



# Checkout loans and credit cards

Tempted by supermarket and department store leaflets promising cheap loans, travel insurance and credit cards? Our research suggests you could be paying over the odds if you pick up the wrong one

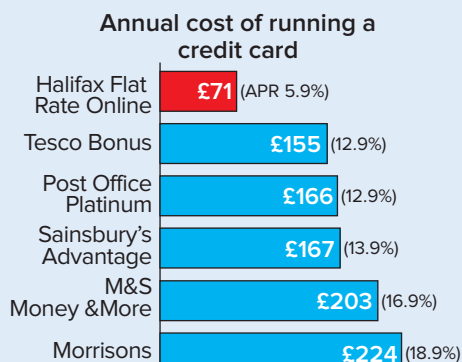
The leaflets at the checkout may look tempting, and it's certainly convenient to pick up information on that new credit card, savings account or even life insurance while you get your weekly shop – but you shouldn't believe all the hype. We've found that many of the products on offer from supermarkets and other non-traditional finance providers such as Virgin and the Post Office are at

**Asda home insurance premiums were among the most expensive**

## HOW THE NEW LENDERS' DEALS STACK UP AGAINST OUR BEST BUYS

### Credit cards

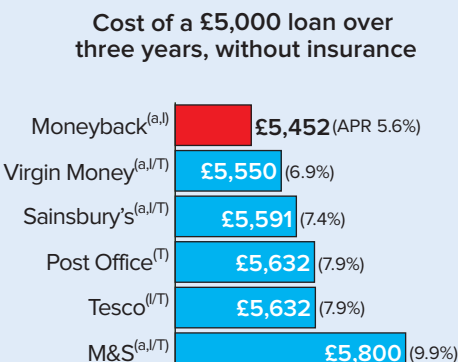
None of the supermarket credit cards is a Best Buy or even offers particularly good value for borrowers. Our calculation is based on someone who owes £1,400, spends £150 every month and repays £180. Where a company offers more than one credit card, we've shown the cheapest in this scenario. Even with the cheapest supermarket card, you'd be £84 worse off than with a Best Buy. Some cards, including those from Sainsbury's and the Post Office, have 0 per cent introductory deals, but if you choose one of these, remember to transfer your balance or pay it off at the end of the deal.



Rates for credit cards, loans and savings correct at 2 October 2006

### Loans

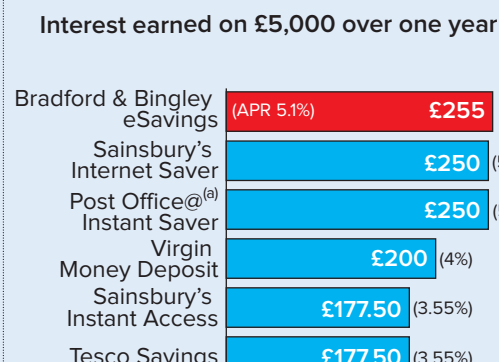
Most of the supermarket loan deals are mediocre at best, and some of them are downright expensive. Borrowing £5,000 from Marks and Spencer would cost £348 more over three years than borrowing the same amount from the cheapest provider, Moneyback Bank. The best of the new providers is Virgin Money but even its deal would end up costing you £100 more than Moneyback Bank's. Of the others we looked at, the Post Office, Sainsbury's and Tesco are all distinctly average. Several of the interest rates are risk based, too, which means you could end up paying a rate that's higher than the advertised one.



a APR dependent on credit rating, l=Internet, T=phone

### Savings

If, like John Gordon (see 'Paying for convenience', p22) you're attracted by the idea of being able to run your savings account via your local supermarket, you may well find yourself paying extra for the privilege. With the exception of Sainsbury's Bank Internet Saver, which pays an excellent 5 per cent interest rate with no time-limited bonus, none of the non-traditional providers' savings accounts has particularly impressive rates. If you were to put £5,000 into Tesco's or Sainsbury's instant access accounts, for example, you would earn around £80 less interest each year than if you had put it into a Bradford & Bingley eSavings account.



a Includes 1 per cent bonus for 12 months



# short-change shoppers

best average and at worst distinctly bad value. The Post Office claims its travel insurance is 'great value', but with its annual worldwide policy you would pay more than twice as much as you would with one of our Best Buys. Asda's home insurance isn't much better – in our latest research, its premiums were consistently amongst the most expensive.

