

Artful advertising

Financial ads should help us make decisions about money, but some are misleading. We tell you what you can do about it

Financial adverts bombard us from many angles – from the TV, radio and press, through our letterbox and on the internet. So it's no surprise to learn that the financial services sector is one of the largest investors in advertising, spending £1.6 billion in 2006 alone.

However, financial advisers Grant Thornton found that around three quarters of the 117 UK financial services advertisements and promotions it looked at in 2006 failed to meet the standards set by the Financial Services Authority (FSA). And in January this year, the FSA investigated savings claims in home and motor insurance press ads and found that 57 per cent of the motor and 25 per cent of the home insurance ads failed to provide any evidence of how the claimed savings would be achieved.

Revealing research

We decided to conduct our own research in to whether or not the general public is able to clearly understand financial advertising – see 'Our research', below.

The results showed that three quarters of the people we surveyed think that financial ads are full of jargon and can often be confusing, and one third have witnessed a misleading financial ad in the last year. This means that the equivalent of 16.3 million adults have recently seen, read or heard a financial advert that they considered misleading. The most common misleading ads were for credit cards, followed by insurance and mortgages.

To ensure you don't get caught out by an inaccurate financial ad, we examine what

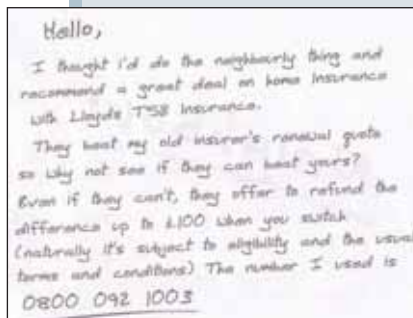
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Bewildering bumf

Here are examples of financial ads that the Advertising Standards Authority (ASA) judged to be misleading



▲ Alliance & Leicester's advert failed to highlight that the mortgage rate was variable – not fixed, as was implied



◀ This Lloyds TSB advert could mislead people into thinking it came from someone they knew, as it's a handwritten leaflet with the word 'Neighbour' written on it

▼ Money, Debt and Credit's TV advert included the phrase: 'Cut your debts by 75%' but failed to include details of additional fees that could be charged



OUR RESEARCH

In July 2007, we asked a nationally representative sample of 1,086 UK adults about their opinions on misleading financial advertising and jargon.

Thank you to all who took part.

makes an ad misleading and tell you how to translate typical jargon. If you do spot a problem advert, follow our guide, below, and report it to the appropriate regulator.

Keeping financial ads in line

An advert is considered misleading if it contains a false statement of fact, creates a false impression, conceals or leaves out important facts, or promises something it has no intention of carrying out. But who is responsible for regulating financial ads?

■ The Advertising Standards Authority (ASA) has the power to investigate all kinds of advertising, and often deals with financial adverts. In 2006 alone, it received 364 complaints about broadcast financial advertisements, making them the ASA's fifth-highest sector for broadcast complaints. The number of non-broadcast financial complaints received was 663, up around 12 per cent compared with the previous year.

Although the ASA deals primarily with television and radio and issues of taste and decency, it is a good first stop if you have a complaint about an ad, as it will pass on any that it can't deal with to the relevant body.



This TV ad by Churchill Insurance guaranteed to beat your car insurance renewal quote. However, the ASA judged it to be misleading because it failed to highlight some important conditions and exclusions, such as the fact that the offer applies only to those who'd received a quote of £150 or over

■ The Office of Fair Trading (OFT) deals with complaints involving credit. However, it recommends you report them first to the Trading Standards Institute – see 'Reporting misleading ads', below.

The OFT will often publicly name a company that produces a misleading ad. In March this year, for instance, it demanded the One Stop Money Shop change its advertising to improve transparency, putting details of the case on its website

More needs to be done to encourage companies to produce clear adverts

(see 'Contacts', below). The OFT also has powers of enforcement, including the ability to take traders to court.

■ The FSA oversees the advertising for most financial products and services, and for financial advice about these products and services. If it finds that a firm has produced a misleading advertisement, it can take action – this can range from asking the company to change the ad to issuing a fine.

