

**AGE CONCERN NORTHERN IRELAND'S EVIDENCE TO THE
COMPETITION COMMISSION, MARCH 2006.**

Age Concern Northern Ireland is a voluntary organisation committed through campaigning, community development and service provision to improving the quality of life of all older people and to promoting their rights as active, involved and equal citizens.

Background information: Age Concern Northern Ireland has a regional specialist Advice Service, which provides advice, information and advocacy to older people throughout Northern Ireland. In 2004-2005, our Advice Line was contacted by almost 4000 clients by telephone, personal visit, letter and email. We carried out 7000 pieces of work on their behalf. Our Welfare Reform Officer delivered 10 outreach and 33 benefit information sessions to older people's groups and in day centres throughout Northern Ireland, targeting some of the most socially excluded who would not access advice and information otherwise. While 40% of our work for this period was benefit related this figure is misleading as many of our callers were unaware that they needed to know about benefits until prompted. There was a repeated pattern of individuals claiming too little too late, and of key life choices being made with insufficient knowledge of available systems and support, financial and other.

Our first debt client approached us in April 2005, and this service, which has never been advertised, is now handling over £250,000 in debt and dealing with 15 clients with debts ranging from £600 to £60000 and a total of 69 creditors. The oldest client is 86 and has debts of £26,348 incurred following the death of three close family members within a period of three years. Clear patterns are already beginning to emerge. The majority (86%) of these clients are female, though this may possibly be an indication that older men are reluctant to come forward with debt problems. All of the clients are living alone, apart from one whose husband is unaware of the debt. Only one (70+) is working, and his debt is mainly due to a cut in his hours. 17% have mental health difficulties. There may be underlying issues re financial abuse, as in a couple of cases joint loans have been taken out and the older person is being left with the debt. There is evidence of older people making ill informed and inappropriate choices based on inadequate information – for example, one client has chosen to raise capital through equity release when the debt could have been more advantageously handled through claiming benefit.

ACNI has, in partnership with the Health Promotion Agency for Northern Ireland, developed an Ageing Well Network to which any community or older persons group can affiliate. The services delivered through the Ageing Well Network focus on the training, information and networking required to support community and older peoples groups to improve the health and wellbeing of older people in their areas.

The Actively Ageing Well programme supports 60 community and older peoples groups to develop physical activity programmes with older people.

We also support a network of 30 local Age Concern groups. These groups organise activities for older people such as luncheon clubs, befriending schemes, social outings and computer classes. The groups are provided with practical advice and information, training and organisational support by a Development Officer employed by Age Concern NI.

In addition, we campaign and lobby on behalf of older people, conveying their views to policy makers and the general public. The information in this response is based on the anecdotal client feedback that these extensive contacts have provided.

What leads customers to open a personal current account (PCA) with a particular bank?

Clients have told us that one of their main reasons for choosing to open a PCA is accessibility. There is still a conscious desire to have a bank or its branch in geographical proximity to where they live. If there is an existing link with this bank, e.g. another service with them, they are more likely to keep their business in one place. Clients are concerned with reputation – if a bank is seen as reliable – particularly in the case of the big 4 who have long standing connections with Northern Ireland.

Family and/or business connections will still have an influence and it is not uncommon for children to follow their family to one specific bank.

What are the barriers to switching?

There is a distinct lack of knowledge – for instance of the advantages of different services/rates, and inevitably this ignorance restricts choice and movement. Those with linked direct debits and those with debts see this as a complication if they are switching as there is a fear that debits will not be paid during the process. Those with debts feel that this is a possible barrier to opening a new account with a new provider. People feel that a longstanding relationship will mean they have a more sympathetic ear if they need to borrow or go into overdraft.

The reality for one of our debt clients was very different:

- Client found himself in financial difficulties
- Client made reduced offer to his bank (Ulster Bank) which was refused on a number of occasions and then finally accepted 6 months after the original offer.
- Client was advised by his bank that the offer would be accepted however his bank accounts would be frozen (loan account was in default but current account was active)
- 12 other creditors all accepted payment plan
- Client had to apply to 3 other banks before finally being accepted to open a basic account by Northern Bank. He was naturally very stressed by the whole process.

There seems to be very little awareness of the banking code re switching.

View of relationship with banking

The relationship with the bank is seen as different - because it is linked to accessing credit it is not an empowered relationship. The historical perception of the bank manager is of a figure wielding considerable authority and clout. This authoritative, formal view has been reinforced by the Money Laundering Act requirements to provide extensive documentation when opening new accounts – something else which can be difficult for older people who may not have driven or travelled and so lack the required documents.

How important are branches?

It is still seen as key to have a branch close, a perception that if it is locally based it is somehow must be “better” more “solid” and this gives those banks with visible branch networks a competitive edge. Some older people exhibit an innate conservatism in their response to new methods of service delivery. This is likely to be reinforced by the fact that

unless they make a point of reading about financial matters in newspapers, then they have a limited prospect of becoming aware of new services and how to access them. They can find a phone based service overly complex, and there is still a lack of trust in e banking which bad news stories of fraud have not helped.

Rural branches are seen as important for farming families, including the provision of loans etc, however in urban areas isolated older people can be equally dependent.

The Basic Bank Account and Post Office Account are vital to the way that some older people budget – and it seems from what they tell us that some individuals deliberately have both as a way of managing their money. One of the difficulties with the Basic Bank Account is that it does not offer true access to benefits of banking as no interest is paid and it is only really only for lodgement of benefits.

Credit union services are too limited to provide a true comparison with what the bank can offer. It is hard to see how the post offices could provide an alternative to the banks at present unless there is a significant increase in the bank services that can be accessed through them. This is despite the fact that there is a fair degree of trust in them as an institution. Another concern is that with the projected end of the Post Office Card Accounts in 2010 there could be even more post office closures.

How well informed are customers about terms and conditions– do they understand structures- overdrafts – bank charges?

There is a fundamental lack of knowledge regarding fees & charges differential and in our experience clients only become aware of these when they get into difficulties. This has undoubtedly been reinforced by the fact that in Northern Ireland it has been very difficult to make true comparisons and to make “better off” judgments regarding the comparative benefits of switching. One lady stated that her perception was that rates change and things may even out eventually so inertia is the best policy!

Bank communications are unclear – there is too much complex information but the devil is in the detail. Leaflets are in small print and legalistic language that does little to help and much to obscure. There are also significant omissions – for example in all the recent promotion of chip and pin information – there was little or nothing regarding signature cards which provide an alternative for those who cannot manage pin numbers.

Our general perception is that there is poor financial literacy and yet an increasingly more complex and challenging environment. Consumer choice is only half the battle if there is not consumer education. While there have been some moves to address younger people's issues, more needs to be done to educate and support those facing middle and older age. It is significant that a recent report by the Prudential highlighted the fact that one in four pensioners rack up substantial levels of debt in the first year after retirement.

The good news at the end of this submission is that the personal current account market changing does appear to be changing. The inquiry has already had an effect in that banks have moved to tackle some areas where they are open to criticism. It is interesting to note that the Ulster Bank is now advertising aggressively on TV and bill boards in the South.

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