Thankfully, it's not all bad news and there are some good-value products on offer at the check-

out if you are willing to sift through the poor-value products. Sainsbury's Internet Savings Account, for example, pays a healthy 5 per cent interest, and Asda, Marks and Spencer and Sainsbury's all offer good-value life insurance products.

But the message from our research is clear: you can't assume that shops which offer great value on groceries and clothes will offer you an equally good deal on personal finance.

## Our research

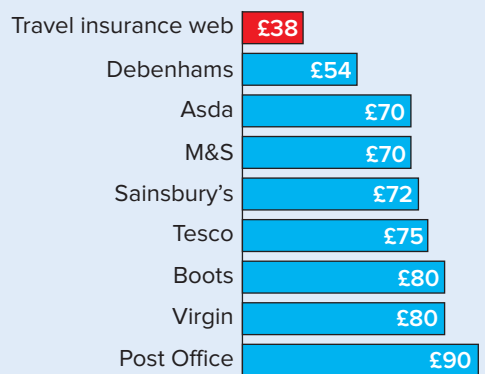
We gathered data on seven popular personal finance products – savings accounts, loans, credit cards, car insurance, house insurance, travel and life insurance – which are now offered by non-

traditional providers, including supermarkets, department stores and the Post Office. We then compared the rates offered on these products with our Best Buys from traditional finance providers.

## Travel insurance

None of the retailers we looked at is very competitive for travel insurance. We checked costs for an annual multi-trip worldwide policy for an adult, and even with the cheapest retailer, you'd be £16 worse off than if you went for our cheapest Best Buy. Boots, Virgin and the Post Office all cost more than twice as much as the cheapest policy. On the plus side, if you're an older traveller, Asda, Marks and Spencer and Virgin are Best Buys in one or two of our single-trip scenarios – see 'Holiday cover', October 2006, p30.

### Cost of an adult annual worldwide travel insurance policy

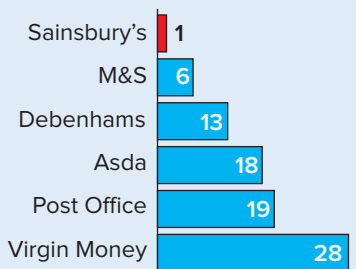


Rates correct at 5 October 2006

## Car insurance

If you pick up your car insurance with your weekly groceries, don't count on getting a good deal. We've analysed all the online premiums of the insurers covered by our car insurance report (see p38) and ranked them according to how cheap they were in high- and low-risk areas. The chart shows that if you live in a high-risk area, Sainsbury's is ranked first, well ahead of Asda, the Post Office and Virgin Money. But if you live in a low-risk area, Sainsbury's is ranked only 29th out of 35 companies. If you prefer to buy your car insurance by phone, none of the supermarkets is a Best Buy. Tesco did not take part in the research.

### Overall position in our Best Buy analysis for high risk areas

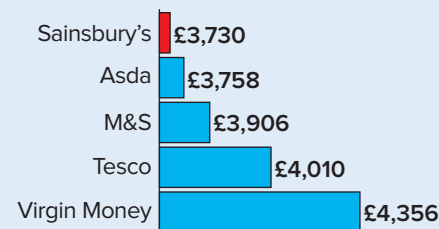


Overall position out of 35 policies. Correct at 1 August 2006

## Life insurance

Life insurance is one area where you could get a good deal at the checkout. We show the cost of premiums over 30 years for a 35-year-old, non-smoking male looking for £100,000 insurance. All premiums shown are guaranteed. Sainsbury's proved to be the cheapest of all the companies in the market and it was good value for women as well. Asda and Marks and Spencer are also well worth a look for both men and women. We were less impressed by Tesco and Virgin Money, though. If you do buy supermarket life insurance, make sure you know what you want, as you won't get advice and won't be protected by the Financial Ombudsman Service if the policy is unsuitable.

