How secure is online banking?

New research from *Which? Computing* has revealed that some banks appear to offer much poorer online security than others, potentially leaving their customers at greater risk of fraud.

Around 21 million people bank online, but log-in procedures vary. You'll always need to enter a username and password to log in. However, if these stay the same each time and are typed in full, hackers could record your details with keylogging software and illegally access your account.

Lloyds TSB uses a drop-down menu, requesting characters from a self-selected memorable phrase. Barclays goes further and requires a randomly generated password from a separate device (PINsentry) for each transaction.

There are other differences in banks' security procedures. Some, such as Barclays, First Direct, Nationwide, NatWest, Lloyds TSB and RBS, automatically log you out if you move to another site. Abbey, Alliance & Leicester, HSBC and Halifax leave you logged in and potentially at risk.

Money transfers also divide the banks. Nationwide, RBS and NatWest require a card reader scan of your bank card to set one up, rather than keyed data alone.

Banks do have unseen security measures at their end of the process, but, for some, more could be done at the customer's end.

Which? Computing editor Sarah Kidner said: 'Criminals are using a wide range of techniques to compromise people's bank accounts, so it's disappointing to see that a handful of banks aren't providing basic visible security measures for their customers.'

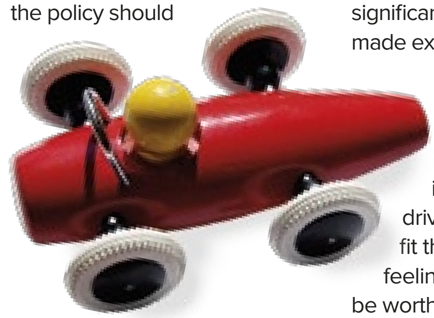
Cautious drivers welcome

Be Wiser Insurance (www.bewiser.co.uk) has launched a new type of car insurance policy that claims to let drivers reduce high premiums by opting for a higher excess than they could get with a mainstream insurance provider.

According to Be Wiser, the policy should appeal to owners of high-value, high-performance vehicles, and drivers with a tarnished claims history, as well as 'cautious and sensible' drivers who think they are less likely to have an accident.

The figures we've seen suggest it could cut premiums significantly, although we haven't made extensive comparisons.

The catch is that you're liable for the high excess if you make a claim. This isn't a policy for most drivers, but if you fit the bill – and are feeling lucky – it could be worth considering.



Annuity alert

Pensioners earning income from an impaired life annuity could be at risk of losing a large amount of their pension if their annuity provider goes bust, owing to an apparent glitch in the current regulations.

Impaired life annuities are policies sold to people who smoke, or those in poor health, and pay out more each year than normal annuities.

If an annuity provider goes bust, the Financial Services Compensation Scheme (FSCS) guarantees 100% of the first £2,000 and 90% of the rest.

However, the current rules appear to allow the FSCS to value your policy at the rate you could obtain from a new provider. Given the small number of providers available, this could leave customers having their policy valued at a regular, rather than an enhanced, rate of return.

Which? says

Which? is calling on the Financial Services Authority to clarify the FSCS's obligation to those with impaired annuities. We feel they should have the same degree of certainty as other annuity holders and will report back on the FSA's response in due course. For more on annuities, see next month's issue of *Which? Money*.

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