Over the past two years, the FSA has investigated more than 930 cases of potentially misleading advertising. In 60 per cent of cases, adverts were swiftly amended or withdrawn. However, the FSA won't name any of the companies that it uncovered in its January investigation into insurance firms (see p31).

What needs to be done

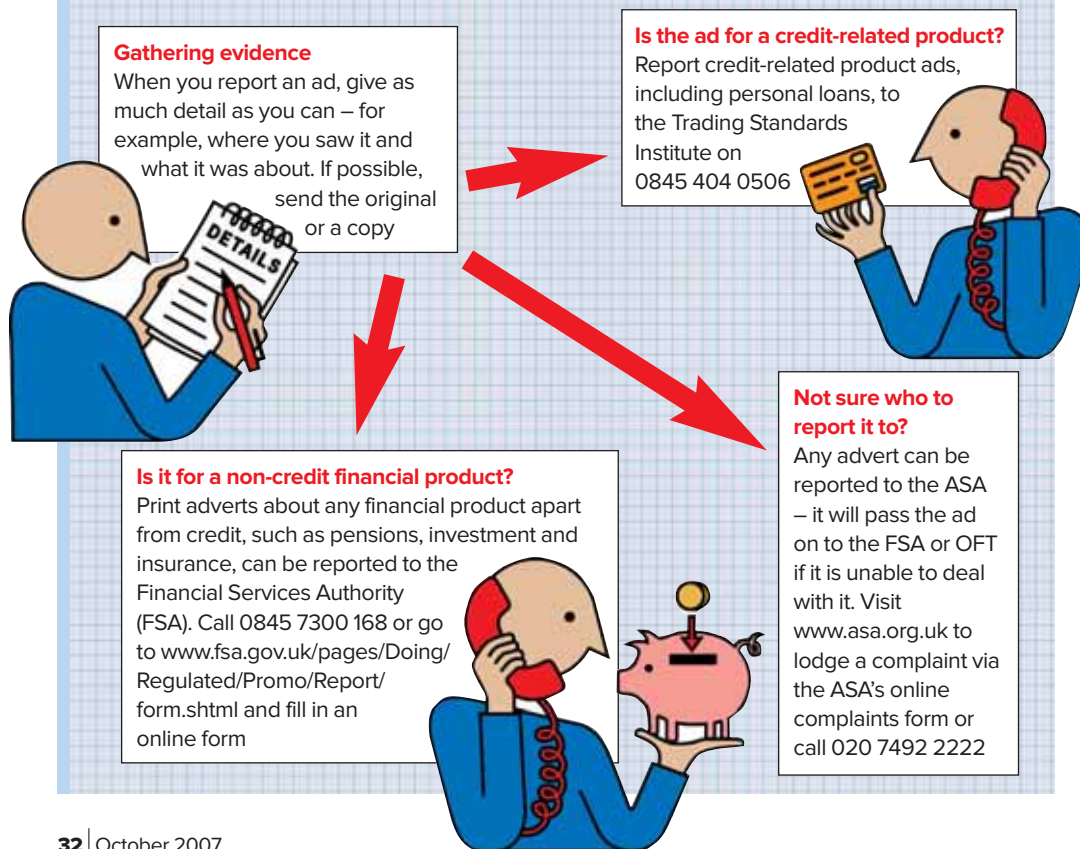
Which? is encouraged that the FSA is monitoring financial promotions, but we'd be even happier to see it name and shame those that have breached regulations. As our own research has revealed, the public still finds financial ads misleading, so more must be done to encourage companies to produce clear adverts. After all, misleading adverts could lead to people making the wrong decisions about their finances.

Although improvements have been made – for instance, when the FSA repeated its January investigation in April, it found significantly fewer misleading ads – we want to see the FSA get tougher with advertisers. We would also like to see it address some of the challenges posed by the increasing use of the internet – see 'Misleading searches', opposite.

