

Claim companies' failings exposed

Don't rely on claims management companies to get mis-sold PPI or unfair bank charges back – many break the rules, and you can make your own claim for free

Watch daytime TV or flick through the classifieds in your local paper and you'll soon see adverts for claims management companies.

With statements like 'Write off all your debt' and 'Reclaim mis-sold PPI', they are designed to grab your attention.

But if you're thinking about using a claims management company (CMC), we suggest that you think again.

When our undercover researchers called 45 companies, almost a third had serious shortcomings – exaggerating success rates, discouraging customers from pursuing claims themselves or failing to be upfront about charges.

It can be done yourself, but they'll tell you to get lost

Paymentprotectionrefunds.co.uk

How the companies work

These companies focus on claiming back mis-sold payment protection insurance (PPI) and unfair bank charges.

PPI makes loan or credit card repayments if you're unable to work or lose

your job. But it has often been mis-sold, with consumers believing that PPI was mandatory or not knowing it was included. Some policyholders would never have met their policy's criteria for a payout.

If PPI has been mis-sold, you can reclaim premiums paid in the last six years, either from the company that sold the policy or, if it doesn't cooperate, you can take your case to the Financial Ombudsman Service (FOS).

A CMC will try to persuade you to let it process this claim on your behalf, taking commission of upwards of 25% if it's successful. While this could take some hassle out of claiming yourself, a recent review by the FOS noted that many PPI cases overseen by CMCs lack adequate information, which can delay the process.

Some CMCs also offer to claim back unfair overdraft charges, even though their chances of getting a good result in the short term are slim.

As the bank charges test case is still going through the courts, the Financial Services Authority (FSA) has told banks that they're not yet obliged to process claims for unfair charges.

And despite this wait for a result, you can still submit a claim yourself to your bank now (see 'Make your own claim', opposite).

WHICH.CO.UK

Find out about our campaign to end unfair bank charges

www.which.co.uk/bankcharges

We go for your PPI money back, and because it's highly unlikely that the loan was [completed] correctly, we can get the loan written off as well

Easiclaim.co.uk

Our investigation

Since May 2007, CMCs have been regulated by the Ministry of Justice (MOJ), which recently shut down 100 of them as part of a crackdown on firms that were misleading the public.

We used the MOJ rules to check whether firms were acting fairly and reasonably, ensuring that information wasn't misleading and advising clients of the ombudsman scheme.

In August 2009, we made 68 calls posing as potential customers – 38 about PPI and 30 about bank charges. To pass our benchmark, companies had to:

- tell our undercover researcher that they could pursue the claim themselves and not suggest that they would have a more favourable outcome if they opted to use the CMC;

- be clear and honest about success rates;
- be clear about how they charged fees;
- be clear about who the company was regulated by.

It's a 25% charge at the end – but we do get 8% interest added on top of the claim for your inconvenience so, if you were to adjust [take 8% off] the fee, you'd probably get charged round about 17%

Freemoneyadvice.co.uk

What we found

PPI Of the 38 companies we spoke to about PPI claims, only 10 offered good advice overall.

Of the remaining 28, 12 offered particularly poor advice by claiming to our undercover researchers that they'd be better off with them rather than pursuing their claims independently through the FOS.

One said that it would cost £250 – but the FOS service is free. Another said that a solicitor would be required – but this isn't necessarily the case, and claiming so contravenes MOJ regulations.

Of the overall 28, sixteen of the CMCs claimed to have success rates of more than 90% – with little or no evidence.

Five companies couldn't say how they were regulated – one claimed to be regulated by the Department of Constitutional Affairs, which no longer exists. Another sent out literature with the MOJ logo, which breaks its rules.

Five CMCs charged upfront fees of between £40 and £100 – but there can be no guarantee of success and the firm could go out of business.

One firm claimed that its 25% fee (if successful) included getting 8% extra in interest, so it really only charged 17%. We say that this was misleading as the 8% should be claimed back anyway.

We also found four examples of researchers being encouraged to get their entire loan written off even though they'd enquired only about its insurance policy. One firm in particular strongly

Only 10 out of 38 companies offering to claim back PPI gave good advice over the phone

encouraged our undercover researcher to do this after suggesting it was highly likely that their PPI had been mis-sold.

BANK CHARGES When it came to claiming back bank charges, more than two-thirds of companies called gave good advice.

Almost all immediately mentioned the ongoing court case that is delaying potential payments, and most were honest about how this impacted chances of success.

However, some still made unsubstantiated claims such as: 'You'll definitely get your money back.' And, when our researchers asked whether they could reclaim the bank charges themselves, the responses were worse.

Nine of the 30 firms said that we would be fobbed off or offered less than we were entitled to.

One said that, unlike the company, we would have to wait until next year to claim while the court case continues. Another failed to mention the case and claimed that a bank charge of £30 paid six years ago, would result in a £250 payment back today. This is untrue.

Kevin Rousell, head of claims management for the MOJ, said: 'We'll be investigating the companies that Which? has reported to us.'

'Consumers must be given clear information about the options for pursuing a

claim, the realistic chances of success and any costs of doing so – win or lose.

'Recent steps that we've taken to suspend or cancel the licences of a number of companies for failure to abide by the rules make clear that, if consumers aren't treated fairly, there will be severe consequences.'

Which? says

While the MOJ has taken action against some of the worst offending CMCs, our investigation shows that there are still too many firms breaching regulations.

We're particularly concerned that companies are discouraging consumers from pursuing claims themselves through the ombudsman – so it's down to you to prove them wrong.

Avoid paying 25% or more commission by taking action yourself (see below) and claiming what's rightfully yours.

You can make the claim yourself but you will have to wait till maybe mid next year... [we can do it] straight away

Clearlyourfinance.co.uk

MAKE YOUR OWN CLAIM

Follow our tips on how to claim back PPI and bank charges – without paying for it

If you feel that you've paid excessive bank charges or have been mis-sold PPI, you can skip the middleman.

You can claim only for PPI or bank charges paid in the past six years.

It's a straightforward process, and Which? has put together letter templates and information to help.

For PPI claims, visit www.which.co.uk/claimingppi.

Or for bank charges claims, go to www.which.co.uk/claimingbankcharges.

Note that customers who prove they're suffering hardship as a result of bank charges may have their claim processed now.