### Cost of a 30-year £100,000 policy for a 35-year-old non-smoking man



Source: Moneyfacts

## HOW TIMES CHANGE

Marks and Spencer was the first high-street shop to venture into the world of personal finance, launching its charge card way back in 1985, followed by personal loans in 1988. It now has a huge range of products, including savings and Isas. It took supermarkets and other high-street shops a bit longer to wake up to the idea of

banking, and it wasn't until 1997 that Tesco, Sainsbury's and Safeway launched credit cards and savings accounts.

Tesco, Sainsbury's, Safeway and Virgin all had savings accounts which initially topped the Best Buy tables, but in recent years the deals they offered got worse, and these same accounts today

offer little or nothing that you can't get from a traditional bank. Similarly, Sainsbury's and Tesco's credit cards were Best Buys for borrowing in 1999, but haven't graced our borrowing Best Buy tables since.

Debenhams is a new player and its home insurance is currently a Best Buy. How long it will stay that way, however, remains to be seen.

## PAYING FOR CONVENIENCE

### John Gordon 73, retired

John Gordon opened his Tesco's savings account in February. Having been a victim of identity theft in the past, John is no longer happy to bank online where many of the best rates are found, and feels that supermarket banking is a safer bet. He can access his account 24-hours-a-day and withdraw and pay in cash from any main store. John keeps around £10,000 in his Tesco's account, so by switching to a Best Buy, he could be £150 a year better off (before tax). However, he said: 'I think that this is not a lot of money to lose, measured against the peace of mind and convenience.'



## Fact or fiction?

We take a close look at three claims made by Sainsbury's, Asda and the Post Office in their finance leaflets

### DODGY CLAIM 1

#### Sainsbury's instant access savings account

'Wow, that's a great rate' proclaims the front of the leaflet for the Instant Access Saver. And it's true, the 4 per cent splashed across the front page wasn't a bad rate. Only when you look inside the leaflet do you find that you need a minimum of £100,000 in savings to get the 4 per cent rate. For lower amounts, the account was paying just 3.3 per cent, compared with Best Buy rates of around 4.85 per cent – not such a 'great rate' after all.

Paul Galligan, Head of Products at Sainsbury's told us: 'The Instant Access Saver provides convenience with the unique ability to deposit at the checkout. We do not impose any restrictions on accessing your money and we offer all our savings customers attractive rates.'



### DODGY CLAIM 2

#### Asda home insurance

'I chose Asda insurance as it was the cheapest quote from a name I trust' reads the claim on the leaflet – and yet in our last house insurance research, Asda was consistently among the most expensive for both contents and buildings insurance. You may believe 'Asda Price' means good deals on groceries or clothes, but it certainly hasn't meant that lately on home insurance according to our research.

An Asda spokeswoman told us: 'We benchmark our prices every month against our competitors' to make sure we're offering a low price for all customers regardless of when they choose to renew their policy. Special offers come and go and at ASDA our aim is to offer consistently low prices, so customers can trust us for a great value quote 365 days of the year.'



### DODGY CLAIM 3

#### Post Office travel insurance

The Post Office may be a good place to buy your stamps, but it's not such a good bet for your travel insurance. A leaflet for its travel insurance proclaims that it provides 'great value travel insurance from someone you can trust', and yet our research shows that it's consistently around twice as expensive as our Best Buys. On an annual worldwide policy you would pay £90 at the Post Office compared with just £38 for our cheapest Best Buy from Travel Insurance Web.

The Post Office is sticking to its guns though. A spokesperson told us: 'We consider travel insurance to be about more than just price. Post Office travel insurance policies offer comprehensive cover at competitive prices and we are very proud of our record of dealing with claims to our customers' satisfaction.'