In the meantime, to stop you being caught out by a misleading ad, read through our 'Checklist', opposite, and make sure you understand exactly what an advert is promoting. If you think that it's misleading, report it to the relevant regulator – see 'Reporting misleading ads', left.

REPORTING MISLEADING ADS

Spotted a misleading financial ad? Use our guide to find out how to report it



Contacts

Advertising Standards Authority
020 7492 2222; www.asa.org.uk
Financial Ombudsman Service
0845 080 1800
www.financial-ombudsman.org.uk
Financial Services Authority
0845 730 0168; www.fsa.gov.uk
Office of Fair Trading
0845 722 4499; www.oft.gov.uk
Trading Standards Institute
0845 404 0506
www.tradingstandards.gov.uk

THE NATWEST MORTGAGE CHALLENGE

Paula Trainer 41, IT consultant

Paula Trainer was looking to change her mortgage and decided to take up the NatWest challenge, right, thinking she could get a better deal.

NatWest offered Paula a mortgage which would have lowered her payments by £65 a month – provided she paid an upfront fee of £999. Paula said: 'The cost of switching meant I wouldn't have broken even for at least 15 months, so I felt NatWest had failed the challenge. When I asked whether I was entitled to the £1,000 offered in the challenge, it said no.'

NatWest told us that Paula wasn't eligible for the mortgage challenge because it's for people coming to the end of a short-term deal – for example, a fixed-rate, discounted or tracker mortgage. Paula clearly didn't realise she wasn't eligible – otherwise she wouldn't have rung NatWest. Although the advert is no longer in circulation, we think it should have contained more information about the terms and conditions of NatWest's challenge.



Misleading searches

We rely on search engines to point us in the right direction on the internet. Unfortunately, you don't always get the results you'd expect

Unbiased.co.uk, an organisation representing independent financial advisers, has been monitoring online financial advertising.

It is particularly concerned about consumers looking for an independent financial adviser via UK search engines, such as Google. By monitoring links and advertisements on a weekly basis, Unbiased.co.uk has discovered that typing in 'IFA' or 'independent financial adviser' generates some sponsored links that steer consumers to non-independent advisers, who

recommend financial products from limited sources.

Unbiased.co.uk has been submitting what it considers to be misleading links and advertisements to the FSA, as it is worried about the potential harm these could cause consumers.

According to research Unbiased.co.uk carried out, 92 per cent of people looking for an independent financial adviser use the internet. The Chief Executive of Unbiased.co.uk, David Elms, says: 'Given that the web is now the tool of choice for

people researching their financial advice options, we believe that concrete action needs to be taken by the regulator to ensure that people are not misled by this online advertising.'

Adam Richards-Gray of the FSA told us: 'We are currently investigating a number of the risks posed by the internet and expect to communicate the findings of this work and any action we are taking as a result in the autumn.'

We'll let you know the outcome of the FSA's report in a future issue.

Checklist

Don't get misled by the jargon found in financial ads. Use our guide below to learn what the more common terms mean

Savings accounts

■ **AER** The annual effective rate is the annual rate of interest, taking into account how often it is paid. It's the most reliable way to compare accounts.

■ **Bonus** Some savings accounts offer a bonus interest rate for a set period, usually six months or a year. The interest rate may not be that competitive once the bonus period ends.

Credit cards and loans

■ **APR** The annual percentage rate is the annual cost of borrowing. This takes into account the rate of interest, how often it is charged and any fees and insurance premiums that apply. Office of Fair Trading rules demand that 'typical' rates should be granted to at least two thirds of customers.

Mortgages

■ **ERC** Early repayment charges apply if you pay back some of the mortgage early.

■ **LTV** Loan to value is the percentage of the property's value that you borrow. The higher the maximum allowed, the higher the interest rate is likely to be.

Insurance

■ **Excess** The amount you pay for any insurance claim that you make. The lower the excess, the higher the insurance premium is likely to be.

Seeking redress

■ If you've been misled by a financial advertisement and have lost money as a result, make a formal complaint in writing to the company concerned. If your complaint is rejected, take the issue to the Financial Ombudsman Service (see 'Contacts', opposite).