

Consumer
Research

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Financial Services Authority

*Consumer purchasing and
outcomes survey*

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by the Personal Finance Research Centre

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2008 Report



Consumer purchasing and outcomes survey

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Abbreviations

FSA	The Financial Services Authority
FSAVC	Free-standing additional voluntary contribution
IFA	Independent Financial Adviser
ISA	Individual Savings Account
OIEC	Open Ended Investment Company
PPI	Payment protection insurance

Executive summary and overall conclusions

Under the first of its strategic aims, ‘to help retail consumers achieve a fair deal’, the Financial Services Authority (FSA) has committed to ensuring that *consumers receive and use clear, simple and relevant information from the industry and from the FSA*. The Consumer Purchasing Survey was commissioned to provide information in relation to this objective.

The aim and design of the survey (chapter 1)

The survey was designed to explore:

- the nature, number and adequacy of information and advice sources financial customers use during their search for a suitable product;
- whether customers are provided with key information that, under FSA rules, they should receive from a regulated adviser about their service and costs;
- whether customers receive details about the key features of any product they are recommended or purchase and the extent to which these details are read and are clear and simple to understand;
- the factors involved in deciding what to buy, including the role of advisers and the influence of the product information received, the time taken to decide and the reasons for deciding not to buy; and
- aspects of the post-sales experience, including the extent to which customers feel the purchased product suits their needs, information and advice received and used, and other post-sales outcomes including complaints and arrears on mortgage payments.

The broad product types covered are mortgages, personal pensions (excluding defined benefit occupational schemes), investments, complex general insurance (including payment protection insurance (PPI)), simple general insurance and decumulation products. The survey, which was designed and undertaken by BMRB Social Research, interviewed three distinct groups of people.

- A group of prospective purchasers who were looking to buy a mortgage, pension, investment, simple general insurance or complex general insurance product. They were interviewed once during their search (customers were at varying stages of their search) and a subset was re-interviewed shortly after they had made their purchase.
- A sample of people who had bought either a decumulation product or PPI policy in the previous 12 months.
- A group of people who had bought a mortgage, pension, investment or complex general insurance product in the past, ranging from one to five years previously, depending on the product type.

Not all product types are reported for all analyses; sometimes due to the survey design and sometimes due to insufficient sample sizes for robust results.

Characteristics of financial consumers (chapter 1)

The people who were intending to buy, or who had already bought, particular products were drawn from different segments of the population. The personal and economic circumstances of prospective purchasers of mortgages, pensions and complex general insurance were fairly similar. However, prospective investment purchasers were older, rather better-off and slightly better-educated. People who were planning to buy simple general insurance and those who had bought decumulation products were less well-off and less well-educated. Those considering buying simple general insurance included the largest proportion of people of working age who were not in employment, whereas those who had bought a decumulation product included the highest proportion of retired people and virtually no-one of working age who was out of work.

The PPI customers stood out as being most likely to report a tendency to trust financial advisers. Decumulation product customers were also likely to trust advisers and, along with prospective purchasers of investments, had high levels of confidence in their ability to negotiate the financial services marketplace. Prospective purchasers of simple general insurance had the lowest levels of trust of financial advisers. Otherwise, the differences in levels of financial experience and confidence between products were not great.

Levels of certainty about the product needed at the outset were higher than average for PPI and especially for simple general insurance; they were lower than average for people planning to buy a pension.

At the time they were first interviewed, around a third of prospective purchasers of mortgages, investments and complex general insurance knew exactly what type of product they wanted and a similar number had a fairly clear idea. Reflecting their high levels of certainty at the outset, people intending to buy a simple general insurance product typically had higher than average levels of certainty when they were interviewed and another three in ten knew more or less what they wanted. Although they had been looking for far longer than other prospective purchasers on average, prospective pension purchasers were least likely to have a clear idea of what they wanted to buy and most likely to report having no idea at all.

Information-seeking (chapter 2)

In an ideal world, consumers would shop around before deciding what to buy. They would obtain information from a number of different sources, consult a professional adviser and collect information from several companies. In reality, few undertook searches of this kind.

Sources used

Fairly limited information searches are made by people looking to buy financial products. The majority of people reported that they consulted only one source of information; very few had consulted more than three.

There was a clear preference for personal sources (over sources such as best-buy tables) and the majority of people had consulted a professional of some kind, most often an IFA or a manager/adviser at a bank or building society. Few, however, had spoken to more than one adviser of any kind.

Likewise, a high proportion of people had personally collected information from no more than one company, although the situation improved somewhat when company information given by an adviser was taken into account.

Among prospective purchasers, wider information searches were quite clearly influenced by the type of product people were looking for. Those looking for a mortgage were by far the most likely to have sought professional advice and to have collected information about more than one company.

People looking for investments had consulted the widest range of sources but, compared with prospective purchasers of mortgages, had a much lower likelihood of obtaining professional advice or collecting information about five or more companies.

People looking for a pension or complex general insurance product were the least likely to shop around of all the prospective purchasers. They had the lowest likelihood of consulting three or more types of information source and of collecting information from five or more companies, especially compared with those looking for a mortgage.

People who had already bought a decumulation product had a heavy reliance on financial advisers and did very little independent information seeking.

Determinants of information-seeking

Personal characteristics played a relatively small part in determining prospective purchasers' information search. Age and social grade influenced the likelihood of seeking professional advice, while gender influenced the number of sources of information consulted.

Having internet access clearly facilitated both a wider search of information sources and the collection of information from a larger number of companies. It was, however, factors relating to people's confidence and experience in the financial services marketplace that played the biggest role, especially in relation to consulting an adviser and collecting information from five or more companies.

Availability and adequacy of information

Customers tended to report finding it easy to access and use information and advice. However, this varied across products, with simple insurance and decumulation customers most likely to report a positive experience. Also, when asked to think more generally about the information available in the marketplace for their product type, it was fairly common for people to say that the information was difficult to use and trust.

Regression analysis indicated that, in the face of a bewildering marketplace, some people may rely on an adviser and/or limit their searches.

Regulated advice and disclosure (chapter 3)

FSA rules require that regulated advisers give their customers key pieces of information, disclosing how they will be remunerated and how many companies' products they are authorized to give advice on. Customers must also be given details of the key features of any product that is recommended to them or that they go on to buy.

Obtaining disclosure information

Although the results of this survey rely on customer recall (which can be unreliable) and an imprecise definition of a regulated adviser, it seems that across all products except decumulation ones, customers do not always receive the written information they should be given. In terms of investment products, this seemed to be especially bad for documentation explaining whether the adviser was tied, multi-tied or covered the whole of market, for which only two in ten people typically recalled being given the information. This is much lower than the proportions saying that they had been given written details telling them how the adviser would be paid or that they had been given a product features document (each typically half or more).

Nevertheless, rather more customers did know how their adviser would be paid, or the extent of the market they could advise on, than could recall having been given the relevant documentation. This would suggest that they were told the information even if it was not recalled as having been given to them in writing.

Analysis to predict whether a prospective purchaser recalled having received a product features document found that relevant factors that increased the propensity included having spoken to an IFA, having spoken to a manager or adviser in a bank or building society and having spoken to a company representative or salesperson. This suggests that people were being given such documentation even outside a regulated advice environment. Once again, people's level of confidence and experience was also a key predictor. The type of product was not significant, however. Turning to decumulation products, the main predictor was people's level of financial confidence.

Reading and understanding the product features document

Typically, four in ten customers who recalled having been given a product features document and five in ten customers who were advised on a complex insurance product said that they had read it thoroughly. The main reason for doing so was that they wanted to understand or find out more about the product. Among those who had not read it thoroughly, most said they had skimmed through it just to pull out the key information.

Around half of people needed or would have liked help to understand the product features document they were given. This was highest for decumulation products and lowest for simple insurance products. Most, however, were able to get the help they needed, usually from an adviser.

Across products, about three in ten people said that they found the product features document they had been given very clear and easy to use, while just under one in five people had at least some difficulty understanding it. Those who had received help tended to find it easier to use.

The main factors predictive of finding the document difficult related to people's confidence and experience (for both prospective purchasers and in the separate regression for decumulation products) and (for prospective purchasers only) whether they had received help from an adviser.

Among the prospective purchasers, product type was not a significant predictor, although it was highly significant in a separate analysis of those who found the document very clear and simple. In this case, mortgage key facts documents were a great deal easier and clearer than the equivalent product features documents for pensions, investments, and either simple or complex insurance.

All together, this suggests that some people with lower levels of financial confidence, struggle to understand the product features document they are given and need help to do so. This was especially true for people given key features documents relating to decumulation products, some of whom struggled to understand them even with the help of a financial adviser.

Using the product features information

The most notable finding about how the product features documents were used was that – except for investments – around four in ten people either said that they had not used it or that they did not know how it had been used. Among those that had used it, the most common ways were to help them decide what to buy, or as a source of reference information. Indeed, there is evidence that product features documents help people to become clearer about the product they should buy.

Deciding what to buy (chapter 4)

Not everyone who starts out looking to buy a particular type of product will eventually do so. For those who went on to make a purchase, the decision-making process varied in duration and a range of different factors influenced the final decision.

Making the purchase

Around six in ten of the prospective purchasers of mortgages, investments or complex insurance policies who were re-contacted had made their planned purchase. The proportion of people who had made a purchase was lower for those planning to buy a pension, while almost all of the people intending to purchase simple general insurance had actually done so.

The majority of people had taken more than three months to buy their planned product, although the timescale was much shorter for PPI customers (but as we see below, many of these were sold the policy rather than bought it), most of whom had made the purchase within a month. Consulting an IFA doubled the likelihood of a quick purchase, while socio-demographic characteristics played little part.

Influences on the final decision

There were wide differences in the ways purchasers of different products had made up their minds about what to buy. Simple general insurance customers were very likely to say they had made up their mind without the influence or recommendations of others. At the other extreme, the majority of people who had bought a decumulation product had bought the product recommended by an adviser or (much less commonly) had been influenced in their choice by an adviser. Across the other products, typically around half had made their decision without being influenced by other people, with most of the remainder acting on the recommendation or advice of an adviser.

There was evidence that up to a quarter of people had bought PPI with a mortgage or other credit agreement without realising that it was optional. Furthermore, when asked why they had bought the policy, a fifth were unable to say why, and more than half cited reasons relating to 'security'. This suggests that many policies were sold and not bought.

Direct financial considerations (such as past performance or cost) were the main reasons why people had chosen the mortgage or simple general insurance they had bought. In contrast, people buying complex insurance had selected their policy because they felt the terms suited their needs. Many people had been influenced in their choice of investment by the reputation of the provider or because they had an existing relationship with them.

The role of product disclosure documents and advised sales

Product features documents had undoubtedly helped people to decide which product to buy, although most people had found it helped only to some extent. The key predictors of people finding product features documents a great help related to people's confidence and experience in the financial services marketplace. This is further evidence that such documents are less useful for people with more limited experience or confidence.

There was considerable variation by product type in the proportions of people who had made an advised purchase, ranging from six in every ten people who had bought a decumulation product to fewer than one in ten who had bought a simple general insurance product. The main predictors of making an advised purchase were the type of product bought, self-reported financial confidence and a self-reported tendency to trust advisers. Each of these factors had a very large independent effect on the propensity to make an advised purchase.

Deciding not to buy

There were two main reasons why people did not subsequently buy a mortgage, pension or investment as planned. Non-purchase of mortgages was most often due to a change in circumstance, while lack of affordability was the main reason why people had not made a planned investment purchase. Both reasons explained why people had not bought a pension.

People who had not made a planned purchase of these products were also asked whether it was for any of a pre-defined list of reasons relating to information and advice provision. On the whole, it was not, although a sizeable minority said either that they had 'found the product area too confusing', or that they had not known where to go for information.

The post-sales experience (chapter 5)

For some types of product, information or advice that extends after purchase is important for ensuring the product continues to meet the customer's needs. Other aspects of the post-sales experience can also help provide indications of the original suitability of the product for that customer.

Information and advice

A little under half of people who had bought a pension or an investment from an IFA said that they had received further advice after the sale. The majority of them had found the advice helpful.

Only about half of people who had bought a mortgage, pension or investment had read the annual statements carefully. Many had either selectively read what they considered the key parts or had only glanced at them. Statements were read most carefully by people with a repayment mortgage and least carefully by those with an equity ISA. The people most likely to read statements had chosen the product entirely by themselves and were in social classes A and B. This suggests that it was the most experienced and confident who read their statements, the same types of people that had read and used the product features document. People aged over 65 were also likely to, as were retired people and those not working for other reasons, all of them being people who might need to keep a close eye on their expenditure and assets.

Most people felt that they had been kept adequately informed about the 'progress' of the product they had bought and this varied little across the different types of product. Mortgagors who had bought a mortgage recommended by a professional adviser were most inclined to say that they had not been given sufficient information, while those buying a pension recommended by an adviser were most inclined to say that they had been given too much information. Among investors, people who had bought their investment from an insurance company were especially likely to say that they had been given too much information.

Product suitability

While the great majority of people said that the product they had bought had met their needs, a significant minority of these were equivocal about this. On the whole, people were more equivocal about the suitability of the pensions, investments and complex insurance policies than they were about mortgages. People who had bought PPI were most inclined to say it did not meet their needs but, even here, the proportion was less than one in ten. This does, however, need to be seen against the backdrop of wider evidence, which shows that many people are unaware that a product they have bought does not meet their needs, until someone else brings it to their attention.

There were four main predictors of people saying that they had bought an unsuitable product. The likelihood declined with the age of the purchaser and it was a great deal higher for investments and especially pensions. People who had bought through an IFA were much less likely to have bought an unsuitable product than those who had made the purchase directly. One in ten people who had bought a decumulation product within the past 12 months were not confident that it met their needs.

Equally, most people reported that the product they had bought had performed as they had expected, and this was higher for mortgages than for other products. However, this has to be seen in the context of the low proportions of people who read their statement or said they were monitoring the product's performance. There was a strong correlation between product performance and views about its suitability. When added to the analysis it became the strongest of all the predictors of suitability, displacing the influence of product type, but not the other factors that had been significant.

Claims, arrears and complaints

Few complex insurance policy holders had needed to make a claim on their policy, and the majority of these found it easy to do. However, significant minorities reported that their claim had been rejected and that the claims-handling service had been poor.

Similarly, a few mortgage purchasers had fallen behind with their mortgage, although most of those who had were contacted within a month by their lender and reported that the lender had been understanding.

Only a handful of people said that they had made a complaint about the product they had bought. This was highest for insurance and investment bonds, but even here only one in twenty people had complained. The main issues were misleading advice and poor customer service. There was a strong correlation between people complaining and thinking that the product they had bought was unsuitable for their needs. Even so, only one in ten of the people who thought that the product they had bought did not meet their needs had complained about it to the provider.

The key predictors of making a complaint about a product included not being confident that it met their needs and the type of product (people were most likely to complain about a mortgage). People who were retired or not in work were more inclined to complain than those in full-time work, perhaps suggesting either that they had more to lose or that they had more time to take up the complaint. At least one in five people had to wait more than eight weeks to hear the outcome of their complaint. About half of complainants did not have their complaint upheld and a similar proportion was not satisfied with the way their complaint had been handled. Despite this, very few people had taken the matter further.

Overall conclusions

Altogether, findings from the Consumer Purchasing Survey indicate that the FSA and the financial services industry face a number of challenges to ensuring that consumers receive, use and understand the information relevant to their financial purchase decisions.

The FSA's strategic goal is that financial consumers achieve a fair deal. For consumers to achieve this, they need to make sound financial decisions, based on seeking and using the full range of relevant information and advice available to them. This research shows that there is a significant risk that consumers are not, in fact, achieving a fair deal under the strategic aim. Firstly, few consumers make an attempt to shop around for information and advice. Secondly, they do not read and understand the information that is provided to them. Both of these seem to be a particular problem for people with lower levels of financial confidence. This is highlighted by the fact that some consumers decided not to make the purchase they had planned to make because they had either found the product area too confusing or had not known where to go for information.

It is encouraging that most consumers are using product features documents in the way intended and are receiving the help they need to understand them where necessary. The picture in relation to status disclosure is more equivocal, although it is not clear from this survey whether the advisers consulted were in reality regulated or generic advisers (and evidence from elsewhere indicates that consumers are often mistaken about this). It is positive, however, that people who had bought through someone they believed was an IFA were much less likely than average to think the product they had bought was unsuitable.

There are a number of other areas of concern where efforts to improve the situation might be concentrated. Firstly, there is an apparent reliance on advisers to the exclusion of other sources of information, especially for decumulation products. This is made all the more worrying given that a number of these had probably seen a generic rather than a regulated adviser. Secondly, as FSA mystery shopping has shown, there is evidence that some PPI purchasers are 'sold' a policy. Finally, there is a high tendency to report being influenced in the final purchase decision by a provider's reputation or an existing relationship. These all underline the importance of the roles both the FSA and the industry play in upholding standards.

1 Introduction

The FSA has set itself three strategic aims:

- To help retail consumers achieve a fair deal.
- To promote efficient, orderly and fair markets.
- To improve our business capability and effectiveness.

Within the first of these strategic aims there are three more specific objectives, which are to ensure that:

- consumers receive and use clear, simple and relevant information from the industry and from the FSA;
- consumers are capable and confident in exercising responsibility when dealing with the financial services industry; and
- financial services firms treat their customers fairly and thereby help them to meet their needs.

The aim of the Consumer Purchasing Survey, and this report of its findings, is to provide information in relation to the first of these objectives. The survey, which was designed and undertaken by BMRB, interviewed three quite distinct groups of people.

Group A

These were people who were identified as having started to look for information with a view to purchasing one of the following products:

- Mortgage (738 people)
- Pension (448)
- Investment (803)
- Simple general insurance (558)
- Complex general insurance, including protection insurance (526)

A full list of the products covered is given in Appendix A.

These prospective purchasers were identified and an initial interview conducted, by means of a module of questions placed on the BMRB Omnibus. Where people were looking for more than one of these they were randomly assigned to one of the products. At the initial interview prospective shoppers were asked about their information search to date. They were then re-contacted at a later date (determined by how soon they anticipated having made a purchase) and asked about the purchase they had made. No further details were obtained about their information search since the original interview. It was possible to make contact with 1,004 of the original sample, of 3,073 (33 per cent). This ranged from 25 per cent of pension customers to 38 per cent of simple general insurance customers. Interpretation of the results of the follow-up survey has taken into account this low re-contact rate.

Because more people tend to look for some products than for others, screening to identify prospective shoppers for the different products was carried out for differing lengths of time, ranging from two to 18 weeks (BMRB, 2008).¹ The people recruited were also at quite different stages in their search for the right product.

These factors have made it complex to report the results in a meaningful way, especially at the overview level. Firstly, we do not have a single sample of prospective purchasers, but rather five separate samples. In theory, it would have been possible to weight them back into their correct proportions, but then any reports of overview findings would have been dominated by the behaviour and experiences of those looking for simple general insurance. Secondly, we only have a snapshot of consumers in the market for one of the products covered by the survey (although they may have been planning to buy more than one of the products covered) and they include people who have been seeking information for periods ranging from less than a week to over six months. It is very difficult to report their behaviour alongside those in Group B who had already made a purchase (see below).

