

## Briefing paper

# FCA closed life book review

### Overview

In 2014 the FCA launched a thematic review into the fair treatment of long standing customers in the life insurance sector. The review focused on 11 firms of various sizes with over £153 billion held in closed books of business.

The products in scope of the review were **individual personal pensions (including SIPP's and retirement annuity contracts), whole-of-life, endowments and investment bonds.**

The review findings were released in the first week of March 2016.

The review covers many areas relating to the fair treatment of customers, but this paper relates exclusively to the area of **unclaimed assets.**

It would seem the FCA generally feels more must be done around identifying and tracing goneaway customers.

Two key expectations are that firms should use email and phone as well as address data to trace goneaway customers and that where tracing has failed to re-establish contact, further tracing should be carried out again in 18 months and thereafter every three years as a minimum.

### FCA findings

The total amount of unclaimed assets is large. Estimates vary between **£10 and £20 billion** across the financial services industry, with approximately £4 billion in life assurance and pension schemes (based on the Unclaimed Assets Register.)

### Review of firms' practices

The FCA found the overall picture to be **poor, with over half the firms demonstrating weaknesses** which had resulted in, or were very likely to result in, **poor customer outcomes.** The primary driver for these weaknesses was that firms did not have well-defined and effective processes in place. In addition, most of the firms in the sample did not measure the success, or otherwise, of their various goneaway tracing activities, creating a significant risk that they did not re-establish contact with as many customers as they could have. For some firms this could have been a straightforward task as they held customer telephone numbers but did not use them.

## Preventing customers from going away

The FCA reports that they also saw instances where a firm's approach to goneaway customers was inconsistent across different parts of the business. Where a customer advised the firm of a change of address details were only updated for the product and/or outsourced service provider contacted. If the customer held other products with the firm either administered on a different system or by a different outsourced service provider, their details were not updated. This creates a risk that some customers will not be kept updated about all of their assets. When advising a firm about a change of address or other such important information, closed-book customers should not need to contact a firm numerous times to cover each product they hold.

## Re-establishing contact

Most of the firms in the sample used tracing agencies that had access to external and proprietary data sources to try to re-establish contact with customers. There was however evidence that some firms were conducting their own tracing activities by using for example, the Department for Work and Pensions and bank letter forwarding services. The FCA is concerned that several firms had encountered difficulties using bank letter forwarding services, many of them saying banks were uncooperative in forwarding letters to goneaway customers.

The FCA saw examples of practices that were unlikely to result in re-establishing contact with customers. For instance, a number of firms held multiple customer contact details (phone/email/address) but chose not to use these. The FCA is concerned that there is likely to be a group of customers who are contactable through reasonable means but remain goneaway.

A number of firms that were unsuccessful in re-establishing contact at the first attempt did not make a further attempt for significant periods of time, or at all. For example, several firms in the sample did not attempt any subsequent re-contact with customers until policy maturity. Such a delay increases the risk that customers will be unaware of the products they hold which can impact their financial planning for the future.

## Draft guidance / FCA expectations

The FCA found that:

- it is important that firms demonstrate their commitment to maintain effective dialogue with their closed-book customers by **establishing systems and controls to proactively minimise** the number of new goneaway customers
- Firms should have a clear definition of what constitutes a goneaway customer and a clearly defined process for dealing with products where customers could not be traced. **The FCA expects firms to consider and use all appropriate activities to contact closed-book customers**
- Firms should correspond with their customers **regularly**, and **proactively** seek and hold **full contact details (phone/email/address)**. When firms have multiple customer contact points, single customer profiles and/or multiple customer profiles for the same customer must be maintained with consistent, up to date customer information
- It is important that firms attempt to reestablish contact with customers who have goneaway by:
  - Adopting a consistent 'one firm' approach
  - Assessing the effectiveness of goneaway activities and understanding the key drivers of success
  - **Attempting recontact at point of goneaway and, if unsuccessful, within 18 months of the first attempt and, if again unsuccessful, at least every three years after that, unless the firm can demonstrate why this will not be effective**
  - **Undertaking, as a minimum, electoral register and mortality checks, or using a third party**

**Accurate Data Services** is a specialist people tracing business, focused on dealing with unclaimed assets, tracing goneaway customers and providing email/telephone appending.

Contact us on **01603 813366**

or **info@accuratedata.co.uk**

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