

Misleading Claims – Money Marketing – November 2007

On Thursday of last week, like many of you, I received an email from Money Marketing (MM) with the title '**Misleading claims won big payouts**'. Of course working in the protection side of financial services I have a natural interest in any news story that relates to claims – good or bad.

The MM report was based on a speech given by the Labour Peer, Lord David Lipsey, at an event held at the Labour conference in Bournemouth last week. MM reported Lord Lipsey as saying "My own experience of dealing with the pension review, and this is also true with endowments, is that we were successful in getting people to come to us but they were not always truthful. A lot of them had been sold pensions perfectly validly and they had either forgotten what had happened, or they remembered, but knew it was in their interests to forget what had happened to them. So a large number of people have been compensated, some of them rightly, some of them wrongly, and I think there was an erosion there of a duty of moral hazard on the part of the purchaser."

Now, Lord Lipsey isn't an ex-IFA sounding off about the injustices that befell him, his background in financial services, was of being a public interest member of the Board of the Personal Investment Authority (so a PIA Director). He was also a member of its Pension Review Committee and of its Disciplinary and Membership Committees, and so it appears he does not have any axe to grind in favour of advisers.

So, in his opinion, consumers who should never have received a payout, won compensation by providing misleading information to the regulator. He also claimed that people "knew it was in their interest to forget what had happened to them" and he claimed that the problem increased over time as more people got payouts and advised others on the correct thing to say to ensure they too were compensated.

His point was to warn his audience of the potential problems of getting generic advice wrong; my point would be that this story should act as a warning to advisers not to allow themselves to get mixed up in any way with an insurers requirement to collect medical or lifestyle disclosures for protection policies. Because if, down the line, claims are declined and the said declined 'policy claim' turns into a 'compensation claim' (and why wouldn't it, consumers face no risk and incur no costs) then, according to at least one man who should know what he is talking about, your clients may be willing to mislead in order to get a payout. You might think that this couldn't happen to you, but ask yourself this - if people are willing to mislead for a few thousand pounds, just think what they might be willing to do for the sum insured.

Of course the other question that burns here is, if the regulator knew what was happening, why didn't they act? Perhaps the advisers whose reputations and livelihoods were damaged by such claims were simply classified as a kind of 'collateral damage'.

By Richard Verdin, Sales & Marketing Director