights and responsibilities?

## Background

5. Of the devolved UK nations, Northern Ireland has the lowest median wage with median weekly earnings at £521<sup>1</sup> compared to the UK average of £569<sup>2</sup>. A recent report released from Which? shows that only half (49%<sup>3</sup>) of those in Northern Ireland were content with their income, over a quarter (26%<sup>4</sup>) do not have money saved for a “rainy day”, and 50% of consumers have less than £300<sup>5</sup> left after mortgage/rent and essential bills in a typical month. Lower wages may act as a barrier to consumers in Northern Ireland when accessing advice or guidance in all aspects of financial services. With less income, it may be the case that consumers view some financial services as a non-priority product. Alongside income, financial education and confidence may prove as a barrier for some consumers in Northern Ireland.
6. Northern Ireland consumers have continued to display low levels of optimism and hope in regards to their financial position, when assessing their financial situation, a fifth (19%<sup>6</sup>) of consumers believed it to be poor. 37% of UK adults are highly confident in managing their money, this figure stands at 26% in Northern Ireland<sup>7</sup>, suggesting a low level of financial confidence in Northern Ireland, which can affect decision making in relation to complains and awareness of consumer rights.
7. The Consumer Council’s annual consumer insight survey findings stipulated that two in five adults in Northern Ireland are aware of the Consumer Rights Act 2015. However, this figure reduces to three in ten for the number who actually know what rights this gives them when buying goods and services. This, in addition to the above findings on vulnerability and consumer confidence in Northern Ireland Findings are captured in figure 1 below:

**Figure 1: Consumer Rights Act 2015 awareness (2018):**



<sup>1</sup> <https://www.nisra.gov.uk/statistics/labour-market-and-social-welfare/annual-survey-hours-and-earnings>

<sup>2</sup>

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2018#measuring-this-data>

<sup>3</sup> <https://consumerinsight.which.co.uk/reports/consumer-insight-report-2019-northern-ireland>

<sup>4</sup> CCNI YouGov annual survey 2019

<sup>5</sup> CCNI YouGov annual survey 2019

<sup>6</sup> <https://consumerinsight.which.co.uk/reports/consumer-insight-report-2019-northern-ireland>

<sup>7</sup> <https://www.fca.org.uk/publication/research/financial-lives-consumers-across-uk.pdf>

## Different Market Participants

8. Northern Ireland and GB, despite both being part of the UK, have significant differences in market participants in both financial services and in other sectors. Research conducted by Cognisense for The Consumer Council showed that 60% of respondents use the four main Northern Ireland based banks as their main bank account; Danske Bank, First Trust (part of the AIB group), Ulster Bank (part of the RBS group) and Bank of Ireland hold 60%<sup>8</sup> of the retail banking market in Northern Ireland.
9. Another key difference is the credit union landscape in Northern Ireland – 36% of adults in Northern Ireland are registered with a credit union compared to 3% in the UK<sup>9</sup>. This difference itself has the potential to influence the amount and type of interactions FOS has with consumers in Northern Ireland.
10. The Consumer Council have observed such nuances in other segments of the market too – for example, a number of insurers based in GB do not operate in the Northern Ireland motor insurance market – leading to less competition and potentially more expensive premiums for Northern Ireland consumers.

## Data exclusion

11. Northern Ireland has been and continues to be excluded in key financial services ‘UK wide’ market studies. In past years, Credit Reference Agencies (CRAs) Experian<sup>10</sup> and Noddle<sup>11</sup> have both published ‘UK’ reports on average credit card debts by region that both exclude Northern Ireland. Of particular concern is that other evidence<sup>12</sup> points towards Northern Ireland having particularly high credit card debt, but this may not be seen by regulators and policy makers who view the CRA research.
12. A lack of data can also be seen in the Northern Ireland insurance market. The Association of British Insurers (ABI)<sup>13</sup>, Competition and Markets Authority (CMA)<sup>14</sup> and Consumer Intelligence<sup>15</sup>, have all published UK regional insurance analysis that leaves Northern Ireland as the only excluded region. Studies will be used by insurers in their premium pricing models alongside their own internal research. This has the potential to create inaccurate pricing in the market for Northern Ireland consumers.

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<sup>8</sup> Lending, Savings and Debt Research: Northern Ireland Consumers - Cognisense March 2019

<sup>9</sup> Calculated from CCNI based on CU figures from BOE (2017) and population data from ONS (2017)

<sup>10</sup> <https://www.experian.co.uk/consumer/credit-card-hotspots/>

<sup>11</sup> <https://www.telegraph.co.uk/personal-banking/credit-cards/mapped-uk-areas-that-rely-most-upon-credit-cards/>

<sup>12</sup> The FCA’s Financial Lives survey details that compared to all UK adults, adults in Northern Ireland are more likely to hold ‘store cards, catalogue credit and outstanding debts (adults in Northern Ireland owe £3900 in unsecured debts on average, compared to the UK average of £3320.