We have dealt with this in several ways. Firstly, throughout the report, we do not present overall percentages, but instead give tables presenting results by product type and discuss the overall picture with reference to these. Secondly, when we are interested in the ways that different factors impact on the use of information, we have undertaken regression analysis (a multivariate technique) of prospective purchasers, as this allows us to control for differences in behaviour across product types and for the fact that individuals were at different stages in their search for the right product. Linked to this, we have reported the behaviour of decumulation product and PPI customers in Group B using separate regression analyses, wherever the group sizes permit this analysis. Finally, we have identified a group of prospective purchasers who were seemingly nearing the end of their search to provide a more complete picture of the information-seeking process for these product types (see section 1.4).

Group B

There was particular interest in obtaining information about two types of product –PPI and decumulation products – where the incidence among prospective shoppers was low (a list of the products covered is given in Appendix A). Consequently, interviews were conducted with a sample of people who had bought either of these types of product in the past 12 months (237 PPI customers; 460 decumulation product customers). All were interviewed just once with a questionnaire that was broadly similar to that used for Group A.

Group C

There was also interest in people's post-sales experience and, consequently, a third group of people were interviewed who had recently bought one of the following products: mortgage (1,486); pension (199); investment (1,334); and complex general insurance (including PPI; 2,535). This group did not cover simple general insurance or decumulation products (a complete list of products is provided in Appendix A).

¹ BMRB Social Research (2008) *Consumer Purchasing Outcomes Survey 2007/8: Technical Report*. London: BMRB.

For pensions and investments this group was asked about purchases made between two and five years previously. However, the FSA has only regulated mortgages since October 2004 and complex general insurance since January 2005. People were therefore asked about mortgage purchases made between one year and two years and five months previously and about purchases of complex general insurance made between a year and two years and two months previously.

Because the interviews were about post-sales experience, they covered very different ground to those with people in Groups A and B.

For the full technical report to the study, see BMRB (2008).²

1.1 Overview of the products that people were seeking or had bought

37 per cent of prospective purchasers of mortgages did not know at the time they were first interviewed what type of mortgage they wanted. A similar proportion (41 per cent) said that they were looking for a repayment mortgage, 17 per cent said they were looking for an interest-only mortgage and only a handful (five per cent) for an endowment mortgage.

The largest group (44 per cent) of prospective pension purchasers were seeking a personal pension; smaller proportions were either looking into their employer's pension (16 per cent) or considering a stakeholder pension (13 per cent); and a small number (four per cent) were considering buying free-standing additional voluntary contributions (FSAVCs). A quarter (23 per cent) did not know what type of pension they were looking for.

Almost a half (48 per cent) of prospective purchasers of investments said that they were looking for an equity ISA and two in ten (20 per cent) did not know what type of investment they might buy. One in ten were looking for an investment trust (10 per cent) and small numbers of people were considering a 10-year savings plan (seven per cent), an insurance or investment bond (six per cent), a unit trust (six per cent), an OIEC (one per cent) or an endowment policy not linked to house purchase (one per cent).

Prospective purchasers of complex general insurance products were overwhelmingly looking for life insurance (60 per cent), two in ten for critical illness insurance and around one in ten each for income protection (nine per cent) or PPI (10 per cent).

About half (45 per cent) of prospective purchasers of simple general insurance were aiming to buy motor insurance; while a quarter (25 per cent) were looking for home contents insurance and a further 18 per cent for building insurance. Other simple insurance products were relatively uncommon: eight per cent were looking for pet insurance and four per cent for private medical insurance.

Finally, among the people who had already bought a decumulation product, the most common type of product by far was pension annuities (77 per cent). Around one in

² *Op. cit.*

seven (14 per cent) had bought an income drawdown product and very few had purchased lifetime mortgages (six per cent), home reversions (two per cent) or life annuity (one per cent) products.

The fact that each broad type of product is dominated by a particular product (for example, decumulation products by pension annuities) needs to be borne in mind when interpreting the results we give in the sections that follow.

1.2 Personal characteristics of purchasers and prospective purchasers

The people intending to buy or who had already bought particular products were drawn from different segments of the population (Table 1.1).

There were some important differences in the ages of people buying or intending to buy different products. Those who had already bought a decumulation product were by far the oldest and more than nine in ten of them were aged over 55. Among the prospective purchasers, those looking for investments and simple insurance products included the largest proportions of people aged 55 or over; people planning to buy a mortgage or complex insurance (or who had already bought PPI) included the highest proportions of people aged 25 to 44.

Men were in the slight majority among prospective purchasers of all products and this was highest for those intending buying investments (60 per cent). In contrast, three quarters (75 per cent) of all decumulation product purchases had been made by men.

There was remarkably little difference in the household incomes of prospective purchasers of different types of product, with the exception of people considering buying simple general insurance who tended to have the lowest incomes.

However, there were some notable differences in work status and social class. Across all products, people in full-time work were typically the largest group (with the exception of decumulation product customers, of whom the largest proportion were retired) and people in social classes A, B or C1 outnumbered those in C2, D or E for all products. Prospective purchasers looking for an investment included the lowest proportion of people in full-time work (51 per cent) and the highest proportion of retired people (32 per cent). They also included the largest proportion of people in social classes A and B (51 per cent) and the lowest proportion in classes C2, D or E (23 per cent). This, together with the income analysis, suggests that they were better off than other prospective purchasers and included a significant number of more wealthy pensioners. It was, however, purchasers of decumulation products who included the largest proportion of retired people (46 per cent) and the lowest proportion of people in full-time work (37 per cent). In contrast to prospective buyers of investments, they were less well-off.

Table 1.1 Personal characteristics, by product type

Column percentages

	Mortgage	Pension	Investment	Simple insurance	Complex insurance	Decumulation	PPI
Age							
18-24	17	18	11	15	18	-	18
25-34	29	19	15	17	28	-	33
35-44	31	29	14	21	28	1	21
45-54	17	18	19	15	15	6	18
55-64	5	11	23	18	8	57	9
65+	1	5	18	14	3	36	1
Gender							
Male	56	56	60	52	53	75	49
Female	44	44	40	48	47	25	51
Family type							
Couple, no dependents	26	32	46	35	28	73	32
Single, no dependents	10	14	17	18	9	16	9
Couple with dependents	43	32	23	29	42	5	41
Lone parent with dependents	10	8	5	9	11	1	10
Other (mostly young singles)	11	14	9	9	10	5	7
Household income per year							
Less than £15,000	22	23	21	31	26	35	21
£15,000 - £24,999	20	19	19	20	17	22	23
£25,000 - £34,999	20	15	16	18	23	21	24
£35,000 - £49,999	20	21	21	15	17	22	16
£50,000 +	18	22	23	16	17	-	16
Employment status							
Full-time	64	62	39	43	58	37	74
Part-time	17	15	17	17	18	17	15
Not working	16	14	12	20	19	~	7
Retired	3	9	32	21	5	46	4
Social grade							
AB	31	36	51	33	27	35	22
C1	32	27	26	30	32	34	34
C2	23	22	14	20	20	18	24
D and E	13	15	9	17	21	13	19
Highest education level reached							
Up to Secondary level	42	43	39	52	46	56	50
Further qualification	26	25	24	25	27	44**	28
Degree or higher	32	32	36	22	26	NA	22
Still studying	1	~	1	1	1	NA	-
Internet access							
Yes	84	82	77	75	77	63	83
No	16	18	23	25	23	37	17
Unweighted base	738	448	803	558	526	460	237

‘~’denotes greater than zero but less than one per cent. ‘-’ denotes no case in sample.

**Further qualification, including degree or higher. NA denotes that the category was not available in the data.

People intending to buy simple general insurance products included the highest proportion of people of working age who were not in employment (20 per cent) and the second highest proportion of people who were retired (21 per cent). Taking into account their lower incomes, they were the least well-off of the prospective purchasers.

Decumulation product purchasers included the highest proportion of retired people by far (46 per cent) but compared with prospective investment purchasers, who also included a large number of pensioners, they were less affluent; they included fewer people in social classes A or B (35 per cent) and more in classes C2, D and E (31 per cent).

Typically, around four in ten prospective purchasers had only been educated up to secondary school level, while three in ten had received a university education. There were not large differences across products, although those looking for investments had the highest education levels; while people considering buying simple general insurance and purchasers of decumulation and PPI products were the least well-educated.

Bringing this together, we can see that the personal and economic circumstances of prospective purchasers of mortgages, pensions and complex general insurance were fairly similar. Prospective investment purchasers, however, were older, rather better-off and slightly better-educated. Prospective purchasers of simple general insurance and decumulation products were less well-off and less well-educated. But while the people considering buying simple general insurance included the largest proportion of people of working age who were not in employment, those who had bought a decumulation product included the highest proportion of retired people and virtually no-one of working age who was out of work.

1.3 Levels of financial experience/sophistication of purchasers and prospective purchasers

In addition to these personal characteristics we have created a number of variables that are designed to capture respondents' levels of financial experience and sophistication.

Firstly, all respondents were also asked which of a list of products they had bought personally in the past five years. This was used to calculate the number of products they had bought.

Secondly, they were asked to what extent they agreed or disagreed with a set of six attitudinal questions

1. I like to keep up to date on financial matters.
2. I have sound experience to help me make a decision about taking out a financial product.
3. I regularly read the financial section of my newspaper.
4. I've got a clear idea of the general sorts of financial products that I need, without consulting a financial adviser.
5. I know enough about pensions and investments to choose ones that are suitable for my circumstances, without consulting a financial adviser.

6. I tend to trust financial advisers and accept what they recommend.

Multivariate analysis indicated that the first five of these could be combined into a composite measure relating to the individual's self-reported experience and confidence in financial matters.³ The remaining question about the individual's tendency to trust financial advisers represented a stand-alone measure.

A composite measure to represent a respondent's appetite for risk was constructed for prospective purchasers of investments or pensions and people who had already bought a decumulation product. The calculation of this measure involved combining their level of agreement with a set of 18 statements (these questions were not asked for other products).⁴

Table 1.2 Levels of financial experience and sophistication of purchasers and prospective purchasers, by product type

	<i>Column percentages</i>						
	Mortgage	Pension	Investment	Simple insurance	Complex insurance	Decumulation	PPI
Financial confidence							
High	26	27	36	29	23	37	26
Medium	55	55	51	56	55	52	58
Low	19	18	14	15	22	11	16
Trust in financial advisers and their recommendations							
High	43	43	40	31	40	55	80
Medium	33	32	31	36	30	20	12
Low	24	25	29	32	30	25	7
Appetite for risk (pensions and investment-type products only)							
Safety or cautious	..	9	10	..	..	8	..
Balanced	..	47	55	..	..	46	..
Motivated or acquisitive	..	44	35	..	..	46	..
Number of products bought personally in past 5 years							
0	19	24	18	23	23	-	16
1	31	25	19	20	21	-	23
2	12	11	13	12	13	17	12
3 or 4	15	17	22	25	16	40	16
5 or more	23	23	28	20	27	42	32
Unweighted base	738	448	803	558	526	460	237

‘..’ denotes not asked.

‘-’ denotes no case in sample.

³ Principal Components Analysis (a statistical modelling technique that examines the multiple correlations between a set of survey questions) found that five questions were all measuring the same underlying dimension, and that they each correlated with this dimension to a similar level of strength. It was therefore deemed appropriate to create a composite measure from these questions using a summative scale to enable comparisons across products and samples.

⁴ The ‘appetite for risk’ measure was constructed using the Dynamic Risk Profiler methodology developed by Distribution Technology. See <http://www.dynamicplanner.com/> for details.

Looking across the products, people who had already bought a decumulation product of some kind included by far the highest proportion of people who had bought large numbers of products in the past five years (Table 1.2). This may reflect their age profile, although the number will have been increased by the fact that they had actually made a purchase of their selected product, while the prospective purchasers had yet to do so (this is also indicated for PPI policies when compared with the prospective insurance customers).

PPI customers stand out as being most likely to report a tendency to trust financial advisers. Decumulation product customers were also likely to trust advisers and, along with prospective purchasers of investments, had high levels of confidence in their ability to negotiate the financial services marketplace. Prospective purchasers of simple general insurance had the lowest levels of trust of financial advisers. Otherwise, the differences between products were not great (Table 1.2).

1.4 Stage in their product search reached by prospective purchasers

Given the way that the sample was constructed for this study, many people were at different stages in their search for the product they wanted. People also started out with varying degrees of certainty about what they wanted. This presents a challenge for the analyst. We have therefore selected a number of key indicator questions for analysis and combined the replies from these in various ways to categorise prospective shoppers in ways that might be expected to relate to their use of information.

Table 1.3 Whether prospective purchasers and purchasers knew what they wanted at the outset, by product type

	<i>Column percentages</i>						
	Mortgage	Pension	Investment	Simple insurance	Complex insurance	Decumulation	PPI*
Statement closest to situation before starting to obtain information or advice about product							
I knew exactly what product type I wanted	25	13	20	52	20	14	24
I knew more or less what product type I wanted	29	18	28	29	22	28	45
I had a vague idea about what product type I wanted	22	27	32	11	31	27	26
I had no idea about what product type I wanted	23	42	20	7	27	29	5
<i>Unweighted base</i>	727	441	798	554	522	460	58

* *Treat with caution due to low base.*

Across all products, purchasers and prospective purchasers varied widely in the extent to which they knew what type of product they wanted to buy; from those who knew exactly what they wanted to those with no idea at all.⁵ For most products, between

⁵ For PPI customers this question was asked only if the customer had looked for information or advice before making their loan or credit purchase. Consequently, the base is much lower than for other product types.

four and five in ten purchasers or prospective purchasers knew either exactly or more or less what they wanted to buy from the outset (Table 1.3).

The main exceptions were simple general insurance, PPI and pensions. Levels of certainty were higher than average for PPI and especially for simple general insurance; over half (52 per cent) of prospective simple general insurance purchasers knew exactly what product they wanted and a further 29 per cent said they knew more or less. In contrast, they were lower than average for pensions, with only 13 per cent of prospective shoppers knowing exactly what they wanted from the outset, while 42 per cent had no idea at all.

Prospective shoppers had also been looking for a suitable product for widely varying lengths of time – from less than two weeks to over six months. Reflecting their lower level of certainty, it was the prospective purchasers of pensions who had been looking longest; four in ten of them had been looking for more than 6 months (40 per cent) and over a half (55 per cent) for more than three months (Table 1.4).

Table 1.4 When prospective purchasers first started to look for information, by product type

	<i>Column percentages</i>				
	Mortgage	Pension	Investment	Simple insurance	Complex insurance
When first started to look for information					
Up to 2 weeks ago	18	12	16	24	16
2 weeks to 1 month ago	11	11	12	14	13
1-3 months ago	29	22	27	23	30
3-6 months ago	17	15	15	12	14
6 months+ ago	25	40	30	27	26
Unweighted base	726	440	798	527	518

It is interesting to note that there was no correlation between how clearly people knew what they wanted when they began to look for a product and the length of time they had been looking at the time of the first interview. Consequently, even among those who had know what they wanted at the outset, 28 per cent had been looking for more than six months and a further 14 per cent for between three and six months.

At the time they were interviewed, around a third of prospective purchasers of mortgages, investments and complex general insurance knew exactly what type of product they wanted and a similar number had a fairly clear idea (Table 1.5). Reflecting their high levels of certainty at the outset, almost two thirds (63 per cent) of people intending buying a simple general insurance product knew exactly what they wanted when they were interviewed and another three in ten (28 per cent) knew more or less what they wanted. Also, although they had been looking for far longer than other prospective purchasers, prospective pension purchasers, nevertheless, included the lowest proportion who had a clear idea what they wanted to buy (20 per cent) and the highest proportion who still had no idea at all (18 per cent).

Table 1.5 How clearly prospective purchasers knew what they wanted at first interview, by product type

	<i>Column percentages</i>				
	Mortgage	Pension	Investment	Simple insurance	Complex insurance
What stage at now					
Know exactly what type of product	37	20	31	63	35
Know more or less what type of product	33	36	44	28	33
Only a vague idea	17	26	19	6	23
No idea what type of product	13	18	6	3	9
<i>Unweighted base</i>	727	442	798	556	524

To aid the analysis in subsequent sections of this report we have created two categorisations of prospective shoppers. The first of these is designed to identify people whose clarity about what type of product they wanted had improved since they had begun their search (Table 1.6).

Table 1.6 Shift in certainty since outset among prospective purchasers, by product type

	<i>Column percentages</i>				
	Mortgage	Pension	Investment	Simple insurance	Complex insurance
More certain	32	45	44	22	46
The same	64	51	52	75	51
Less certain	4	4	4	3	3
<i>Unweighted base</i>	725	440	795	553	522

The results should, however, be considered in light of people's certainty at the outset. So, compared with others, prospective purchasers of simple general insurance were only half as likely to have become clearer about what they wanted, but this was because over half of them already knew exactly what they wanted when they began their search. A similar situation existed, but to a lesser degree, among those looking for a mortgage. Although almost half of prospective pension purchasers had a clearer idea of what they wanted, this was from a very low base. Seven in ten prospective pension purchasers had no more than a vague idea, when they had begun their search.

There was almost no difference in the personal and economic circumstances of those who had a clearer idea compared with other prospective shoppers, except that they included slightly more young people aged 18 to 24. There was also little variation in their levels of financial sophistication.

The second categorisation was designed to identify prospective purchasers who were just about at the end of their search. This is to enable a comparison of the information and advice-seeking behaviours between the prospective purchasers and people who

had bought a decumulation product or PPI in the past 12 months. Prospective shoppers were only asked about their information search when they were first interviewed. Since they were at very different stages in their information search at the first interview it is not possible to compare their behaviour with that of people who had bought a decumulation product or PPI in the previous 12 months.

However, all prospective purchasers were asked how soon they expected to make a decision and actually buy a product. To provide the closest approximation of those who had completed their search, we have combined replies to this question with those relating to certainty about which product to buy and identified a group of people who were fairly sure what type of product they needed and who had already made a decision or expected to make a decision or make a purchase within the next week (Table 1.7).

This showed some variation across products, although not as much as might have been expected. Reflecting earlier analysis, the lowest proportion was to be found among those looking for a pension (25 per cent) and the highest among people intending to buy a simple general insurance policy (43 per cent).

Table 1.7 Prospective purchasers who were nearing the end of their search when first interviewed, by product type

	<i>Column percentages</i>				
	Mortgage	Pension	Investment	Simple insurance	Complex insurance
Nearing end of search	27	25	33	43	29
Not nearing end of search	73	75	67	57	71
<i>Unweighted base</i>	<i>738</i>	<i>448</i>	<i>803</i>	<i>558</i>	<i>526</i>

The characteristics of this subset of prospective purchasers (those who were seemingly close to making a decision for each product) are given in Appendix B. There was little systematic difference in their personal circumstances, compared with prospective purchasers as a whole (Tables B.1 and 1.1). The group of people nearing a decision about a mortgage, pension or complex insurance product were, however, slightly better off than the generality of people looking for these products.

There were some important differences in levels of financial confidence and experience between this group and the generality of prospective shoppers (Tables B.2 and 1.2). Those who were close to deciding what mortgage, pension, investment or complex insurance (but not simple general insurance) product to buy had higher levels of confidence in their ability to negotiate the financial services marketplace than prospective purchasers generally and had also bought more financial products in the past five years. All those nearing a decision (including people looking for simple general insurance) were also more inclined to trust financial advisers.

Across all products they were considerably more likely to have known what they wanted from the outset (Tables B.3 and 1.3) than prospective purchasers in general, although they had not necessarily been looking for longer (Tables B.4 and 1.4).

1.5 This report

In the remainder of this report we have presented the findings from the survey that are robust. This includes cross-product comparisons and, where we want to look across all types of product, we have carried out separate regression analyses for the prospective purchasers (controlling for product type, length of search and certainty at the time of the initial interview) and for those who had purchased a decumulation product. In most instances, the numbers who had bought a PPI policy were too small for this type of analysis, as many questions were only asked of those who had made a separate search for the insurance and not been sold it alongside a mortgage or other credit product.

In chapter 2 we look in detail at patterns of information-seeking behaviour, including the types of information they had used and which they had found most useful; the breadth of people's search (as measured by the number of types of information they had used); the use of advisers; and the extent to which they had gathered information from more than one company. This chapter concludes with an analysis of the factors that contribute to prospective purchasers developing a clearer idea of which product they would buy and a consideration of customers' own evaluations of the available information and advice.

In chapter 3 we look in more detail at people who had sought regulated advice and the documentation they were given by the firm. This includes whether or not they received status disclosure documents (setting out how the firm would be paid and the extent of the marketplace on which they could advise) and their knowledge of the firm's status. It also looks in some detail at product disclosure, including whether or not they had received a product features document and, if they had, how closely they had read it, how clear and easy to use it had been and how it was used. Finally, this chapter looks at the incidence of advised sales and the circumstances under which they are most likely to take place.

Chapter 4 moves the focus to the purchase process itself. It looks first at whether or not the prospective purchasers who were successfully re-interviewed actually bought what they planned to buy. It then discusses the length of time purchasers took to complete their search and proceed to purchase, influences on the final product choice and the use of the product features document in making the final decision and whether or not people had made an advised purchase. This chapter ends by considering the reasons given by people who decided not to buy any product or who bought an alternative product instead.

In Chapter 5 attention is turned to post-sales information and advice and its use; in doing so we draw on a separate sample of past mortgage, pension, investment or complex insurance policy purchases that had been made more than 12 months previously. The chapter includes consideration of advice received post-sales, receipt and use of financial statements and how they would rate the amount of information they had received after the sale. It also looks at purchasers' satisfaction with the product they had bought, whether it had performed as expected and whether they had cause to make a complaint.

Each chapter concludes with a brief overview and considers the implications for the FSA's Performance Outcome 1, the stated objective of ensuring that 'consumers

receive and use clear, simple and relevant information from the industry and from the FSA’.

For information on the product types that are covered in each of the chapters and sections in this report, see Table 1.8.

Table 1.8 Product coverage throughout this report

	Mortgage	Pension	Investment	Simple insurance	Complex insurance	Decumulation	PPI
Chapter 2: Seeking and using information and advice							
2.1 Sources of information and advice used	✓	✓	✓	✓	✓	✓	✓
2.2 The most useful source of information or advice	✓	✓	✓	✓	✓	✓	(✓)
2.3 How useful were the sources of information or advice that people had used	✓	✓	✓	✓	✓	✓	x
2.4 Consulting multiple sources of information or advice	✓	✓	✓	✓	✓	✓	✓
2.5 Consulting advisers	✓	✓	✓	✓	✓	✓	✓
2.6 Number of advisers consulted	✓	✓	✓	✓	✓	✓	✓
2.7 Checking the marketplace	✓	✓	✓	✓	✓	✓	✓
2.8 What helps improve certainty about the product type needed?	✓	✓	✓	✓	✓	x	x
2.9 Assessing the available information	✓	✓	✓	✓	✓	✓	✓
Chapter 3: Regulated advice and disclosure							
3.1 Status disclosure	✓	✓	✓	x	✓	✓	x
3.2 Product disclosure	✓	✓	✓	✓	✓	✓	(✓)
Chapter 4: Deciding what to buy							
4.1 Do people buy what they set out to buy?	✓	✓	✓	✓	✓	x	x
4.2 How long did people take to decide?	✓	x	✓	✓	✓	x	x
4.3 Influences on the final purchase	✓	x	✓	✓	✓	x	x
4.4 Use of the product features document in the final decision	✓	✓	✓	✓	✓	✓	x
4.5 Making ‘advised’ purchases	✓	✓	✓	✓	✓	✓	✓
4.6 Reasons for deciding not to buy	✓	✓	✓	x	x	x	x
Chapter 5: Post-sales experience							
5.1 How purchases had been made	✓	✓	✓	x	✓	x	x
5.2 Post-sales information and advice	✓	✓	✓	x	x	x	x
5.3 Post-sales experience of the product bought	✓	✓	✓	x	✓	x	x

KEY:

- ✓ the product type is covered throughout the section, or most of it.
- (✓) only the headline findings in this section are available for this product type.
- x the product type is not covered in the section at all.

2 Seeking and using information and advice

The survey looked to identify consumers who shopped around before deciding what to buy. Behaviour accustomed to shopping around includes obtaining information from a number of different sources, consulting a professional adviser and collecting information from several companies. In reality, few undertook a search of this kind.

To assess the extent and nature of their information search, purchasers and prospective purchasers were asked to identify which sources of information or advice they had used during the product decision-making process from a pre-defined list of 18 individual types of source.⁶ People using more than one individual type of source were also asked which they had found to be the most useful. The 18 individual types have been collapsed into seven broader categories for reporting here. However, when we report details of the number of sources, we have used the original list of 18 individual types.

There were some important differences across financial products in who was asked the questions and when. This has made the analysis complex. Questions on the sources of information and advice used were asked of all decumulation product customers who had made a purchase within the past 12 months. Among PPI customers who had made a purchase in the past 12 months, the questions were asked only of those who reported having started to look for a suitable PPI product before taking out the main financial product. As a result of this filtering, only 58 PPI customers were asked the set of questions about information sources and only headline figures for these customers are presented (the analysis cannot be run for any subgroups).

For pension, investment, mortgage and general insurance products (simple and complex), information-seeking questions were asked of all prospective purchasers in the initial interview, when they were at very different stages in their search for the right product. Indeed, some of them had still not made a purchase by the time of the follow-up interview, some of whom would not subsequently make any purchase of the selected product type at all. The size of the subset who would not go on to make a purchase at all is estimated to be in the order of one third, based on those for whom we have information, but due to the design of the survey it is not possible to identify and remove these individuals from the analysis.

It is, therefore, important to note that only a partial picture of the complete information-seeking process is provided for these product types, and the findings are not directly comparable with the sample of decumulation and PPI customers. We have tried to mitigate this to some extent by looking at a subset of people who, at the first interview, reported that they were close to a decision. Even this has some

⁶ 222 prospective purchasers, 17 decumulation customers and 1 PPI customer did not report having used any sources at this question and are therefore excluded from the analysis reported in this section. Additionally, a small number (less than 5 in each sample) of respondents gave open ended responses that could not be back-coded into the existing categories; these are also omitted.

shortcomings as we know that among the third of them who were subsequently re-interviewed, 23 per cent had not bought.

2.1 Sources of information and advice used

The most commonly used source overall was company information, reported by about 55% of prospective or actual purchasers across the product types. The exception was decumulation products, where fewer than one in three people said that they had consulted company information (Table 2.1).

Table 2.1 Sources used by prospective and actual purchasers of specific types of product

Cell percentages

	Mortgage	Pension	Investment	Simple insurance	Complex insurance	Decumulation	PPI*
Personal info/advice from IFA	55	42	39	13	42	73	58
Personal info/advice from friends/relatives	27	24	22	20	24	16	23
Personal info/advice from estate agents/accountants/ solicitors	12	3	5	2	5	4	7
Any info, leaflets, brochures from companies providing product	48	43	59	60	53	28	38
Any looking at best buy tables	22	20	32	30	22	12	19
Any looking at financial articles	4	6	16	5	6	11	4
Any looking at adverts	7	25	14	30	17	7	13
<i>Unweighted base</i>	<i>691</i>	<i>403</i>	<i>772</i>	<i>475</i>	<i>488</i>	<i>443</i>	<i>57</i>

** Treat with caution due to low base.*

This was followed in prevalence by personal contact with an IFA or broker, which was typically cited by just fewer than two in five prospective purchasers, although the rate was much higher among people planning to buy mortgages (55 per cent) and much lower among prospective simple insurance customers (13 per cent). The majority of PPI (58 per cent) and especially decumulation purchasers (73 per cent) said that they had consulted an IFA or broker.

About a quarter of all customers overall had spoken to friends and relatives, while roughly two in ten had used best-buy tables (rising to three in ten for investments and simple insurance).

There were similar findings among the subset of prospective purchasers who were seemingly close to making a decision and were, therefore, likely to have more or less

completed information-seeking (roughly comparable to decumulation and PPI customers). Similar, if slightly lower, proportions had used company information and most other sources (Table 2.2). On the whole, fewer people said they had consulted best-buy tables, although for investment products the decreased propensity was marginal. The likelihood of having seen an IFA or broker, however, was markedly higher for prospective mortgage, pension and complex insurance purchasers who had decided what to buy than it was for prospective purchasers as a whole and was similar to that for people who had bought a decumulation product or PPI.

Table 2.2 Sources used among those close to making a product purchase decisions, prospective customers

Cell percentages

	Mortgage	Pension	Investment	Simple insurance	Complex insurance
Personal info/advice from IFA	65	57	43	15	51
Personal info/advice from friends/relatives	17	12	16	16	16
Personal info/advice from estate agents/accountants/ solicitors	9	3	4	2	7
Any info, leaflets, brochures from companies providing product	42	40	59	57	45
Any looking at best buy tables	12	11	29	17	17
Any looking at financial articles	4	7	16	3	7
Any looking at adverts	5	21	11	28	12
<i>Unweighted base</i>	<i>194</i>	<i>101</i>	<i>249</i>	<i>204</i>	<i>136</i>

2.2 The most useful source of information or advice

A similar picture emerges when looking at the source prospective purchasers reported finding most useful (or the sole source if they had used only one). Overall, speaking to an IFA or broker or obtaining company information were the two sources most likely to be cited as the most useful (or only) one used. This varied by product type (Table 2.3). Company information was the most useful source for those planning to buy investments and simple and general insurance products (roughly two in five customers). For prospective mortgage and pensions customers, and for those who had bought PPI and (especially) decumulation products, it was IFAs or brokers that were the most useful source of information. Seven out of ten purchasers of decumulation products cited IFAs as the only or most useful source they had consulted; company information was the next most useful, according to 12 per cent of purchasers.

Across all products, the third most useful source was speaking to friends and relatives, which was cited by about one in seven purchasers and prospective purchasers overall. This ranged from eight per cent for decumulation products to 16 per cent for

mortgages (Table 2.3). Best-buy tables came fourth, but some way behind in usefulness. There was, however, considerable variation in the proportions of people citing best-buy tables as the only or most useful source: ranging from three per cent of decumulation product purchasers to one in five (20 per cent) of people planning to buy simple insurance.

Table 2.3 Most useful (or sole) source of information

Column percentages

	Mortgage	Pension	Investment	Simple insurance	Complex insurance	Decumulation	PPI*
From an IFA or mortgage/ insurance broker	44	35	30	9	33	69	56
From friends/relatives	16	15	13	14	14	8	12
From estate agents/accountants/ solicitors	5	2	1	1	2	5	4
Company information	27	24	39	41	36	12	19
Best buy tables	7	7	11	20	8	3	4
Financial articles	~	1	4	1	1	2	-
Looking at adverts	1	16	2	14	6	3	5
<i>Unweighted base</i>	691	403	772	475	488	443	57

‘~’ greater than zero but less than one per cent. * Treat with caution due to small base. ‘-’ no case in sample.

Among prospective purchasers who were close to making a purchase decision, the importance of an IFA in the process was, if anything, slightly more pronounced; while company information was generally no more likely, and sometimes less likely, to be cited as the most useful or sole information source (the exception was simple insurance, where slightly more people close to a decision said it was the most useful (47 per cent compared with 41 per cent for all simple insurance prospective purchasers; Table 2.3 and Table 2.4).

The relative importance of talking to friends and relatives was diminished among those close to making a decision, regardless of product type. So too were best-buy tables among those close to buying mortgages, pensions and simple insurance.

Table 2.4 Most useful (or sole) source used among those close to making a product purchase decision, prospective purchasers

Column percentages

	Mortgage	Pension	Investment	Simple insurance	Complex insurance
From an IFA or mortgage/insurance broker	54	51	34	12	39
From friends/relatives	9	6	8	13	10
From estate agents/accountants/solicitors	4	1	1	1	3
Company information	27	19	40	47	34
Best buy tables	4	4	11	10	8
Financial articles	~	2	5	-	2
Looking at adverts	~	17	1	17	4
<i>Unweighted base</i>	<i>194</i>	<i>101</i>	<i>249</i>	<i>204</i>	<i>136</i>

‘~’ greater than zero but less than one per cent. ‘-’ no case in sample.

When viewed across products, the relative importance of different types of information source according to their self-reported financial confidence was fairly mixed (Table 2.5). IFAs or brokers were relatively important among prospective mortgage and investment purchasers with low self-reported financial confidence, prospective pension and complex GI purchasers with high self-reported financial confidence and decumulation product customers with high or medium financial confidence. On the whole, those with less financial confidence were more likely to cite friends and family as the most useful source. There was no systematic relationship between the likelihood of citing company information across the product types. Perhaps the clearest patterns, however, are found in relation to best-buy tables: with the exception of complex insurance, customers who self-reported high levels of financial confidence were far more likely than those with less confidence to cite these as the most useful source.

Variation by appetite for risk was somewhat clearer (Table 2.6). Pension, investment and decumulation product customers who were classified as balanced were marginally more likely to cite IFAs or brokers and best-buy tables as the most useful source than those classed as motivated or acquisitive. Perhaps surprisingly, the reverse was true in relation to friends and relatives and company information. Investment customers who were classed as safety or cautious investors were especially likely to cite best buy tables and financial articles as the most useful source compared with their more risk-eager counterparts.

Table 2.5 Most useful (or sole) source by self-reported financial confidence

Column percentages

	High	Medium	Low
Mortgage			
From an IFA or mortgage/insurance broker	43	43	49
From friends/relatives	13	17	17
From estate agents/accountants/solicitors	3	6	4
Company information	28	26	26
Best buy tables	11	7	4
Financial articles	-	1	-
Looking at adverts	1	1	-
Unweighted base	174	385	132
Pension			
From an IFA or mortgage/insurance broker	41	33	30
From friends/relatives	10	17	14
From estate agents/accountants/solicitors	-	3	-
Company information	27	20	33
Best buy tables	11	7	4
Financial articles	3	1	-
Looking at adverts	8	20	19
Unweighted base	106	218	77*
Investment			
From an IFA or mortgage/insurance broker	25	31	36
From friends/relatives	7	14	21
From estate agents/accountants/solicitors	0	2	1
Company information	37	39	40
Best buy tables	19	9	-
Financial articles	10	1	-
Looking at adverts	1	3	2
Unweighted base	265	397	110
Simple insurance			
From an IFA or mortgage/insurance broker	8	9	9
From friends/relatives	8	15	21
From estate agents/accountants/solicitors	1	1	2
Company information	45	39	43
Best buy tables	28	17	14
Financial articles	1	1	-
Looking at adverts	8	19	11
Unweighted base	137	260	76*
Complex insurance			
From an IFA or mortgage/insurance broker	38	31	31
From friends/relatives	7	16	19
From estate agents/accountants/solicitors	1	2	2
Company information	40	36	32
Best buy tables	9	8	6
Financial articles	1	1	-
Looking at adverts	5	5	10
Unweighted base	108	276	103
Decumulation			
From an IFA or mortgage/insurance broker	70	71	61
From friends/relatives	6	8	17
From estate agents/accountants/solicitors	4	1	2
Company information	7	16	13
Best buy tables	7	1	-
Financial articles	2	1	-
Looking at adverts	3	3	6
Unweighted base	160	223	50*

* treat with caution due to low base. '-' denotes no case in sample. PPI is omitted due to low bases.

Table 2.6 Most useful (or sole) source by appetite for risk*Column percentages*

	Safety or cautious	Balanced	Motivated or acquisitive
Pension			
From an IFA or mortgage/insurance broker		35	31
From friends/relatives		14	16
From estate agents/accountants/solicitors		2	2
Company information		24	26
Best buy tables		9	4
Financial articles		1	1
Looking at adverts		15	20
Unweighted base	**	187	184
Investment			
From an IFA or mortgage/insurance broker	20	34	30
From friends/relatives	10	11	13
From estate agents/accountants/solicitors	-	2	1
Company information	35	35	39
Best buy tables	21	12	11
Financial articles	13	5	4
Looking at adverts	2	2	2
Unweighted base	73	418	280
Decumulation			
From an IFA or mortgage/insurance broker		70	68
From friends/relatives		7	9
From estate agents/accountants/solicitors		4	1
Company information		10	16
Best buy tables		4	1
Financial articles		2	1
Looking at adverts		3	5
Unweighted base	**	191	189

**Numbers too small for analysis. . '-' denotes no case in sample.

Among prospective purchasers, there were variations by the length of time people had been looking (Table 2.7). IFAs and brokers were cited more often as the most useful source by people who had been looking for longer periods, typically one to six months. With the exception of investments - it was only those who had been looking for investments for three to six months who cited IFAs and brokers as the most useful source. Conversely, company information and best-buy tables tended to be cited at the earlier stages of the search, certainly within the last three months (although there were variations within this time-frame by product type). There was a tendency for friends and family to be cited most often either by those who had just started looking (for investments) or those looking for longest (simple insurance) or both of these extremes (pensions and complex insurance).

Table 2.7 Most useful (or sole) source by when first started to look for information, prospective purchasers

	<i>Column percentages</i>				
	Up to 2 weeks ago	2 weeks - 1 month ago	1 - 3 months ago	3 - 6 months ago	6 months+ ago
Mortgage					
From an IFA or mortgage/insurance broker	39	34	49	50	44
From friends/relatives	18	14	15	16	17
From estate agents/accountants/solicitors	2	7	6	2	7
Company information	33	35	26	22	22
Best buy tables	10	10	4	9	7
Financial articles	-	-	-	1	1
Looking at adverts	1	-	-	1	2
Unweighted base	114	79*	207	120	166
Pension					
From an IFA or mortgage/insurance broker			37	37	37
From friends/relatives			7	11	19
From estate agents/accountants/solicitors			2	-	1
Company information			30	26	19
Best buy tables			5	3	9
Financial articles			2	-	1
Looking at adverts			16	23	14
Unweighted base	**	**	88	64*	170
Investment					
From an IFA or mortgage/insurance broker	24	28	25	34	36
From friends/relatives	16	12	11	13	12
From estate agents/accountants/solicitors	3	1	1	1	1
Company information	37	46	43	34	35
Best buy tables	16	8	12	11	10
Financial articles	3	5	5	5	3
Looking at adverts	2	1	3	3	2
Unweighted base	122	93*	199	119	230
Simple insurance					
From an IFA or mortgage/insurance broker	10	8	9	13	8
From friends/relatives	8	11	12	19	19
From estate agents/accountants/solicitors	1	-	1	3	-
Company information	45	51	38	35	40
Best buy tables	19	24	27	15	12
Financial articles	1	-	1	-	2
Looking at adverts	15	6	12	15	19
Unweighted base	114	67*	102	54*	122
Complex insurance					
From an IFA or mortgage/insurance broker	22	29	40	37	30
From friends/relatives	17	16	10	4	20
From estate agents/accountants/solicitors	1	1	1	-	5
Company information	45	40	31	46	31
Best buy tables	7	7	12	7	6
Financial articles	-	-	2	0	1
Looking at adverts	8	7	5	6	7
Unweighted base	72*	63*	145	69*	135

* treat with caution due to low base. '-' denotes no case in sample ** numbers too small for analysis.