<https://www.fca.org.uk/publication/research/financial-lives-survey-2017.pdf>

<sup>13</sup>

[https://www.abi.org.uk/globalassets/files/publications/public/data/abi\\_bro6778\\_state\\_of\\_market\\_2019\\_web.pdf](https://www.abi.org.uk/globalassets/files/publications/public/data/abi_bro6778_state_of_market_2019_web.pdf)

<sup>14</sup> <https://www.gov.uk/cma-cases/private-healthcare-market-investigation>

<sup>15</sup> <https://www.belfasttelegraph.co.uk/business/uk-world/average-home-insurance-costs-for-uk-households-rise-by-7-36064162.html>

13. Another problem is the way in which Northern Ireland consumers are approached as part of the sample size. An example can be seen in the FCA's Financial Lives survey, whereby consumers in Northern Ireland were not interviewed face to face like all of the other respondents, and the allocation of survey data to urban and rural areas excludes Northern Ireland. This is a particular issue given approximately 34%<sup>16</sup> of the Northern Ireland population reside in rural areas, both of these impact the accuracy of the data being recorded and being used widely by regulators and policy makers alike. Therefore, data exclusion has the potential to impact on the suitability of UK wide policies on consumers in Northern Ireland.
14. The Consumer Council have worked with the FCA to ensure that their next Financial Lives survey is representative of Northern Ireland through an increased sample size a more consistent approach when conducting interviews. It will continue to work with the relevant organisations to ensure that UK wide research is representative of Northern Ireland.
15. The Consumer Council would be interested in understanding how FOS ensures that its work is representative of consumers in Northern Ireland. It would also be willing to work closely with FOS to ensure that Northern Ireland is well represented moving forward.

### **FOS Complaints**

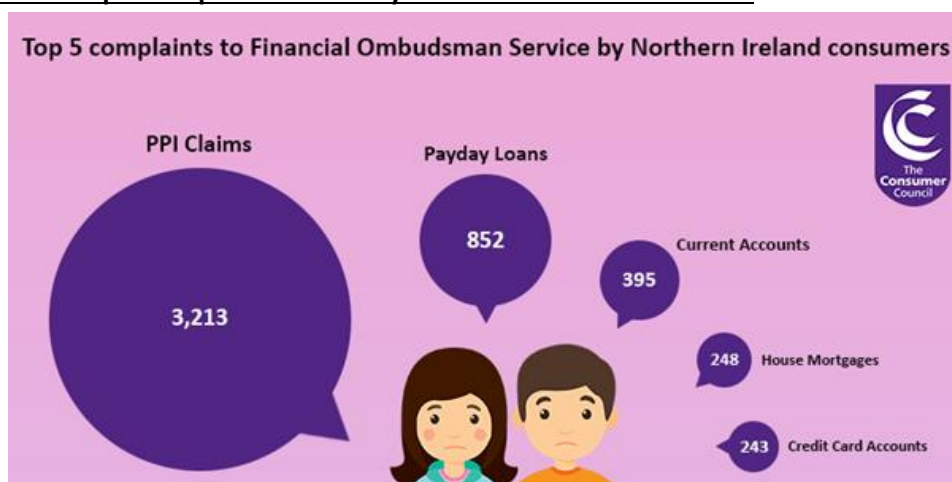
16. Data obtained from FOS by The Consumer Council detailed UK wide complaints raised in 2018-2019. The top 5 complaints can be seen below at figure 2. The table at figure 3 demonstrates these as a percentage compared to the UK average.
17. It is worth noting that whilst Northern Ireland makes up around 2.9%<sup>17</sup> of the UK's population, it accounted for only 1.8% of complaints to FOS from 2018-2019. FOS receive 47.8 complaints per 10,000 people in the UK. This figure is much less for Northern Ireland at 2.9 complaints per 10,000. These figures, coupled with financial confidence, vulnerability and understanding of financial issues in Northern Ireland suggests that consumers in Northern Ireland may not be complaining to FOS as much as their counterparts in GB. As highlighted above, there are discrepancies between financial services provided in Northern Ireland and those in the UK, which is something FOS may wish to better understand going forward.