There were marked variations by people's level of certainty about the type of product they needed at the outset (Table 2.8). Across the products, IFAs and brokers were more commonly cited as the most useful or only source by those with the clearest idea of what they wanted at the outset (except for investments and decumulation products – those with vague idea). Best-buy tables were also often cited by those with a fairly clear idea, except for simple insurance, which was more likely to be cited by those saying they had no idea, and complex insurance, which was more often cited by anyone with less than a clear idea of what they wanted. Company information was more often cited by those with some idea but not a clear idea (with the exception of decumulation, which was more likely to be cited by those with the clearest and least clear ideas, and complex insurance for which there is no clear pattern). Friends and family were more likely to be cited by those with the least idea of what they wanted. For decumulation purchasers, it was those with a more clear idea who were more likely to cite friends and family.

There was also a strong tendency for prospective purchasers, who knew exactly the product type they wanted when first interviewed, to report speaking to an IFA or broker as the most useful source consistently across products (Table 2.9). Although the sample sizes are too small to report on individual products, there is an indication that those who are unsure what type they want are likely to cite friends and relatives as the most useful or sole source.

This is in keeping with the finding above about how long people have been looking and their level of certainty at the outset. Company information was most likely to be cited by those who knew more or less what product they wanted when first interviewed, except for complex insurance, which was found to be most helpful by those who knew exactly what they want. Best-buy tables were also more often cited by those with a fairly good idea (except for simple insurance, for which we can't conclude due to small bases).

There was a very mixed picture across the product types, of the relative importance of different sources of information, by whether or not people's level of certainty had improved since the outset (Table 2.10). Citing an IFA or broker as the most useful or sole source was associated with improved certainty for pensions and investments (for insurance, those who stayed the same were more likely to cite this source) while friends and relatives were marginally more likely to be cited by prospective pension, investment and simple insurance customers purchasers. Best-buy tables were more likely to be cited among those whose certainty had improved for complex general insurance only. There was remarkably little difference across the sources among mortgage customers.

Table 2.8 Most useful (or sole) source, by level of certainty at the outset

	<i>Column percentages</i>			
	Knew exactly what I wanted	Knew more or less what I wanted	Only had vague idea what I wanted	Had no idea at all what I wanted
Mortgage				
From an IFA or mortgage/insurance broker	56	39	40	40
From friends/relatives	8	14	17	27
From estate agents/accountants/solicitors	4	2	10	5
Company information	25	31	26	23
Best buy tables	6	11	7	4
Financial articles	-	1	-	0
Looking at adverts	1	0	1	0
Unweighted base	179	199	156	155
Pension				
From an IFA or mortgage/insurance broker	46	46	39	24
From friends/relatives	6	7	11	23
From estate agents/accountants/solicitors	1	2	1	2
Company information	20	23	27	24
Best buy tables	8	9	7	6
Financial articles	-	5	1	-
Looking at adverts	19	8	14	20
Unweighted base	56	68*	106	170
Investment				
From an IFA or mortgage/insurance broker	24	30	34	29
From friends/relatives	10	7	13	21
From estate agents/accountants/solicitors	1	2	2	2
Company information	39	40	37	38
Best buy tables	16	13	9	7
Financial articles	8	6	3	1
Looking at adverts	2	3	2	2
Unweighted base	159	210	243	155
Simple insurance				
From an IFA or mortgage/insurance broker	13	7	4	1
From friends/relatives	8	17	20	22
From estate agents/accountants/solicitors	1	-	-	4
Company information	39	44	53	34
Best buy tables	21	19	15	25
Financial articles	1	1	-	-
Looking at adverts	18	12	9	14
Unweighted base	244	144	50*	35
Complex insurance				
From an IFA or mortgage/insurance broker	43	38	29	24
From friends/relatives	10	11	18	16
From estate agents/accountants/solicitors	1	2	3	3
Company information	37	33	38	36
Best buy tables	4	9	10	9
Financial articles	3	2	-	0
Looking at adverts	3	6	3	11
Unweighted base	103	103	150	132
Decumulation				
From an IFA or mortgage/insurance broker	60	73	78	64
From friends/relatives	10	11	5	6
From estate agents/accountants/solicitors	1	-	4	4
Company information	16	8	8	19
Best buy tables	8	5	1	1
Financial articles	4	1	1	2
Looking at adverts	1	2	4	3
Unweighted base	70*	127	120	111

* treat with caution due to low base. '-' denotes no case in sample. PPI is omitted due to low bases.

Table 2.9 Most useful (or sole) source by certainty at first interview, prospective purchasers

Column percentages

	Knew Exactly what I wanted	Knew more or less what I wanted	Only had vague idea what I wanted	Had no idea at all what I wanted
Mortgage				
From an IFA or mortgage/insurance broker	54	38	41	33
From friends/relatives	9	14	23	35
From estate agents/accountants/solicitors	4	5	9	3
Company information	26	31	21	24
Best buy tables	7	10	6	3
Financial articles	~	1	-	-
Looking at adverts	~	1	-	2
Unweighted base	259	229	117	84*
Pension				
From an IFA or mortgage/insurance broker	51	39	25	20
From friends/relatives	8	11	18	28
From estate agents/accountants/solicitors	3	1	1	4
Company information	14	29	27	22
Best buy tables	7	7	8	8
Financial articles	-	2	1	-
Looking at adverts	17	12	20	18
Unweighted base	84*	146	97*	73*
Investment				
From an IFA or mortgage/insurance broker	32	30	25	
From friends/relatives	9	9	21	
From estate agents/accountants/solicitors	1	1	2	
Company information	36	42	37	
Best buy tables	13	11	9	
Financial articles	6	4	4	
Looking at adverts	1	2	3	
Unweighted base	241	339	141	**
Simple insurance				
From an IFA or mortgage/insurance broker	11	6		
From friends/relatives	12	16		
From estate agents/accountants/solicitors	1	-		
Company information	40	47		
Best buy tables	20	17		
Financial articles	~	2		
Looking at adverts	15	12		
Unweighted base	296	134	**	**
Complex insurance				
From an IFA or mortgage/insurance broker	39	36	21	
From friends/relatives	8	17	14	
From estate agents/accountants/solicitors	1	2	2	
Company information	37	32	48	
Best buy tables	8	8	9	
Financial articles	2	1	~	
Looking at adverts	4	5	6	
Unweighted base	176	156	112	**

* treat with caution due to low base. '-' denotes no case in sample. '~' greater than zero but less than one per cent.

**numbers too small for analysis

Table 2.10 Most useful (or sole) source by shift in certainty since the outset, prospective purchasers

	<i>Column percentages</i>	
	Improved	The same or worse
Mortgage		
From an IFA or mortgage/insurance broker	44	44
From friends/relatives	16	16
From estate agents/accountants/solicitors	6	5
Company information	28	26
Best buy tables	6	8
Financial articles	~	1
Looking at adverts	1	1
Unweighted base	228	460
Pension		
From an IFA or mortgage/insurance broker	36	33
From friends/relatives	17	13
From estate agents/accountants/solicitors	1	2
Company information	24	25
Best buy tables	6	8
Financial articles	-	2
Looking at adverts	16	16
Unweighted base	181	219
Investment		
From an IFA or mortgage/insurance broker	36	25
From friends/relatives	14	12
From estate agents/accountants/solicitors	2	1
Company information	36	41
Best buy tables	10	12
Financial articles	1	6
Looking at adverts	1	3
Unweighted base	333	432
Simple insurance		
From an IFA or mortgage/insurance broker	5	10
From friends/relatives	24	10
From estate agents/accountants/solicitors	-	1
Company information	45	41
Best buy tables	17	21
Financial articles	-	1
Looking at adverts	8	16
Unweighted base	103	370
Complex insurance		
From an IFA or mortgage/insurance broker	30	35
From friends/relatives	13	16
From estate agents/accountants/solicitors	3	1
Company information	38	34
Best buy tables	11	6
Financial articles	~	1
Looking at adverts	6	6
Unweighted base	219	269

'-' denotes no case in sample. '~' greater than zero but less than one per cent.

2.3 How useful people found the sources of information or advice

By restricting the analysis to a subset of prospective purchasers and decumulation product purchasers who consulted two or more types of source, we can identify the extent to which each of the sources people had used were considered most useful (Table 2.11). In doing so, we have concentrated on the four main sources that people had used: IFAs and brokers; company literature; family and friends; and best-buy tables.

It is striking that, if they were used at all, IFAs or brokers were especially likely to be considered the most useful source. Across the product types, roughly six in ten prospective purchasers who had consulted an IFA or broker cited them as the most useful source they had used and the proportion was higher still among decumulation product purchasers (eight in ten; Table 2.11).

In contrast, far fewer people (typically four in ten) who had consulted either friends and relatives or company information, cited them as the most useful source. This was most pronounced among decumulation product purchasers, where fewer than two in ten of the users of these two sources said that they were the most useful.

With the exception of simple insurance, between two and three in ten people who had consulted best-buy tables nominated them as the most useful source of information. Half of prospective simple insurance customers who had consulted best-buy tables cited them as the most useful source of information.

Table 2.11 Percentage reporting source as most useful source, among those consulting at least two sources including the source specified

	From an IFA or broker	From friends/ relatives	Company information	Best buy tables
Mortgage	60	43	34	24
<i>Unweighted base</i>	182	126	217	126
Pension	61	40	36	22
<i>Unweighted base</i>	72*	61*	117	58*
Investment	56	34	48	31
<i>Unweighted base</i>	159	111	303	219
Simple insurance		43	45	51
<i>Unweighted base</i>	**	51*	146	96
Complex insurance	56	40	49	29
<i>Unweighted base</i>	95*	69*	158	91*
Decumulation	81	19	17	
<i>Unweighted base</i>	113	53*	94*	**

* treat with caution due to low base. ** numbers too small for analysis. PPI is omitted due to low bases.

In summary, it seems that both personal and impartial sources were thought to be more useful than printed materials. The relative importance of IFAs and brokers in this respect was especially pronounced for decumulation product customers, very few of whom found any of the other sources of information of particular assistance.

2.4 Consulting multiple sources of information or advice

Although we do not have information about the intensity (or depth) of peoples' search within any one individual type of information or advice, by simply counting the number of individual types people used, we do have an indication of the breadth of their search.

On average, customers across the product types had consulted just under two of the 18 potential sources of information or advice they were asked about (Table 2.12). The highest number was among those intending to purchase an investment product who had consulted 2.3 individual types of information or advice; the lowest number (1.6) was among people who had bought a decumulation product.

Table 2.12 Number of individual types of information/advice sources used
Column percentages

	Mortgage	Pension	Investment	Simple insurance	Complex insurance	Decumulation	PPI*
Number of individual types of information or advice sought							
One	58	62	49	61	57	70	74
Two	17	16	17	16	21	16	9
Three	13	9	13	9	9	6	7
Four	5	7	9	9	6	3	5
Five or more	7	7	12	4	7	5	5
Mean	1.9	1.9	2.3	1.8	1.9	1.6	1.7
Unweighted base	696	405	778	477	495	443	57

* treat with caution due to low base.

These averages mask considerable variations in the number of sources used; for most product types, six in ten prospective purchasers had used only one source of information or advice, whereas about seven per cent of them had used five or more (Table 2.12). People planning to buy investments were the main exception to this pattern, only half of them had used just one source, while one in eight (12 per cent) had sought information or advice from five or more.

The relatively higher proportions of decumulation (70 per cent) and PPI (74 per cent) customers reporting using only one source is likely to at least partly reflect problems recalling the search process; nonetheless, these rates are high when considered against all products of the prospective purchasers. For decumulation products and to a lesser degree PPI, this reflects a heavy reliance on IFAs.

Using regression analysis, we have examined which characteristics were related to the likelihood of prospective purchasers having consulted three or more different types of information or advice, while controlling for the influence of other characteristics. These characteristics include the length of their search and how clearly they had known what they wanted at the outset. This enables us to identify which characteristics were independently related to (or 'predictive' of) having consulted three or more sources of information and advice. A range of socio-demographic characteristics were tested, as well as measures that reflected the stage the customer was at in the search process (for example, how long they had been looking). The product type was also included in the model to enable the differences occurring at the product level to be controlled. Therefore, the findings can be generalised across all prospective purchasers.

The type of product being sought by prospective purchasers had a large influence on the extent of their search for information, independently of other factors in the model. Therefore, people looking for investments had the highest likelihood of conducting wide searches, followed by those looking for mortgage and simple insurance products. The probability of a wide search for information were lowest of all for those intending buying either a pension or complex insurance (Table 2.13).

The analysis also indicates that gender and not having internet access were predictive of having consulted three or more sources of information or advice, although none of the socio-demographic characteristics had a large effect. So women had a lower likelihood than men of having consulted three or more sources and the odds were lower for those without internet access (Table 2.13).

The number of products people had bought in the previous five years and a tendency to trust in financial advisers were also independently related to having used three or more types of source. It might be expected that people would conduct a wider search for information if they were unsure at the outset about which product to buy. To a degree the results bear this out. When, in a separate model, certainty at the time of the first interview was removed, certainty at the outset became significant.

The tendency to have used three or more sources was relatively high among prospective purchasers who reported knowing more or less what type of product they wanted to buy at the outset. In contrast, it was relatively low among those who said they knew exactly what they wanted; indeed, it was about the same level as that found among those who said they had no idea at all. This is an interesting finding and suggests that some people have a clear idea what they want to buy from the outset, independently of their level of financial confidence. The most intensive searches are made by those with at least some idea of what they want; while people with no idea at all seem much less inclined to check out the marketplace.

Financial experience and confidence are likely to be correlated. When the number of products bought was removed from the model, people with high levels of self-reported financial experience and confidence were more likely than those with medium or low levels to have consulted three or more sources, once other factors were controlled. In other words, with experience or confidence comes a greater propensity to check out a range of sources and quite possibly knowledge of how to go about this search.

Table 2.13 Predicting using three or more information sources, all prospective purchasers

	Sig.	Exp(B)	95.0% C.I.for EXP(B)	
			Lower	Upper
Age (18-24)	0.08			
25-34	0.94	1.0	0.7	1.4
35-44	0.19	0.8	0.6	1.1
45-54	0.06	0.7	0.5	1.0
55-64	0.51	0.9	0.6	1.3
65+	0.04	0.6	0.4	1.0
Women (compared with men)	0.01	0.8	0.6	0.9
Couple, no dependents	0.48			
Single, no dependents	0.39	0.9	0.6	1.2
Couple with dependents	0.69	0.9	0.7	1.2
Lone parent with dependents	0.32	1.2	0.8	1.7
Other (mostly young singles)	0.41	1.2	0.8	1.7
Social grade (A and B)	0.13			
C1	0.44	0.9	0.7	1.2
C2	0.02	0.7	0.5	1.0
D and E	0.63	0.9	0.7	1.3
No internet access (compared with access)	0.00	0.6	0.4	0.7
No. of products bought personally in last 5 years (none)	0.00			
One	0.40	1.1	0.8	1.6
Two	0.03	1.5	1.0	2.1
Three or four	0.00	2.4	1.8	3.3
Five or more	0.00	2.6	1.9	3.6
Self-reported financial confidence (high)	0.06			
Medium	0.06	0.8	0.6	1.0
Low	0.03	0.7	0.5	1.0
Tendency to trust advisers (low agreement)	0.02			
Medium	0.10	1.2	1.0	1.5
High	0.01	1.4	1.1	1.7
Certainty at the outset (knew exactly)	0.15			
Knew more or less	0.04	1.4	1.0	1.9
Vague idea	0.15	1.3	0.9	1.8
No idea at all	0.65	1.1	0.7	1.6
Certainty when interviewed (knew exactly)	0.00			
Knew more or less	0.00	1.5	1.2	2.0
Vague idea	0.20	1.3	0.9	1.8
No idea at all	0.91	1.0	0.6	1.6
When likely to make decision and buy product (already decided)	0.00			
within a month	0.00	1.6	1.2	2.1
In 1 to 3 months	0.00	2.1	1.6	2.8
3 months or more or don't know	0.00	1.8	1.4	2.4
When started looking for product (Up to 2 weeks ago)	0.00			
2 weeks to 1 month ago	0.00	2.1	1.5	3.0
1-3 months ago	0.00	1.6	1.2	2.2
3-6 months ago	0.00	1.8	1.3	2.5
6 months+ ago	0.01	1.5	1.1	2.1

Table 2.13 continued

Product type (Mortgage)	0.00			
Pension	0.13	0.8	0.6	1.1
Investment	0.02	1.4	1.0	1.8
Simple insurance	0.82	1.0	0.7	1.3
Complex insurance	0.05	0.7	0.5	1.0
Pseudo R ² (Nagelkerke)	0.16			

Notes: Measures highlighted in bold were statistically significant ($p < 0.05$)

Age and employment status could not be included in the same model due to zero cases for some combinations of these measures. The one reported is the one that included age. Employment status was included in place of age in an otherwise identical model. Employment status was not significant in the separate model.

The stage people had reached in looking for the product they wanted to buy was highly predictive of the scope of the information search. Those who had started to look for the right product less than two weeks previously were least likely of all to have used three or more sources of information or advice, while those looking for longer were more likely to have done so. However, the likelihood peaked among those who had been looking between two weeks and one month (reflected by a ratio of 2.1) and then fell, suggesting either that the longer people had been looking the less likely they were to recall all the sources they had used. Alternatively, it might indicate the existence of a group of people who make a fairly intensive search early on and then make a decision, while others conduct a less focused search over longer periods of time.

Those who reported having already made a decision about which product to buy (regardless of how long they had been looking and how clear an idea they had at the outset) were least likely to have consulted three or more sources. The likelihood was highest (ratio of 2.1) among those who expected to make a decision and buy the product in one to three months time.

Looking at the influence of how clearly people knew what type of product they wanted to buy reveals a similar pattern. Those with the clearest idea were less likely to have conducted a wide search for information than those who knew more or less or even had only a vague idea what they wanted; in fact they were about as likely to have done so as those who had no idea at all which product they would buy. Looked at together this might suggest that, regardless of their knowledge or experience of financial products, there is a group of people who make up their minds without checking out the marketplace.

Among all prospective purchasers, people seemed inclined to make wider searches for some products than for others and this was not linked in any systematic way to the complexity of the product. The more experienced and confident consumers are in the financial services world, the greater their likelihood of conducting a wide search. But there are indications of a group of people, across all levels of experience and confidence, who make up their minds without consulting a range of different sources.

We ran a similar regression analysis for the people who had purchased a decumulation product where there was a heavy reliance on IFAs. Here, the only factor that related independently to having consulted three or more information sources was self-reported financial confidence.⁷ Those with high levels of confidence were more likely than those with medium levels to have consulted three or more sources when other factors were controlled, although they were no more likely than those with low levels of confidence to have consulted three or more.

A similar regression analysis could not be run for those who purchased PPI products due to the small sample size.

2.5 Consulting advisers

The proportions of people who reported having obtained information or advice from a professional adviser during their information search and decision-making process varied considerably across the different products (Table 2.14).⁸

Table 2.14 Type of professional adviser spoken to, prospective purchasers and decumulation and PPI purchasers

Cell percentages

	Mortgage	Pension	Investment	Simple insurance	Complex insurance	Decumulation	PPI
Any advice received	75	51	59	31	61	83	78
Company representative or sales person (including call centre adviser)	13	13	7	19	15	15	16
Manager/adviser at a bank or building society	26	15	28	5	19	8	33
Independent financial adviser/IFA	36	25	28	3	25	62	25
Mortgage or insurance broker	12	2	2	2	8	~	8
Other type of adviser	-	-	-	-	-	4	1
<i>Unweighted base</i>	738	448	803	558	526	460	237

'-' denotes no case in sample. '~' denotes greater than zero but less than one per cent.

⁷ Measures tested were: age, sex, family type, employment status, social grade, internet access, financial confidence, certainty at outset, trust in advisers, and total time taken to make purchase. Again, when the number of products bought was added financial confidence was no longer significant, although no other characteristics were significant.

⁸ The Group A sample (mortgage, pension, investment, and simple and complex general insurance customers) were asked in the initial interview and in the follow-up interview (for the subset who were followed up *and* had made a purchase) which professional advisers they had spoken to, if any. The version reported in this section is the one taken from the initial interview, since we wish to relate having spoken to an adviser with other aspects of the information seeking process.

At one extreme, less than a third of prospective simple general insurance customers had consulted a professional adviser of any kind when first interviewed; at the other, three quarters of people planning to buy a mortgage had done so, as had about eight in ten decumulation and PPI customers. However, for the PPI customers it is important to remember that these included only those people who had started to look for information on PPI independently of the loan whose payments it was intended to cover. They do not, therefore, include people who were sold PPI alongside the loan. If included, these people would have pushed the rate higher still.

Table 2.15 Type of professional adviser spoken to, prospective purchasers who were close to making a decision

Cell percentages

	Mortgage	Pension	Investment	Simple insurance	Complex insurance
Any advice received	90	70	69	35	75
Company representative or sales person (including call centre adviser)	19	21	9	21	20
Manager/adviser at a bank or building society	29	17	36	6	21
Independent financial adviser/IFA	45	40	28	4	36
Mortgage broker	11	2	3	2	8
<i>Unweighted base</i>	<i>199</i>	<i>105</i>	<i>257</i>	<i>240</i>	<i>143</i>

Across most products the two main types of adviser that were most frequently consulted were IFAs and bank or building society managers/advisers (Table 2.14 and Table 2.15). On the whole, there was a slightly greater use of IFAs, especially among those who had either bought or were close to buying a product. People who had bought a decumulation product in particular, stood out as being by far the most likely to have contacted an IFA (six in ten had done so) and relatively unlikely to have consulted any other type of adviser.

Prospective purchasers of simple insurance did not, however, follow this general pattern of use. Here, if any advice was sought at all, it was most likely to have been from company representatives and sales staff.

2.6 Number of advisers consulted

It is interesting to see how many people had shopped around, consulting more than one adviser. This was highest among prospective mortgage purchasers, three in ten of whom (30 per cent) had consulted more than one, rising to almost four in ten (36 per cent) among those close to a decision (Table 2.16 and Table 2.17).

At the other extreme, just 12 per cent of all prospective purchasers of simple general insurance and 15 per cent of those close to a decision had spoken to more than one adviser.

What is perhaps more surprising is the relatively small number of people who had spoken to more than one adviser before buying a decumulation product (19 per cent) and the fact that only a quarter of those close to buying a pension (26 per cent) had done so (Table 2.16 and Table 2.17). Being complex products, the proportions might be expected to have been higher and especially so for purchasers of decumulation products who had relied so heavily on IFAs.

Table 2.16 Number of individual types of professional advisers consulted, prospective purchasers and decumulation and PPI purchasers
Column percentages

	Mortgage	Pension	Investment	Simple insurance	Complex insurance	Decumulation	PPI
Number of different professionals spoken to							
None	25	49	41	70	39	17	21
One	44	36	38	18	38	64	55
Two	18	11	13	6	15	12	14
Three or more	12	4	8	6	7	7	10
<i>Unweighted base</i>	<i>732</i>	<i>446</i>	<i>800</i>	<i>550</i>	<i>521</i>	<i>457</i>	<i>233</i>

Table 2.17 Number of individual types of professional advisers consulted, prospective purchasers who were close to making a decision
Column percentages

	Mortgage	Pension	Investment	Simple insurance	Complex insurance
Number of different professionals spoken to					
None	10	30	31	66	25
One	54	44	43	19	47
Two	22	19	16	7	21
Three or more	14	7	9	8	8
<i>Unweighted base</i>	<i>197</i>	<i>104</i>	<i>255</i>	<i>235</i>	<i>142</i>

We examined which characteristics of prospective purchasers were related to the tendency to have consulted one or more professional advisers independently of other characteristics (Table 2.18). What is most striking is the influence of product type on the likelihood of having consulted an adviser. Planning to purchase a mortgage was

associated with the highest likelihood of having done so; the likelihood of mortgage customers consulting an adviser was about ten times higher than it was for simple insurance customers and about three times higher than for all other product types.

With the exception of age and social grade socio-demographic characteristics were not predictive of consulting one or more advisers. More relevant characteristics were those that reflected the stage of the process people were at and their financial experience and confidence.

Prospective purchasers who were most certain what product they needed when first interviewed, those who had already made a decision as to what they wanted to buy and those who had been looking for a relatively long period of time were most likely to have consulted an adviser independently of other characteristics.

People who had made the greatest number of purchases in the past five years were also most likely to have consulted an adviser. However, it was those who self-reported the lowest levels of financial confidence who had the highest chance of having done so.

Those reporting the least trust in financial advisers were most likely of all to have spoken to one. This finding is difficult to interpret, except that it may be reflecting the negative experiences of those who had spoken to an adviser at the point at which they were interviewed.

Similar analysis (not shown) undertaken for the decumulation product customers, found that only three measures predicted having consulted an adviser (at any time during their search process). These were level of certainty at the outset, how long they took to make the purchase and, strongest of all, self-reported trust in financial advisers – the effects of which were all in the direction found for the prospective purchasers.

There were insufficient numbers in the sample to undertake the equivalent analysis for PPI purchasers.

2.7 Checking the marketplace

So far we have seen that most people had obtained information from relatively few sources and, if they had consulted an adviser it tended to be only one. The survey also allows us to look at the number of companies people had obtained information from – both personally, or through an adviser. Again this is indicative of fairly limited searches. In considering what to buy, a high proportion of people had obtained information from no more than one company (Table 2.19 and Table 2.20). This was at its highest among people who had bought a decumulation product, four in ten (40 per cent) of whom had sought out no company information themselves and a further three in ten (29 per cent) had contacted only one company. Many decumulation purchasers, however, obtained company information through an adviser so that two in ten (19 per cent) had collected no company information at all, with a further quarter (26 per cent) collecting it from only one company. Even so, this was still the highest level for all products, especially if they are compared with the prospective purchasers who were close to making a decision (Table 2.19 and 2.20). Prospective pension purchasers and those who had bought PPI had also conducted relatively narrow searches.

Table 2.18 Predicting consulting one or more adviser, prospective purchasers

	Sig.	Exp(B) (Odds ratio)	95.0% C.I. for EXP(B)	
			Lower	Upper
Age (18-24)	0.00			
25-34	0.85	1.0	0.8	1.4
35-44	0.01	1.5	1.1	2.1
45-54	0.01	1.5	1.1	2.1
55-64	0.00	1.8	1.2	2.6
65+	0.01	1.8	1.1	2.7
Women (compared with men)	0.97	1.0	0.8	1.2
Couple, no dependents	0.64			
Single, no dependents	0.66	1.1	0.8	1.4
Couple with dependents	0.81	1.0	0.8	1.2
Lone parent with dependents	0.20	1.2	0.9	1.7
Other (mostly young singles)	0.71	1.1	0.8	1.5
Social grade (A and B)	0.01			
C1	0.52	0.9	0.7	1.2
C2	0.01	0.7	0.6	0.9
D and E	0.01	0.7	0.5	0.9
No internet access (compared with access)	0.92	1.0	0.8	1.3
No. of products bought personally in last 5 years (none)	0.00			
One	0.00	1.5	1.2	1.9
Two	0.00	1.8	1.3	2.4
Three or four	0.00	1.8	1.3	2.3
Five or more	0.00	2.2	1.7	2.9
Self-reported financial confidence (high)	0.00			
Medium	0.01	1.3	1.1	1.6
Low	0.00	1.6	1.2	2.1
Tendency to trust advisers (low agreement)	0.00			
Medium	0.00	0.5	0.4	0.6
High	0.00	0.4	0.3	0.5
Certainty at the outset (knew exactly)	0.22			
Knew more or less	0.32	1.2	0.9	1.5
Vague idea	0.05	1.4	1.0	1.9
No idea at all	0.39	1.2	0.8	1.6
Certainty when interviewed (knew exactly)	0.00			
Knew more or less	0.67	0.9	0.7	1.2
Vague idea	0.00	0.6	0.4	0.8
No idea at all	0.00	0.4	0.2	0.5
When likely to make decision and buy product (already decided)	0.00			
within a month	0.05	0.8	0.6	1.0
In 1 to 3 months	0.00	0.6	0.4	0.7
3 months or more or don't know	0.00	0.5	0.4	0.6
When started looking for product (Up to 2 weeks ago)	0.00			
2 weeks to 1 month ago	0.00	1.6	1.2	2.2
1-3 months ago	0.00	1.8	1.4	2.3
3-6 months ago	0.00	1.9	1.4	2.6
6 months+ ago	0.00	1.7	1.3	2.3
Product type (Mortgage)	0.00			
Pension	0.00	0.3	0.2	0.4
Investment	0.00	0.3	0.2	0.4
Simple insurance	0.00	0.1	0.1	0.1
Complex insurance	0.00	0.4	0.3	0.6
Pseudo R ² (Nagelkerke)	0.26			

Notes: Measures highlighted in bold were statistically significant ($p < 0.05$)

Age and employment status could not be included in the same model due to zero cases for some combinations of these measures. The one reported is the one that included age. Employment status was included in place of age in an otherwise identical model. Employment status was not significant in the separate model.

The groups of people most inclined to search out information personally were those looking for simple insurance products or investments, two in ten of whom had personally collected information from five or more companies (Table 2.19 and Table 2.20). When company information provided by advisers is also taken into account, those looking for mortgages also included many who had collected a wide range of information – and especially so among those who were close to a decision.

Table 2.19 Number of companies information was collected on by customer and in total, all customers

	<i>Column percentages</i>						
	Mortgage	Pension	Investment	Simple insurance	Complex insurance	Decumulation	PPI
Number collected by customer							
None	13	19	13	10	15	40	20
One	36	43	29	33	37	29	52
Two	15	17	14	13	19	8	10
Three	12	9	15	14	11	8	7
Four	8	3	8	10	8	8	2
Five (but less than ten)	11	6	14	12	8	6	5
Ten or more	4	3	7	8	2	2	4
Number collected in total (by customer or through an adviser)							
None	10	15	9	9	12	19	13
One	16	19	15	16	20	26	28
Two	23	32	21	24	24	14	28
Three	11	8	13	12	13	13	4
Four	10	8	11	12	9	8	8
Five (but less than ten)	20	14	20	16	16	15	11
Ten or more	11	5	11	11	6	7	8
Mean	4.7	3.0	4.6	4.8	3.5	3.0	3.2
Unweighted base	738	448	803	558	526	458	237

Once again we have undertaken multivariate analysis to identify the factors that predict whether people had conducted limited searches; collecting information from no more than one company. This indicates that socio-demographic characteristics of prospective purchasers do not predict a limited search (Table 2.21).

The type of product people were looking to buy was highly predictive. Prospective pension purchasers had the highest likelihood of having conducted a limited search, while mortgage, simple insurance and investment customers had the lowest odds of having done so.

Table 2.20 Number of companies information was collected on by customer and in total, prospective customers who were close to making a decision

	<i>Column percentages</i>				
	Mortgage	Pension	Investment	Simple insurance	Complex insurance
Number of companies customer collected information on					
None	10	14	9	6	12
One	38	54	30	40	40
Two	17	15	13	14	19
Three	13	5	14	9	12
Four	7	4	11	12	6
Five (but less than ten)	10	6	17	11	9
Ten or more	5	2	6	8	2
Total number of companies informed about, by customer or through an adviser					
None	5	7	5	6	8
One	14	22	14	15	20
Two	26	32	19	31	22
Three	9	4	13	10	13
Four	8	9	14	12	10
Five (but less than ten)	25	17	23	15	19
Ten or more	13	9	11	10	8
Mean	5.9	3.6	4.7	4.0	4.6
Unweighted base	199	105	257	240	143

The analysis also clearly shows that it was those with the least confidence and who had bought no products in the past five years who were most likely to have conducted a limited search of company literature. Also the less certain people were about what they wanted at the outset, the greater the likelihood of them having conducted only a limited search. In other words, the people who might have most needed the information were least likely to have collected it.

Perhaps not surprisingly, those who had been looking for the shortest period of time had a higher likelihood of not having collected information about more than one company. However, how soon they expected to make a decision about which product to buy was not statistically significant when other factors were taken into account.

Table 2.21 Predicting obtaining information from one or no companies, all prospective customers

	Sig.	Exp(B) (Odds ratio)	95.0% C.I. for EXP(B)	
			Lower	Upper
Age (18-24)	0.29			
25-34	0.36	0.9	0.6	1.2
35-44	0.73	1.1	0.8	1.4
45-54	1.00	1.0	0.7	1.4
55-64	0.26	0.8	0.5	1.2
65+	0.55	1.1	0.7	1.8
Women (compared with men)	0.05	1.2	1.0	1.4
Couple, no dependents	0.30			
Single, no dependents	0.30	1.2	0.9	1.5
Couple with dependents	0.28	0.9	0.7	1.1
Lone parent with dependents	0.95	1.0	0.7	1.4
Other (mostly young singles)	0.22	0.8	0.6	1.1
Social grade (AB)	0.41			
C1	0.66	1.1	0.8	1.3
C2	0.11	1.2	1.0	1.6
D and E	0.57	1.1	0.8	1.4
No internet access (compared with access)	0.26	1.1	0.9	1.4
No. of products bought personally in last 5 years (none)	0.00			
One	0.00	0.6	0.5	0.8
Two	0.06	0.8	0.6	1.0
Three or four	0.03	0.7	0.6	1.0
Five or more	0.00	0.6	0.5	0.8
Self-reported financial confidence (high)	0.00			
Medium	0.01	1.4	1.1	1.7
Low	0.00	1.8	1.4	2.3
Tendency to trust advisers (low agreement)	0.97			
Medium	0.85	1.0	0.8	1.3
High	0.96	1.0	0.8	1.2
Certainty at the outset (knew exactly)	0.01			
Knew more or less	0.54	0.9	0.7	1.2
Vague idea	0.31	1.2	0.9	1.6
No idea at all	0.02	1.5	1.1	2.1
Certainty when interviewed (knew exactly)	0.02			
Knew more or less	0.55	0.9	0.7	1.2
Vague idea	0.12	1.3	0.9	1.8
No idea at all	0.32	0.8	0.6	1.2
When likely to make decision and buy product (already decided)	0.13			
within a month	0.65	0.9	0.7	1.2
In 1 to 3 months	0.47	1.1	0.8	1.4
3 months or more or don't know	0.06	1.2	1.0	1.6
When started looking for product (Up to 2 weeks ago)	0.00			
2 weeks to 1 month ago	0.53	0.9	0.7	1.2
1-3 months ago	0.02	0.7	0.6	1.0
3-6 months ago	0.00	0.5	0.4	0.7
6 months+ ago	0.00	0.6	0.5	0.8
Product type (Mortgage)	0.00			
Pension	0.00	1.6	1.2	2.1
Investment	0.56	1.1	0.8	1.4
Simple insurance	0.96	1.0	0.7	1.3
Complex insurance	0.01	1.4	1.1	1.9
Pseudo R ² (Nagelkerke)	0.09			

Notes: Measures highlighted in bold were statistically significant ($p < 0.05$)

Age and employment status could not be included in the same model due to zero cases for some combinations of these measures. The one reported is the one that included age. Employment status was included in place of age in an otherwise identical model. Employment status was not significant in the separate model.

Similar analysis (not shown) for decumulation product customers indicated that, of the measures available for testing, only how long they looked before making the purchase independently predicted having collected information from only one company at most. As expected, those who took the least amount of time were most likely to have done so. There were no significant predictors of this measure for PPI customers, suggesting that determinants of undertaking such a limited search were not captured in the survey.

The average number of companies from whom information had been collected was highest (5.9) among prospective mortgage purchasers who were close to a decision. Again we find that those who had bought a decumulation product or were close to buying a pension had made a less extensive search (3.0 and 3.6 respectively). In this case the level was also low among people who had bought a PPI policy (3.2).

This average does, however, hide a very wide variation indeed (Table 2.19 and Table 2.20). If we look at prospective purchasers who were close to making a decision about what to buy we can see that, typically, around one in ten people had collected information from ten or more companies either personally or through an adviser and around three in ten had collected it from five or more. The incidence of extensive searches was highest for mortgages – where almost four in ten (38 per cent) of those who were close to a purchase had obtained information from five or more companies. The next most extensive searches were made by people who were on the brink of buying an investment.

People who had purchased decumulation products or PPI were some way behind those about to buy products, with only 22 per cent and 19 per cent of them respectively having obtained information from five or more companies.

We have undertaken further regression analysis to identify the factors correlated with extensive searches for company information, ie having collected information from five or more companies.

Socio-demographic variables were not independently predictive of having made an extensive search (Table 2.22).

Having access to the internet, higher levels of self-reported financial confidence and experience and the number of products bought in the past five years were all associated with increased likelihood.

Variations by product type were not so marked, however, with mortgages tending to be most likely to involve a more extensive company search and pensions and complex insurance least likely.

Once again, longer search durations and being relatively certain about the product needed at the time of the interview were also associated with an increased tendency to have made an extensive search.