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<sup>16</sup> <https://www.daera-ni.gov.uk/publications/mid-year-estimates-population-change>

<sup>17</sup> <https://www.ukpopulation.org/northern-ireland-population/>

**Figure 2: Top 5 complaints to FOS by Northern Ireland consumers**



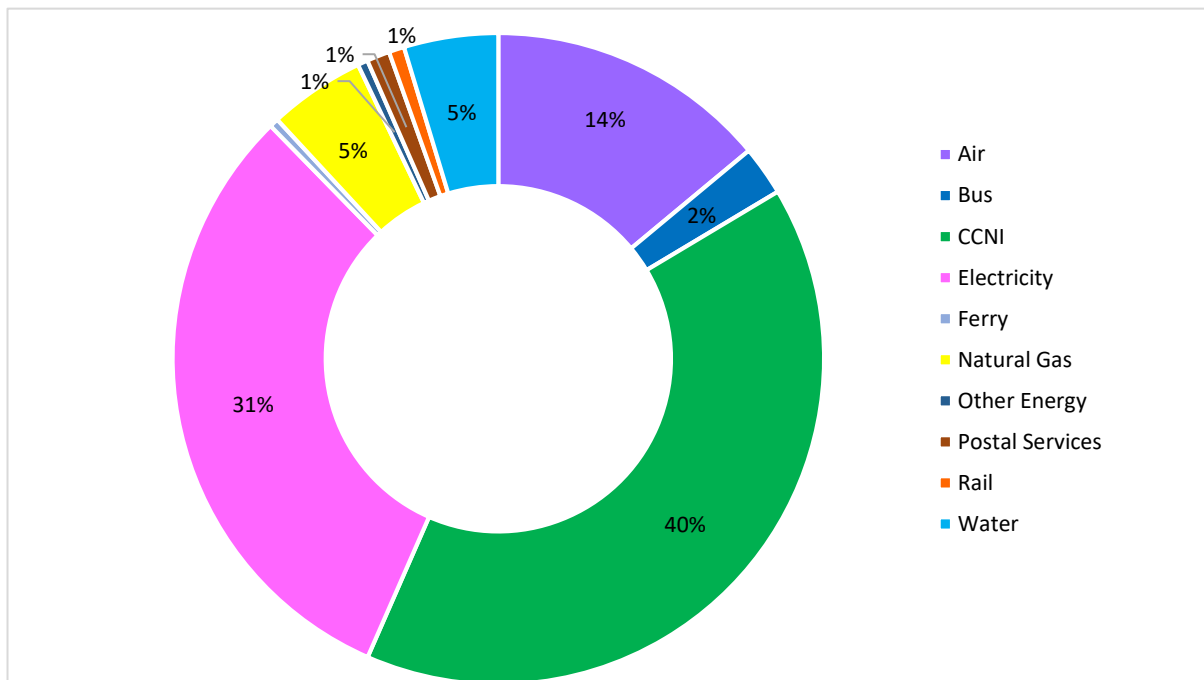
**Figure 3: Top 5 complaints to FOS by Northern Ireland consumers vs UK average**

New complaints 2018-2019	Northern Ireland (%)	UK (%)
PPI	55%	56%
Pay day loans	15%	12%
Current accounts	7%	9%
Mortgages	4%	3%
Credit card accounts	4%	4%

### **Supporting the wider work of FOS**

18. Consumer Council is a non-department public body (NDPB) established through the General Consumer Council (Northern Ireland) order 1984. Our principal statutory duty is to promote and safeguard the interests of consumers in Northern Ireland. It has specific statutory duties in relation to energy, postal services, transport, and water and sewerage. These include considering consumer complaints and enquires, carrying out research and educating and informing consumers.
19. The Consumer Council has a statutory remit to promote and safeguard the interests of consumers and has specific functions in relation to financial services. The organisation also has a duty to pay particular attention to vulnerable consumers: disabled or chronically sick; those of pension age; consumers with limited income; and those who live in rural areas.
20. The Consumer Council, under the Enterprise Act 2002, is designated as a body to make Super-Complaints.
21. In 2018-2019, The Consumer Council assisted 4,995 consumers through our contact centre. It has signposted 1,213 consumers to other organisations and investigated 3,782 enquiries and complaints on behalf of consumers in Northern Ireland. Figure 5 details the breakdown of enquires and complaints received:

**Figure 4: Breakdown of Enquiries and Complaints received**



22. Through the above work, The Consumer Council has returned £212,848.97 to consumers' pockets in 2018-2019 and have a customer satisfaction rating of 99.2%.
23. Due to the differences in the market environment, The Consumer Council questions whether FOS could develop a physical presence in Northern Ireland. Or whether, a partnership agreement with The Consumer Council could be formed whereby The Consumer is the first point of contact, it could then pass "warm" contacts onto FOS.
24. One way in which The Consumer Council and FOS can better work with one another would be through information sharing in order to better obtain and make use of Northern Ireland specific insights. The Consumer Council believe this will be valuable for both organisations for many reasons, one being a better understanding of the issues and trends arising as a result of the differences between Northern Ireland and the rest of the UK. This collaboration will also allow The Consumer Council to get a better understanding of what issues consumers in Northern Ireland are contacting FOS about. This will enable us to anticipate trends and tailor our work plans to better suit the needs of consumers in Northern Ireland.
25. Thank you for the opportunity to respond to FOS's Consultation on Future Funding. The Consumer Council consents to this response being reproduced by FOS. Should you wish to discuss this response further, please contact me on the below details.

Yours sincerely,

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Policy Officer

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**08/08/2019**