Table 2.22 Predicting obtaining information from five or more companies, all prospective customers

	Sig.	Exp(B) (Odds ratio)	95.0% C.I.for EXP(B)	
			Lower	Upper
Age (18-24)	0.24			
25-34	0.93	1.0	0.7	1.4
35-44	0.70	0.9	0.7	1.3
45-54	0.24	0.8	0.6	1.2
55-64	0.62	0.9	0.6	1.4
65+	0.06	0.6	0.4	1.0
Women (compared with men)	0.07	0.8	0.7	1.0
Couple, no dependents	0.98			
Single, no dependents	0.97	1.0	0.8	1.3
Couple with dependents	0.91	1.0	0.8	1.3
Lone parent with dependents	0.54	1.1	0.8	1.6
Other (mostly young singles)	0.71	1.1	0.7	1.5
Social grade (AB)	0.35			
C1	0.91	1.0	0.8	1.2
C2	0.12	0.8	0.6	1.1
D and E	0.35	0.9	0.7	1.2
No internet access (compared with access)	0.01	0.7	0.6	0.9
No. of products bought personally in last 5 years (none)	0.00			
One	0.01	1.4	1.1	1.9
Two	0.20	1.2	0.9	1.7
Three or four	0.00	1.7	1.2	2.3
Five or more	0.00	2.2	1.7	2.9
Self-reported financial confidence (high)	0.00			
Medium	0.00	0.7	0.6	0.9
Low	0.00	0.5	0.4	0.7
Tendency to trust advisers (low agreement)	0.34			
Medium	0.73	1.0	0.8	1.2
High	0.15	0.9	0.7	1.1
Certainty at the outset (knew exactly)	0.07			
Knew more or less	0.13	1.2	0.9	1.6
Vague idea	0.16	1.2	0.9	1.7
No idea at all	0.50	0.9	0.6	1.3
Certainty when interviewed (knew exactly)	0.00			
Knew more or less	0.69	1.0	0.7	1.2
Vague idea	0.00	0.5	0.3	0.7
No idea at all	0.00	0.5	0.3	0.8
When likely to make decision and buy product (already decided)	0.18			
Within a month	0.14	1.2	0.9	1.6
In 1 to 3 months	0.26	1.2	0.9	1.5
3 months or more or don't know	0.57	0.9	0.7	1.2
When started looking for product (Up to 2 weeks ago)	0.00			
2 weeks to 1 month ago	0.05	1.4	1.0	1.9
1-3 months ago	0.73	1.1	0.8	1.4
3-6 months ago	0.00	1.7	1.3	2.4
6 months+ ago	0.02	1.4	1.1	1.9
Product type (Mortgage)	0.00			
Pension	0.00	0.6	0.4	0.8
Investment	0.56	0.9	0.7	1.2
Simple insurance	0.21	0.8	0.6	1.1
Complex insurance	0.00	0.6	0.5	0.8
Pseudo R ² (Nagelkerke)	0.13			

Notes: Measures highlighted in bold were statistically significant ($p < 0.05$)

Age and employment status could not be included in the same model due to zero cases for some combinations of these measures.

The one reported is the one that included age. Employment status was included in place of age in an otherwise identical model.

Employment status was not significant in the separate model.

Similar multivariate analysis for decumulation product customers (not shown) indicated that, of the measures available for testing, only age independently predicted having collected information from five or more companies. None of the characteristics tested predicted collecting information on five or more sources among PPI customers (not shown).

In addition to being asked the number of companies they had collected information on, prospective mortgage purchasers were also asked how many individual products they had collected information on. A very similar pattern to the one found in relation to the number of companies emerges.

At the time they were interviewed, mortgage customers had collected information on an average of 5.2 products in total (Table 2.23). This was slightly higher among the subset that was seemingly close to making a decision about their purchase (6.2). It is perhaps surprising that 40 per cent of people who were close to making a decision had collected information themselves on only one product, and that 31 per cent had collected information on at most two products in total.

Table 2.23 Number of mortgage products information was collected on by customer and in total, prospective mortgage purchasers only

	<i>Column percentages</i>	
	All prospective mortgage customers	Those who were close to making a decision
Number collected by customer		
None	13	10
One	36	40
Two	17	16
Three	12	11
Four	7	7
Five (but less than ten)	9	12
Ten or more	5	4
Total number collected (directly or through adviser)		
None	8	3
One	5	3
Two	25	25
Three	14	10
Four	14	18
Five (but less than ten)	22	26
Ten or more	11	14
Mean	5.2	6.2
Unweighted base	697	199

2.8 What helps improve certainty about the product type needed?

We were interested to see which, if any, aspects of the information and advice-seeking process were important for improving financial consumers' certainty about the type of product they needed. The initial interview of prospective purchasers (mortgage, pension, investment, simple and complex general insurance) provides the opportunity to examine this, since customers were asked to rate their level of certainty before beginning their product search and at the time of this initial interview.

Using multivariate analysis, we are able to examine the relative strength of each of the various aspects of the process in predicting improvement in certainty whilst controlling for personal characteristics, product type and other characteristics, including how long they had been looking, and their level of certainty at the outset. Analysis is limited to those who did not say they knew exactly what they wanted at the outset.⁹

A number of the information-seeking measures just discussed were included in the analysis: number of types of information source consulted, whether or not different types of adviser had been consulted and the number of companies from whom information was collected.

The breadth of search, as indicated by the number of types of information source used, was related to an improvement in certainty – independently of other factors. Consulting any sources increased the likelihood of an improvement in certainty, but it did not increase with the actual number of sources consulted (Table 2.24).

The number of companies information was collected on was also predictive overall, although there was no systematic link with the actual number of companies involved. It seems likely that only a very wide search – involving five or more companies increases the likelihood of improved certainty to any great extent.

There was a small significant effect of having spoken to a bank or building society manager or adviser, but consulting an IFA, broker or company representative did not have statistically significant effects.

In a separate, but otherwise identical model (not shown), we replaced the number of types of information with the actual types of information source excluded from the initial model to see which, if any, of these predicted an improvement in certainty. None of the types of information source tested (best-buy tables, financial articles, adverts and speaking to friends and family) were related to an improvement in certainty independently of the other factors.

Aside from information-seeking measures, it is perhaps not surprising to see that being close to making a product choice decision and being relatively uncertain at the outset were linked with increased odds of improvement in certainty (Table 2.24). The apparent link with the length of time looking did not reach statistical significance.

⁹ The unweighted bases are as follows: mortgages, 530; pensions, 363; investments, 610; simple general insurance, 245; complex general insurance, 400.

Product type was also significant. People looking for investment, complex and simple insurance had higher odds than mortgage or pension customers of improved certainty levels.

None of the personal characteristics tested were related significantly to an improvement in certainty once the influence of the other measures tested was taken into account. Nor did people's experience or confidence play a part.

Table 2.24 Predicting an improvement in levels of certainty about the product type needed, all prospective customer who did not know exactly what they wanted at the outset

	Sig.	Exp(B) (Odds ratio)	95.0% C.I. for EXP(B)	
			Lower	Upper
Age (18-24)	0.07			
25-34	0.25	0.8	0.6	1.1
35-44	0.11	0.8	0.5	1.1
45-54	0.01	0.6	0.4	0.9
55-64	0.02	0.6	0.4	0.9
65+	0.14	0.7	0.4	1.1
Women (compared with men)	0.72	1.0	0.8	1.2
Couple, no dependents	0.69			
Single, no dependents	0.54	0.9	0.7	1.2
Couple with dependents	0.83	1.0	0.8	1.3
Lone parent with dependents	0.51	0.9	0.6	1.3
Other (mostly young singles)	0.27	0.8	0.6	1.2
Social grade (AB)	0.38			
C1	0.27	0.9	0.7	1.1
C2	0.26	0.9	0.6	1.1
D and E	0.09	0.8	0.6	1.0
No internet access (compared with access)	0.40	0.9	0.7	1.2
Self-reported financial confidence (high)	0.34			
Medium	0.30	0.9	0.7	1.1
Low	0.14	0.8	0.6	1.1
No. of products bought personally in past 5 years (None)	0.29			
1	0.04	1.4	1.0	1.8
2	0.15	1.3	0.9	1.8
3 or 4	0.13	1.3	0.9	1.7
5 or more	0.33	1.2	0.9	1.6
Level of agreement that tends to trust financial advisers and accept what they recommend (agree)	0.52			
Neither agree nor disagree	0.72	1.0	0.8	1.2
Disagree	0.43	1.1	0.9	1.4
Number of types of information or advice sources used (none)	0.03			
One	0.03	1.6	1.0	2.4
Two	0.00	2.0	1.2	3.2
Three or more	0.02	1.7	1.1	2.7
Spoke to a company representative or salesperson (compared with not speaking to one)	0.08	1.3	1.0	1.7
Spoke to a bank/building society manager or adviser (compared with not speaking to one)	0.00	1.5	1.2	1.9
Spoke to an IFA (compared with not speaking to one)	0.06	1.3	1.0	1.6
Spoke to a broker (compared with not speaking to one)	0.07	1.5	1.0	2.3

Table 2.24 Continued

	Sig.	Exp(B) (Odds ratio)	95.0% C.I. for EXP(B)	
			Lower	Upper
Number of companies information was collected on - by customer or thru adviser (none)	0.00			
One	0.93	1.0	0.7	1.5
Two	0.03	0.7	0.5	1.0
Three	0.41	1.2	0.8	1.7
Four	0.18	0.7	0.5	1.1
Five to nine	0.21	1.3	0.9	1.8
10 or more	0.10	1.5	0.9	2.3
Certainty at the outset (knew more or less)	0.00			
Vague idea	0.00	3.8	3.0	4.9
No idea at all	0.00	5.8	4.4	7.7
When likely to make decision and buy product (already decided)	0.00			
within a month	0.06	0.8	0.6	1.0
In 1 to 3 months	0.00	0.5	0.3	0.6
3 months or more or don't know	0.00	0.4	0.3	0.5
When started looking for product (Up to 2 weeks ago)	0.02			
2 weeks to 1 month ago	0.03	1.5	1.0	2.1
1-3 months ago	0.02	1.4	1.1	1.9
3-6 months ago	0.00	1.8	1.3	2.5
6 months+ ago	0.01	1.5	1.1	2.0
Product type (Mortgage)	0.01			
Pension	0.34	1.2	0.9	1.6
Investment	0.00	1.5	1.1	2.0
Simple insurance	0.00	1.7	1.2	2.5
Complex insurance	0.00	1.5	1.1	2.1
Pseudo R ² (Nagelkerke)	0.20			

Notes: Measures highlighted in bold were statistically significant ($p < 0.05$)

Age and employment status could not be included in the same model due to zero cases for some combinations of these measures. The one reported is the one that included age. Employment status was included in place of age in an otherwise identical model. Employment status was not significant in the separate model.

2.9 Assessing the available information

In this last section of the chapter we consider consumers' own evaluations of the information and advice they had accessed and used while researching their purchase.

All prospective purchasers and people who had bought decumulation products and PPI were asked a number of questions about the ease with which they personally had obtained information and advice. They were also asked to rate their agreement with a number of statements about the extent to which information available generally in the marketplace for their particular product type was adequate and trustworthy.

Customers who had bought decumulation or PPI products were additionally asked what further information they would have found helpful.

2.9.1 Accessibility and adequacy of information

All prospective purchasers and all decumulation and PPI customers were asked to rate how easy they had found four different aspects of the information and advice process:

- getting hold of the right information;
- working out which information is really important;
- comparing information about products from different companies; and
- getting financial advice you can trust.

The overwhelming majority of customers felt that it was either very or fairly easy to access and use information and advice, across the product types (Table 2.25).

Looking across product types, simple insurance customers and decumulation purchasers had, on the whole, the most positive experiences of obtaining and using information and advice. People who were planning to buy simple insurance were most likely of all the groups to report finding the information and advice easy to access, collect and compare, followed closely by the decumulation purchasers; while decumulation purchasers were marginally more likely than other groups to have found it easy to get financial advice they could trust. It should be remembered in this context, that those who had bought a decumulation product were especially reliant on advisers.

Getting hold of the right information appeared to be the easiest of the four aspects, with around three-quarters of customers saying that they found this easy, rising to 82 per cent of decumulation purchasers and 86 per cent of prospective simple insurance purchasers.

Most people also seemed to encounter few difficulties either working out which information was really important or finding financial advice they could trust, although the proportions finding these aspects easy were slightly lower.

They were lower still for comparing information about products from different companies – indeed this was rather less easy than other aspects of the information and advice process. Fewer than three in five pension customers (57 per cent) and PPI purchasers (58 per cent) found making comparisons between companies very or fairly easy. Looked at another way, four in ten of them had not found it an easy task.

However, when asked about the extent to which the same customers agreed or disagreed with a series of statements about the adequacy and accessibility of information in the market place generally, the picture was much less positive than their personal experience suggested (Table 2.26).

In particular, about two thirds of all customers felt they had been bombarded with too much unnecessary and irrelevant information, reducing to 58 per cent of mortgage customers and 50 per cent of decumulation product customers.

Similarly, about three in five customers across the product types agreed (tended to agree or agreed strongly) that there are too many products on the market to choose from. This appeared to be less of a problem for decumulation product customers, only 45 per cent of whom agreed. This does, however, need to be seen against a backdrop of the more limited information searches they had made and their greater reliance on advisers.

Table 2.25 Percentage of people who found it easy to access information or advice

	<i>Cell percentages</i>						
	Mortgage	Pension	Investment	Simple insurance	Complex insurance	Decumulation	PPI
Getting hold of the right information	73	73	79	86	70	82	77
Working out which information is really important	68	61	72	87	66	77	72
Comparing information about products from different companies	67	57	66	82	65	74*	58
Getting financial advice you can trust	69	67	70	78	62	83	76
<i>Unweighted base</i>	<i>699</i>	<i>405</i>	<i>766</i>	<i>516</i>	<i>484</i>	<i>436</i>	<i>237</i>

**Due to a large number of 'not applicable' responses, the unweighted base for this measure is considerably smaller than the one shown (N=336)*

A slightly different pattern arose when asked the extent to which they agreed that “there is not enough information out there that I can trust”. In this case, just over two in five customers agreed; with the exceptions being investment (35 per cent) and simple insurance customers (31 per cent) who were less likely than other groups to agree. So, although they may find information in the marketplace bewildering, more people were inclined to trust the information they found.

Table 2.26 Percentage of all customers who found information difficult to use and trust

	<i>Cell percentages</i>						
	Mortgage	Pension	Investment	Simple insurance	Complex insurance	Decumulation	PPI
There are too many products on the market to choose from	64	63	58	55	62	45	58
You get bombarded with too much unnecessary and irrelevant information	58	68	62	64	69	50	69
There is not enough information out there that I can trust	43	45	35	31	45	41	45
<i>Unweighted base</i>	<i>729</i>	<i>438</i>	<i>798</i>	<i>551</i>	<i>518</i>	<i>457</i>	<i>237</i>

We were interested to determine which characteristics were important for explaining the tendency to have found that there was too much irrelevant information, too many products to choose from and too little appropriate information. By creating a composite measure of the three questions, we were able to identify a group who agreed most strongly overall (indicating finding the information particularly difficult to use and trust)¹⁰ and run a logistic regression to identify which of these were independently related to strong overall agreement.

Among prospective customers, only social grade was independently related to finding the information difficult to use and trust from the available socio-demographic characteristics available for testing (Table 2.27). People classed as social grade AB were significantly more likely than those in group DE to have agreed strongly. This is hard to interpret; it was not because they were buying more complex products as this was controlled for in the analysis. Indeed, product type was not a statistically significant predictor.

Self-reported financial confidence and experience was significant, with medium levels of confidence increasing the likelihood of finding the information difficult, compared with those who were most confident. Low levels of confidence, however, were not statistically significant.

People who had a tendency to trust financial advisers and accept their advice had almost twice the likelihood of reporting that they found the information difficult than those who did not tend to trust advisers. This suggests that, in the face of a bewildering marketplace, some people rely on advisers instead.

Collecting product information from a large number of companies was associated with a decreased tendency to have found the information difficult, all other things being equal. In other words, it seems that when they find it difficult to collect and use information, people limit their searches.

On the other hand, those who recalled definitely having received a product features document were more likely to have found the information difficult to consume and trust than those who said that they had definitely not receive one. This might indicate that those who find it difficult to negotiate the information on the market are more likely to turn to the product features documents to help them make a decision. Alternatively, it might indicate that they are more likely to have made an advised purchase, as a product features document is more likely to be provided in these circumstances. In contrast, those who do not find the information daunting may be better able to make a direct purchase.

¹⁰ Strong agreement was defined as a score of 10 or higher, where agreement with each question was scored on a scale of 0 (disagrees strongly) to 4 (agrees strongly) and the score from each question summed to create a total between 0 and 12. Among the sample of prospective customers, this group who agreed strongly comprised 33 per cent of the population; for decumulation 29 per cent and for PPI, 22 per cent.

It should be noted in this context, that none of the three variables for different types of profession consulted (a company representative, a manager/adviser in a bank or building society or an IFA) was statistically significant. In other words, it is not who you speak to but the nature, coverage and presentation of the information and advice received, and how these are assimilated, that is important.

How long prospective purchasers had been looking before they made their purchase was predictive. However, the only significant difference between individual categories was that those who have been looking for two weeks to a month were more likely to agree strongly than those who have been looking for six months or more. Again, this is likely to indicate that people who have been looking for longer are more familiar with and experienced at identifying and assimilating the most relevant information.

Table 2.27 Predicting strong agreement that the available information was not adequate

	Sig.	Exp(B)	95.0% C.I. for EXP(B)	
		(Odds ratio)	Lower	Upper
Age (18-24)	0.10			
25-34	0.66	0.9	0.7	1.3
35-44	0.80	1.0	0.7	1.5
45-54	0.27	0.8	0.6	1.2
55-64	0.20	0.8	0.5	1.2
65+	0.30	1.3	0.8	2.1
Women (compared with men)	0.06	0.8	0.7	1.0
Family Structure (Couple, no dependents)	0.41			
Single, no dependents	0.96	1.0	0.7	1.3
Couple with dependents	0.22	0.9	0.7	1.1
Lone parent with dependents	0.12	0.8	0.5	1.1
Other (mostly young singles)	0.15	0.8	0.5	1.1
Social grade (AB)	0.01			
C1	0.13	0.8	0.6	1.1
C2	0.09	0.8	0.6	1.0
D and E	0.00	0.6	0.4	0.8
No internet access (compared with access)	0.08	0.8	0.6	1.0
Certainty at the outset (knew exactly)	0.13			
Knew more or less	0.16	1.2	0.9	1.7
Vague idea	0.50	0.9	0.6	1.2
No idea at all	0.72	0.9	0.6	1.3
Self-reported financial confidence (high)	0.03			
Medium	0.01	1.4	1.1	1.7
Low	0.11	1.3	0.9	1.7
Number of products bought personally in past 5 years	0.64			
(None)				
1	0.86	1.0	0.8	1.3
2	0.78	1.0	0.7	1.3
3 or 4	0.65	1.1	0.8	1.5
5 or more	0.33	0.9	0.6	1.2

Table 2.27 Continued

	Sig.	Exp(B)	95.0% C.I. for EXP(B)	
		(Odds ratio)	Lower	Upper
Level of agreement that tends to trust financial advisers and accept what they recommend (agree)	0.00			
Neither agree nor disagree	0.10	1.2	1.0	1.5
Disagree	0.00	0.6	0.5	0.8
Number of types of information or advice sources used (none)	0.13			
One	0.04	0.6	0.4	1.0
Two	0.11	0.7	0.4	1.1
Three or more	0.02	0.6	0.4	0.9
Spoke to a company representative or salesperson (compared with not speaking to one)	0.22	0.8	0.6	1.1
Spoke to a bank/building society manager or adviser (compared with not speaking to one)	0.68	1.1	0.8	1.3
Spoke to an IFA (compared with not speaking to one)	0.31	1.1	0.9	1.5
Spoke to a broker (compared with not speaking to one)	0.81	1.1	0.7	1.6
Number of companies information was collected on - by customer or thru adviser (none)	0.00			
One	0.10	0.7	0.5	1.1
Two	0.00	0.5	0.3	0.7
Three	0.00	0.5	0.3	0.8
Four	0.00	0.5	0.3	0.7
Five to nine	0.02	0.6	0.4	0.9
10 or more	0.01	0.5	0.3	0.9
Received product features document (yes, definitely)	0.00			
Yes, possibly	0.55	0.9	0.7	1.2
No, definitely not.	0.00	0.7	0.6	0.9
Certainty when first interviewed (knew exactly)	0.38			
Knew more or less	0.42	0.9	0.7	1.2
Vague idea	0.09	0.7	0.5	1.0
No idea at all	0.40	0.8	0.5	1.3
When likely to make decision and buy product (already decided)	0.77			
within a month	0.42	1.1	0.8	1.5
In 1 to 3 months	0.91	1.0	0.8	1.4
3 months or more or don't know	0.41	1.1	0.9	1.4
When started looking for product (Up to 2 weeks ago)	0.01			
2 weeks to 1 month ago	0.08	1.4	1.0	2.0
1-3 months ago	0.70	1.1	0.8	1.4
3-6 months ago	0.39	0.9	0.6	1.2
6 months+ ago	0.07	0.8	0.6	1.0
Product type (Mortgage)	0.18			
Pension	0.49	1.1	0.8	1.5
Investment	0.06	1.3	1.0	1.7
Simple insurance	0.25	1.2	0.9	1.7
Complex insurance	0.64	0.9	0.7	1.2
Pseudo R ² (Nagelkerke)	0.09			

Notes: The reference category is shown in parentheses.

Measures highlighted in bold were statistically significant ($p < 0.05$)

Age and employment status could not be included in the same model due to zero cases for some combinations of these measures. Employment status was included in place of age in an otherwise identical model. Employment status was not significant in the separate model.

In a similar analysis of the decumulation product customers (not shown), social grade was also significantly related to finding it difficult to use and trust the available information. However, in this case, those in grade AB were at the lower end of the range, with people in group C2 having higher odds of finding the information inadequate (by a factor of 2.5). This is in the direction that might have been expected (in contrast to that for the prospective purchasers).

The only other characteristic to be significant for decumulation product customers was the tendency to trust advisers and the direction was reversed compared with the prospective customers. The likelihood of finding the information difficult was 2.5 times higher among those who did not trust advisers compared with those who did. On the face of it, this is rather difficult to explain, although it might be related to the fact that, compared with others, people buying a decumulation product generally relied much more heavily on financial advisers to help them make sense of the products available and personally conducted more limited information searches. Consequently, those that did not trust advisers would have had to try and understand these fairly complex products themselves.

Among PPI customers the only significant predictor of finding the information difficult to use and trust was reporting having spoken to a company sales person (associated with increased relative odds of 3.5). The explanation here is quite likely that these are the people who were sold the product rather than making a conscious decision to purchase it.

2.9.2 The need for further information

Customers who had bought decumulation and PPI products were additionally asked what further information, if any, they felt would have been helpful in the information and advice process.¹¹ Most felt they had not needed any additional information or help. Nonetheless, a substantial minority (one in five decumulation product and one in eight PPI customers) felt that further information or advice would have been helpful to them.

Seven per cent of decumulation product purchasers felt it would have been helpful to have had more explanation; for example, clearer terminology, better explanation from an adviser or help to make the information simpler to understand. While six per cent of people who had bought PPI would have liked more information on the policy and its coverage.

Four per cent of each of these two groups of customers felt they would have liked information on more companies or products. One per cent of people who had bought a decumulation product said spontaneously that they would have liked to have been told the fee that the IFA would take.

A substantial minority (14 per cent) of PPI customers felt unable to answer the question, perhaps indicating that these had not been active in the purchase process.

¹¹ This question was not asked of customers who were planning to buy or who had bought mortgages, pension, investments, general simple insurance or general complex insurance.

Table 2.28 Further information that decumulation and PPI customers felt would have been helpful

	<i>Cell percentages</i>	
	Decumulation	PPI
Any	20	13
More info or help to understand/on product	7	-
More information on product/coverage	-	6
Info on more companies or products	4	4
To have been told the fee the IFA would take	1	-
Other information	9	4
Don't know or no answer	1	14
<i>Unweighted base</i>	<i>460</i>	<i>237</i>

'-' denotes no case in sample

2.10 Overview and conclusions: information-seeking

Fairly limited information searches are made by people looking to buy financial products. The majority of people reported that they consulted only one source of information; very few had consulted more than three. There was a clear preference for personal sources (over sources such as best-buy tables) and the majority of people had consulted a professional of some kind, most often an IFA or a manager/adviser at a bank or building society. Few, however, had spoken to more than one adviser of any kind. Likewise, a high proportion of people had personally collected information from no more than one company, although the situation improved somewhat when company information given by an adviser was taken into account.

In the table below (Table 2.29) we summarise the key predictors of information seeking. This shows quite clearly that among prospective purchasers wider information searches were influenced by the type of product people were looking for.

- Those looking for a **mortgage** were by far the most likely to have sought professional advice and were also the ones most likely to have collected information about more than one company. Their tendency to consult more than one information type of information source was also not particularly low when compared with other prospective purchasers.
- People looking for **investments** had consulted the widest range of sources, but compared with prospective purchasers of mortgages, they had much lower odds of obtaining professional advice or collecting information about five or more companies.
- People looking for **pension** or **complex general insurance** products had the lowest propensity to shop around of all the prospective purchasers. They had the lowest likelihood of consulting three or more types of information source, collecting information from five or more companies and collecting information about five or more companies than those looking for a mortgage.

It should also be noted that, although they cannot be included in this analysis, people who had already bought a decumulation product had a heavy reliance on financial advisers and did very little independent information seeking.

Personal characteristics played a relatively small part in determining prospective purchasers' information search. Age and social grade influenced the likelihood of seeking professional advice, while gender influenced the number of sources of information consulted.

Having internet access clearly facilitates both a wider search of information sources and the collection of information from a larger number of companies.

However, it was factors relating to people's confidence and experience in the financial services marketplace that played the biggest role, especially in relation to consulting an adviser and collecting information from five or more companies.

Table 2.29 Overview of predictors of information-seeking activities

	Using 3+ info sources		Consulting an adviser		Collecting info from 5+ companies	
	Prospective Purchasers	Decumulation Purchasers	Prospective Purchasers	Decumulation Purchasers	Prospective Purchasers	Decumulation Purchasers
Product type	**	N/A	**	N/A	**	N/A
Age			**			*
Gender	**					
Social grade			**			
Internet access	**				**	
Self-reported confidence		*	**		**	
Number of products bought in past 5 years	**		**		**	
Trust in advisers	*		**	**		
Certainty at outset				**		
When started looking	**		**	**	**	
Certainty when interviewed	**		**		**	
When expect to decide	**	N/A	**	N/A		N/A

*PPI purchasers are omitted due to low bases. * indicates that the measure was significant ($p < 0.05$) ** the measure was highly significant ($p < 0.01$). N/A indicates the measure was not available for analysis.*

Although, overall, customers reported finding it easy to access and use information and advice, this varied across products with simple insurance and decumulation customers most likely to report a positive experience. Also, when asked to think more generally about the information available in the marketplace for their product type, it was fairly common for people to say that the information was difficult to use and trust. Regression analysis indicated that, in the face of a bewildering marketplace, some people may rely on an adviser and/or limit their searches.

The FSA's strategic goal is that financial consumers achieve a fair deal. For consumers to achieve this, they need to make sound financial decisions, based on seeking and using the full range of relevant information and advice available to them. This research shows that there is a significant risk that consumers are not achieving a fair deal under the strategic aim because few are, in fact, carrying out a wide and thorough search. The possible exception is customers who buy investment products; however, this is driven largely by the tendency for these customers to be relatively experienced and confident financially. Poor perceptions of the ease with which information in the wider financial marketplace can be used and how well it can be trusted presents significant challenges to the FSA in meeting its objective.

3 Regulated advice and disclosure

FSA rules require that customers are provided with several key pieces of information, disclosure documents, during the financial advice and product purchase process. In reality, it appears that customers for most products do not always receive the written information they should be given and, if they do recall being provided with the information at all, do not always understand or take it on board.

This chapter switches focus from the information consumers had collected to what they should be given during the advice and purchase process. This includes information relating to the services provided by the adviser, including details of how the adviser would be paid (status disclosure). It also includes documents setting out the key features of any products they recommend, where we have looked at both whether or not such documents were received and also how they were used by consumers (product disclosure).

For the purposes of this chapter, we have tightened the definition of adviser from that reported in the previous chapter and we have analysed the responses given by people who had consulted an IFA, a broker or a manager/adviser from a bank or building society and had received a product recommendation. For short-hand we call these 'regulated advisers' although we cannot be certain that this is an entirely accurate description; instead it is the closest approximation possible.

Much of the information on status and product disclosure was only available from the initial, pre-purchase interview with customers of mortgages, pensions, investments and simple general and complex general insurance products. Simple general insurance is not covered in parts of this chapter that relate to status disclosure or advised purchases because the numbers in the sample were too small for analysis, given the low proportions of these customers who had received regulated advice. Many analyses (including all regression analysis in this chapter) were also not possible for PPI customers due to small sample sizes.

3.1 Status disclosure

In line with FSA rules, customers who receive advice from a regulated adviser must be provided with two key pieces of information about the services the adviser provides at their first point of contact: information relating to the service offered in terms of market coverage and whether or not they will provide advice and a recommendation; and information regarding the adviser's typical costs and how they are paid. These details must be provided clearly and in writing, whether in a standard Key Facts document or in some other form.

For mortgages, pensions, investments and complex general and simple general insurance, prospective purchasers who had received ‘regulated advice’ were asked about status disclosure regardless of whether or not they went on to make the purchase. They were also asked these questions in relation to the adviser who gave them the most advice and information about the type of product they were looking for, rather than the one who actually made the product recommendation. As a result, we do not know for these product types whether the responses to the status disclosure questions related specifically to the adviser who made the recommendation, although it is likely to be the case for most people. Conversely, for decumulation and PPI products, the information relates only to actual purchasers and the adviser who had recommended the product they had bought.

Typically, about a third of customers reported having received documentation on neither aspect of status disclosure, with the exception of decumulation product customers. One in five decumulation customers recalled neither. Of the two aspects of status disclosure, customers were far more likely to recall having received a document explaining how the adviser was paid (about a half of customers rising to three-quarters of decumulation product customers) than one explaining the number of providers whose products they could advise on. The proportion of people who could recall having been given the latter ranged from 27 per cent of prospective pension customers, to just 16 per cent of people who had bought decumulation products. It is possible that this information was contained in the same document as the one disclosing costs and that people had not realised that it was included.

Table 3.1 Whether received a document disclosing adviser status among all customers who spoke to a regulated adviser

Cell percentages

	Mortgage	Pension*	Investment	Complex insurance	Decumulation
Received document to explain how the adviser was paid	53	54	61	47	77
Received a document to explain which providers they were able to advise on	18	27	19	21	16
Received neither	34	30	31	37	20
Can't recall	2	2	1	2	2
<i>Unweighted base</i>	<i>251</i>	<i>98</i>	<i>259</i>	<i>130</i>	<i>302</i>

Notes: Figures for simple general insurance and PPI are not shown due to small bases.

** treat with caution due to low base.*

We have run a logistic regression on not having received any status disclosure documentation at all (Table 3.2). Very few factors were significant predictors and the only one of any magnitude was receipt of a product features document. Relative to those who said that they had definitely received one, those who said they had definitely not were 2.8 times more likely not to have received any status disclosure documentation either. This finding was after controlling for the type of professional adviser they had consulted, which on the whole was not significant at all, or in the case of brokers, was on the margins of being statistically significant at 95 per cent.

It is not clear how we should interpret this. It could mean that some people are given no documents at all by the advisers they consult. Previous mystery shopping exercises undertaken on behalf of the FSA would tend to support this.¹² In the current study, however, the low rate could be because they had actually received generic rather than regulated advice; alternatively it might be that some people either have very unreliable memories or do not register that they are being given documents in the first place.

When we removed the variable for having received a product features document from the model (not shown), three factors became significant, although none of them was highly significant. These were speaking to a broker (but not to any other type of adviser), which increased the probability; whether people had already decided what to buy, which also increased the probability; and the number of companies from whom information had been collected, which reduced probability if four or more companies had been collected.

Similar regression analysis (not shown) was run for people who had bought a decumulation product with broadly the same findings.

Decumulation product customers who said they had not received documentation for either aspect of the adviser's status were additionally asked if they had been given this information some other way (for example, over the telephone or in person).¹³ Even after taking into account being told orally, a substantial minority of decumulation product customers still did not recall being told either aspect (16 per cent, from 20 per cent) and proportions recalling being told how the adviser was paid increased only a negligible amount (80 per cent from 77 per cent) from the already high rate for decumulation). However, a much greater proportion reported being told the number of companies advisers covered (56 per cent from 20 per cent).

¹² See Research International (2005) 'Mortgage disclosure: mystery customer research report'. *Consumer Research* 42. London: FSA and TNS (2006) 'Depolarisation disclosure - mystery shopping results'. *Consumer Research* 48. London: FSA.

¹³ This information was incomplete for the sample of prospective purchasers because – due to a routing error – those who said they had not received either piece of information in writing were only asked if the information was conveyed in some other way for one of those aspects and so is not reported here.

Table 3.2 Predicting not having received status disclosure documentation, among prospective shoppers who sought advice

	Sig.	Exp(B) (Odds ratio)	95.0% C.I. for EXP(B) Lower Upper	
Age (18-24)	0.13			
25-34	0.30	1.5	0.7	3.1
35-44	0.74	1.1	0.5	2.4
45-54	0.50	0.8	0.3	1.7
55-64	0.22	0.6	0.2	1.4
65+	0.56	0.7	0.3	2.1
Women (compared with men)	0.51	0.9	0.6	1.3
Family Structure (Couple, no dependents)	0.65			
Single, no dependents	0.31	0.7	0.4	1.3
Couple with dependents	0.98	1.0	0.6	1.6
Lone parent with dependents	0.75	0.9	0.4	1.9
Other (mostly young singles)	0.25	0.6	0.3	1.4
Social grade (A and B)	0.31			
C1	0.07	1.5	1.0	2.4
C2	0.77	1.1	0.6	1.9
D and E	0.57	1.2	0.6	2.2
No internet access (compared with access)	0.23	0.7	0.5	1.2
Certainty at the outset (knew exactly)	0.07			
Knew more or less	0.13	0.7	0.4	1.1
Vague idea	0.01	0.4	0.2	0.8
No idea at all	0.12	0.6	0.3	1.1
Self-reported financial confidence (high)	0.09			
Medium	0.69	1.1	0.7	1.7
Low	0.05	1.8	1.0	3.2
Number of products bought personally in past 5 years (None)	0.17			
1	0.14	0.6	0.3	1.2
2	0.80	0.9	0.5	1.8
3 or 4	0.21	0.7	0.3	1.3
5 or more	0.03	0.5	0.3	0.9
Level of agreement that tends to trust financial advisers and accept what they recommend (agree)	0.19			
Neither agree nor disagree	0.39	1.2	0.8	1.9
Disagree	0.07	1.5	1.0	2.4
Number of types of information or advice sources used (none)	0.39			
One	0.35	0.4	0.1	2.6
Two	0.60	0.6	0.1	3.9
Three or more	0.39	0.4	0.1	2.8
Spoke to a company representative or salesperson (compared with not speaking to one)	0.87	0.9	0.4	2.2
Spoke to a bank/building society manager or adviser (compared with not speaking to one)	0.31	1.4	0.7	2.9
Spoke to an IFA (compared with not speaking to one)	0.27	0.7	0.3	1.4
Spoke to a broker (compared with not speaking to one)	0.05	0.4	0.2	1.0
Number of companies information was collected on - by customer or thru adviser (none)	0.01			
One	0.79	0.9	0.4	2.0
Two	0.94	1.0	0.5	2.2
Three	0.93	1.0	0.5	2.3
Four	0.33	0.7	0.3	1.5
Five to nine	0.01	0.3	0.2	0.7
10 or more	0.77	0.9	0.4	2.1

Table 3.2 Continued

	Sig.	Exp(B) (Odds ratio)	95.0% C.I. for EXP(B)	
			Lower	Upper
Received product features document (yes, definitely)	0.00			
Yes, possibly	0.30	1.3	0.8	2.3
No, definitely not.	0.00	2.8	1.8	4.3
Certainty when first interviewed (knew exactly)	0.62			
Knew more or less	0.97	1.0	0.6	1.7
Vague idea	0.37	1.4	0.7	2.7
No idea at all	0.32	1.6	0.6	3.9
When likely to make decision and buy product (already decided)	0.06			
within a month	0.02	1.8	1.1	3.1
In 1 to 3 months	0.02	1.9	1.1	3.3
3 months or more or don't know	0.22	1.4	0.8	2.3
When started looking for product (Up to 2 weeks ago)	0.77			
2 weeks to 1 month ago	0.43	1.4	0.6	2.9
1-3 months ago	0.85	0.9	0.5	1.8
3-6 months ago	0.79	0.9	0.4	1.8
6 months+ ago	0.72	1.1	0.6	2.1
Product type (Mortgage)	0.86			
Pension	0.70	1.1	0.6	2.1
Investment	0.79	1.1	0.6	1.8
Complex insurance	0.39	1.3	0.7	2.2
Pseudo R ² (Nagelkerke)	0.27			

Notes: The reference category is shown in parentheses.

Measures highlighted in bold were statistically significant ($p < 0.05$)

Age and employment status could not be included in the same model due to zero cases for some combinations of these measures. The one reported is the one that included age. Employment status was included in place of age in an otherwise identical model. Employment status was not significant in the separate model.

3.1.1 How advisers were paid

More people could say how they thought their adviser would be paid than said that they had received a document setting this out. When asked how their adviser would be paid for the advice they had given, around two in ten people said that they had not been told this information – ranging from 26 per cent of those advised about complex insurance to just 9 per cent of those receiving advice on decumulation products. We cannot be certain that this was the case, as some people may have forgotten and others may have been talking about general advice that did not result in a sale.

On the whole, customers who had received regulated advice were most likely to say they thought that the adviser would be paid through receiving commission from the product provider (

Table 3.3). This was especially likely among decumulation product customers (65 per cent), while for people looking to buy other types of product, commission was only cited as the payment method by between about a third and two in five customers.

Table 3.3 How advisers were paid

Column percentages

	Mortgage	Pension*	Investment	Complex insurance	Decumulation
Commission	32	43	38	42	65
Fee	22	12	14	15	16
Both	12	6	7	8	3
No commission or fee payable	15	16	24	10	7
I haven't been told this information	20	23	17	26	9
<i>Unweighted base</i>	<i>242</i>	<i>94</i>	<i>252</i>	<i>125</i>	<i>290</i>

Figures for simple general insurance and PPI are not shown due to small bases

** treat with caution due to low base.*

A fee was mentioned as the payment method by between 12 per cent of pension customers and 22 per cent of mortgage customers. Only a minority said their adviser would be paid through a combination of fee and commission (from three per cent of decumulation product customers to 12 per cent of mortgage customers).

A substantial minority of investment customers (24 per cent), in particular, said that no fee or commission was payable, suggesting that they had received general advice only. The proportions were somewhat lower for other products, especially for people advised on complex insurance (10 per cent) and decumulation products (7 per cent),

3.1.2 Whether adviser was tied, multi-tied or whole of market

Although very few people said that they had received a document setting out the extent of the marketplace on which their adviser could offer advice, the great majority of them did appear to know this information, with only a handful across most products saying that they did not know or had not been told. The exception was decumulation product customers; with almost one in ten not knowing the status of their adviser.

Customers who received regulated advice were most likely to say that they thought the adviser could give advice on the products of any company (whole of market; Table 3.4). Typically, between four and five in ten of customers recalled this as the case, although the rate was considerably higher (68 per cent) among decumulation product customers. It is not possible to determine, from the survey data, whether or not respondents were likely to be correct in their understanding of the adviser's status. However, recent research in relation to status disclosure for investment purchasers indicates that consumers often assess their advisers' status incorrectly. Consumers who received whole of market advice were least accurate in their perception of the

advisers status (against the adviser's self-reported status), underestimating the adviser's market coverage.¹⁴ Other research has similarly found that, even when this information is conveyed in standardized, written formats, the adviser's status is often incorrectly identified.¹⁵

Table 3.4 Whether adviser was tied, multi-tied or whole of market

Column percentages

	Mortgage	Pension*	Investment	Complex insurance	Decumulation
Could advise on one company (tied)	28	26	37	22	11
Could advise on a limited number (multi-tied)	22	21	19	30	13
Could advise on any company (whole of market)	46	51	42	42	68
More than one but don't know how many	3	-	1	2	6
I haven't been told this information	2	3	1	4	3
Unweighted base	247	95	257	129	300

Figures for simple general insurance and PPI are not shown due to small bases.

*'-' denotes no case in sample. * treat with caution due to low base.*

About a quarter of mortgage, pension and complex insurance customers had consulted an adviser whom they believed was able to advise on the products of one company only (tied); the rate was higher among investment customers (37 per cent) and somewhat lower among decumulation product customers (11 per cent). This might suggest that some of the people who had been advised on investment products had received only general advice.

Most of the remainder had spoken to an adviser who they believed was able to advise on a limited number of companies (multi-tied). This was typically around two in ten of the people who had been advised on mortgages, pensions or investments – but was higher (three in ten) among people advised on complex insurance and only about one in eight of those advised about a decumulation product.

3.2 Product disclosure

FSA rules stipulate that customers who make an advised purchase must receive a product disclosure document at the point of sale. These documents carry different names depending on the type of product they relate to: Key Facts Illustration for mortgages; Key Features Document for pensions and investments (including decumulation products); and Policy Summary or Policy Statement for insurance products. Nonetheless, they have a common purpose, which is to disclose the main

¹⁴ GfK NOP (2008) Depolarisation Disclosure. *Consumer Research 64*. London: FSA.

¹⁵ BMRB Social Research (2008) Services and Costs Disclosure. *Consumer Research 65b*. London: FSA.

pieces of information about the product itself, such as its aims, costs flexibility and risk factors, in a standardised format. Since they are intended to enable products to be compared easily, the product features documents are often also made available at an earlier stage in the purchase process. In the event of a non-advised sale, where an adviser arranges a sale but does not make a recommendation, some advisers supply this information though they are not required to.

Regardless of whether they had sought advice, all customers were asked if they had obtained or looked at a product features document relevant to the product they were intending to buy or had already bought; although for PPI purchasers the sample asked about product features documents was limited to those who reported having started looking for PPI information in advance of purchasing the main financial product. Reflecting the fact that they were yet to make their purchase, only just over a third of all prospective purchasers said they had definitely seen a product features document, ranging from 32 per cent of prospective mortgage customers to 40 per cent of simple general insurance (Table 3.5).

About a half of prospective purchasers who had already received regulated advice by the time they were first interviewed recalled definitely having obtained a relevant document. Even though a further minority thought they had possibly received one, this is, nonetheless, surprisingly low; such that a quarter to two-fifths of prospective purchasers had definitely not received a document. As mentioned above, however (see section 3.1), prospective purchasers who were classed as having received 'regulated advice' had spoken to a regulated adviser and received a recommendation, although the recommendation was not necessarily made by a regulated adviser and therefore not necessarily a recommendation in the formal, regulated sense. Since these customers had not yet made their purchase, we cannot be certain that these customers should necessarily have received a product features document at this stage.

In contrast to the prospective purchasers, the majority of all decumulation product customers (72 per cent) and PPI customers (68 per cent), who had all made their purchase by the time they were interviewed, recalled having definitely seen one or more product features documents. There was a similar rate among the subset of decumulation product customers that had made advised purchases (71 per cent).

Table 3.5 **Obtained or looked at product features document by product type**
Row percentages

	Yes, definitely	Yes, possibly	Definitely not	<i>Unweighted base</i>
Mortgage customers	32	14	54	738
Advised	46	13	40	251
Not advised	25	14	61	487
Pension customers	33	19	48	448
Advised	54	21	25	98*
Not advised	27	19	55	350
Investment customers	39	12	49	803
Advised	52	12	35	259
Not advised	33	12	55	544
Simple insurance customers	40	15	45	558
Advised				**
Not advised	39	15	46	528
Complex insurance customers	34	17	49	526
Advised	55	23	23	130
Not advised	27	15	58	396
Decumulation customers	72	15	13	453
Advised	71	16	12	299
Not advised	73	12	15	154
PPI customers	68	29	3	58*

*** indicates numbers were too small for analysis. * treat with caution due to small bases. PPI could not be broken down by advised/not advised due to low bases.*

A regression analysis was run to ascertain the key predictors of someone having received a product features document. Among prospective purchasers (Table 3.6), the type of product they were intending to buy was not significant.

Speaking to a professional greatly increased the likelihood of someone having received a product features document, regardless of whether that person was a company representative of sales person, a manager/adviser in a bank or building society or an IFA. Of the three types, it was speaking to a company representative or salesperson that most increased the likelihood of receiving a product features document.

Once again, there was a strong link with people's self-reported confidence, the number of products they had bought in the past five years and how certain they had been about what they wanted to buy at the outset. This suggests that these people not only conduct the widest information searches, but are also most likely to make searches that result in the provision of product features documents.

Table 3.6 Predicting obtaining a product features document

	Sig.	Exp(B) (Odds ratio)	95.0 per cent C.I. for EXP(B)	
			Lower	Upper
Age (18-24)	0.23			
25-34	0.78	1.0	0.7	1.5
35-44	0.35	0.8	0.6	1.2
45-54	0.94	1.0	0.7	1.5
55-64	0.87	1.0	0.7	1.6
65+	0.18	0.7	0.5	1.2
Women (compared with men)	0.88	1.0	0.8	1.2
Family Structure (Couple, no dependents)	0.01			
Single, no dependents	0.29	0.9	0.7	1.1
Couple with dependents	0.47	1.1	0.9	1.4
Lone parent with dependents	0.01	0.6	0.4	0.9
Other (mostly young singles)	0.05	0.7	0.5	1.0
Social grade (AB)	0.13			
C1	0.35	1.1	0.9	1.4
C2	0.19	0.8	0.7	1.1
D and E	0.44	0.9	0.7	1.2
No internet access (compared with access)	0.00	0.7	0.5	0.9
Certainty at the outset (knew exactly)	0.79			
Knew more or less	0.91	1.0	0.8	1.3
Vague idea	0.65	1.1	0.8	1.5
No idea at all	0.64	0.9	0.6	1.3
Self-reported financial confidence (high)	0.00			
Medium	0.00	0.5	0.4	0.7
Low	0.00	0.6	0.5	0.8
Number of products bought personally in past 5 years (None)	0.00			
1	0.76	1.0	0.8	1.4
2	0.36	1.2	0.8	1.6
3 or 4	0.01	1.5	1.1	2.0
5 or more	0.00	1.9	1.4	2.5
Level of agreement that tends to trust financial advisers and accept what they recommend (agree)	0.37			
Neither agree nor disagree	0.25	0.9	0.7	1.1
Disagree	0.22	0.9	0.7	1.1
Number of types of information or advice sources used (none)	0.12			
One	0.21	1.3	0.9	2.0
Two	0.18	1.4	0.9	2.2
Three or more	0.04	1.7	1.0	2.6
Spoke to a company representative or salesperson (compared with not speaking to one)	0.00	2.0	1.6	2.6
Spoke to a bank/building society manager or adviser (compared with not speaking to one)	0.00	1.5	1.2	1.9

Table 3.6 Continued

	Sig.	Exp(B) (Odds ratio)	95.0 per cent C.I. for EXP(B)	
			Lower	Upper
Spoke to a broker (compared with not speaking to one)	0.74	0.9	0.6	1.4
Number of companies information was collected on - by customer or thru adviser (none)	0.00			
One	0.01	1.7	1.1	2.5
Two	0.01	1.7	1.2	2.5
Three	0.00	2.0	1.3	3.0
Four	0.00	2.1	1.4	3.2
Five to nine	0.00	2.3	1.6	3.5
10 or more	0.00	2.6	1.6	4.0
Certainty when first interviewed (knew exactly)	0.00			
Knew more or less	0.00	0.6	0.5	0.8
Vague idea	0.00	0.3	0.2	0.4
No idea at all	0.00	0.3	0.2	0.5
When likely to make decision and buy product (already decided)	0.00			
within a month	0.00	0.6	0.4	0.7
In 1 to 3 months	0.00	0.5	0.4	0.7
3 months or more or don't know	0.00	0.5	0.4	0.6
When started looking for product (Up to 2 weeks ago)	0.02			
2 weeks to 1 month ago	0.02	1.5	1.1	2.0
1-3 months ago	0.01	1.5	1.1	1.9
3-6 months ago	0.00	1.7	1.2	2.3
6 months+ ago	0.01	1.5	1.1	2.0
Product type (Mortgage)	0.13			
Pension	0.08	1.3	1.0	1.8
Investment	0.02	1.4	1.0	1.8
Simple insurance	0.02	1.4	1.0	1.9
Complex insurance	0.21	1.2	0.9	1.6
Pseudo R ² (Nagelkerke)	0.27			

Notes: Measures highlighted in bold were statistically significant ($p < 0.05$)

Age and employment status could not be included in the same model due to zero cases for some combinations of these measures. The one reported is the one that included age. Employment status was included in place of age in an otherwise identical model. Employment status was not significant in the separate model.

Personal characteristics played little part, although lone parents and young single people still living at home (arguably two of the more vulnerable groups) had a much reduced probability of having received a product features document, even when other factors were taken into account. People without internet access also had a reduced probability.

The likelihood of having received a product features document was related to how long people had been looking. Compared with those who had been looking for less than two weeks, all others had one and a half times the probability of having received such a document. This suggests that most people get a product features document very early in their search.

Finally, compared with those who had decided what to buy, all others had only half the probability. This is the first indication we have that product features documents help people to make up their minds about what to buy.

A separate logistic regression was also run for people who had bought a decumulation product (data not shown). This identified three statistically significant predictors of having received a key features document: age (with younger people more likely to have done so); having access to the internet; and a high level of self-reported financial confidence and experience.

3.2.1 Number of product disclosure documents obtained

Everyone who said they had definitely looked at or obtained at least one product disclosure document was asked how many such documents they had seen. The majority of them reported having obtained one or two documents, regardless of the product they had been looking for. About a third overall had seen at least three or more documents, ranging from 23 per cent of prospective pension customers and rising to 42 per cent of people planning to buy investment products (Table 3.7).

Table 3.7 Number of documents looked at by customers who had obtained documentation

	<i>Row percentages</i>			
	One	Two	Three or more	<i>Unweighted base</i>
Mortgage customers	42	23	35	231
Advised	35	23	42	111
Not advised	49	23	28	120
Pension customers	54	23	23	131
Advised	49	19	32	48*
Not advised	57	26	17	83*
Investment customers	33	25	42	303
Advised	34	28	38	132
Not advised	32	23	45	171
Simple insurance customers	56	19	26	211
Advised				* *
Not advised	55	16	26	196
Complex insurance customers	46	26	28	163
Advised	47	22	31	62*
Not advised	44	29	27	101
Decumulation customers	52	20	28	298
Advised	49	20	31	199
Not advised	58	19	23	99*

* * Numbers too small for analysis. * Treat with caution due to small base. PPI is omitted due to low base.

Across most products, there was a tendency for people who had received regulated advice to have obtained more product features documents than those who had not (Table 3.7). This was most pronounced among people looking to buy a mortgage or pension and those who had already bought a decumulation product. Among

prospective purchasers of investments and simple insurance, however, more product features documents had been received by those who had not sought advice.

3.2.2 Reading product features documents

Overall about four in ten people claimed to have read the product features document they were given ‘from beginning to end’. Around three in ten claimed to have read ‘only the bits they thought were important’ and two in ten had ‘skim read it without reading much of the detail’. Only a handful of people said they had not personally read them at all.

This varied across products, with about half of prospective purchasers of complex general insurance and mortgages and the same proportion of decumulation product purchasers having reading the whole of their product features documents. In contrast, fewer than four in ten prospective purchasers of pensions or simple general insurance policies had done so (Table 3.8).

Table 3.8 Whether personally read the product features documentation, all who had obtained documentation

	<i>Column percentages</i>					
	Mortgage	Pension	Investment	Simple insurance	Complex insurance	Decumulation
Read them all from beginning to end	47	37	42	37	50	50
Read only the bits they thought were important	22	34	29	44	25	27
Skimmed through without reading the detail	23	21	21	18	21	18
Did not read anything	5	4	3	~	3	1
Did not read anything, but adviser went through it with them	3	4	5	1	1	3
<i>Unweighted base</i>	232	132	311	212	163	304

~ denotes greater than zero but less than one per cent. PPI is omitted due to low base.

Across all products, the most common reason people gave for having read the whole of the document was that they wanted to understand or find out more about the product. But the proportion saying this varied considerably by product type; ranging from half of those considering buying a pension or decumulation product, to a third of people considering a mortgage or investment product; a quarter of those investigating a complex insurance product and only one in six of people looking for simple general insurance.

On the whole, no other reason was given by more than one in ten of the people who had read their document in detail. The exceptions were as follows.

- Always read them in detail – pensions, 17 per cent.
- Likely to read the small print – complex insurance, 14 per cent; mortgages, 12 per cent.
- To check the coverage or make sure needs are covered – simple general insurance, 14 per cent; decumulation products, 12 per cent; complex insurance, 10 per cent.
- To see what would be getting for their money – decumulation products, 12 per cent; complex insurance, 11 per cent.
- It’s important – decumulation, 10 per cent.

Likewise, there was variation in the reasons people gave for not reading the product information in detail. Some had skimmed the document or read only the parts they considered important to help them understand the product they were considering buying. This was highest for those considering decumulation products (32 per cent), followed by mortgages (18 per cent); investments (13 per cent) and pensions (12 per cent). Others said that they had done so to identify the key points – most notably for complex insurance (18 per cent); pensions (16 per cent); investments (15 per cent) and mortgages (11 per cent). The main reason people gave for not reading simple general insurance policy summaries in detail was that they only wanted to make sure that their needs were covered (18 per cent).

Few people cited time constraints, although more than one in ten people considering complex insurance (14 per cent) or taking out an investment (10 per cent) said that they had not read the documentation because it was too long and boring.

3.2.3 Understanding product features documents

Everyone who had received a product features document was asked if they had needed or would have liked help to understand it. About half of them said that they did (Table 3.9). People considering decumulation products needed the most help (65 per cent); while those buying simple general insurance needed the least help (16 per cent). For other products it was a little over a half.

Table 3.9 Whether consumers would have liked help explaining the product features documentation, all who obtained documentation

	<i>Column percentages</i>					
	Mortgage	Pension	Investment	Simple insurance	Complex insurance	Decumulation
Yes, and adviser explained it	45	40	40	9	37	57
Yes, and someone else explained it	4	7	5	3	11	3
Yes, but no-one had explained it	4	8	4	4	9	5
No, did not need further help	46	45	51	84	43	35
<i>Unweighted base</i>	<i>232</i>	<i>135</i>	<i>311</i>	<i>212</i>	<i>165</i>	<i>304</i>

PPI is omitted due to low base.

In fact, most people who needed an explanation had received one from a financial adviser. A small number had had the product features document explained by someone else. This only left around one in twenty who had needed help and not received it – although it was somewhat higher for complex insurance (9 per cent) and pensions (8 per cent).

Following this, they were asked if they had found the documentation clear and simple to understand. About three in ten said that it was very clear and half found it fairly clear. But that still left just under one in five having either some or (much less commonly) a great deal of difficulty understanding the documentation they had been given. This proportion varied little across the products covered by the study but was lowest for mortgages (12 per cent) and highest for pensions and complex insurance (both 19 per cent; Table 3.10).

Table 3.10 How easy consumers had found it to understand the product features documentation, all who obtained documentation

Column percentages

	Mortgage	Pension	Investment	Simple insurance	Complex insurance	Decumulation
Very clear and simple	43	25	23	29	22	29
Fairly clear and simple	45	57	60	56	59	53
Some difficulty understanding the details	10	16	16	14	16	14
Great difficulty understanding the details	2	3	1	1	3	3
<i>Unweighted base</i>	<i>232</i>	<i>135</i>	<i>311</i>	<i>212</i>	<i>165</i>	<i>304</i>

PPI is omitted due to low base.

In fact, there was a strong correlation between having received help with understanding the product features document and finding it clear and simple to use. We have, therefore, run a regression analysis to identify the main factors predicting that the document was found difficult to understand, controlling, among other things, for having received help (Table 3.11).

This showed that, for prospective purchasers, there was a strong link between not understanding the product features document and not having any assistance. Compared with those who had had it explained by a financial adviser, people who had needed help and not received it had almost four times the odds (3.7) of not finding it easy to comprehend.

Yet again, there was a link with people's self-reported financial confidence and with their level of certainty about what they wanted to buy at the outset, exclusive of other factors. Those with the lowest levels of confidence and who had no idea what they wanted had double the probability of finding the product features document very clear as others in the sample.

Together this would seem to suggest that product features documents assume too high a level of knowledge and that people need help to understand them.

The product being sought was not statistically significant, although a separate regression (not shown) predicting finding the documentation very clear and simple to use showed that it was not only highly significant, but showed a good deal of variation across products. Compared with mortgage key facts documents, key features documents relating to pensions and investments were associated with almost half the odds (0.6) of being very clear and simple and the odds were less than half (0.4) for policy summaries for either simple or general insurance products. This suggests that more work is needed on the design of these two types of document in particular.

Age and gender were also significant predictors of finding the product features document difficult to use, with women having much less difficulty than men, when all other things (including confidence and experience) were equal. The age effect was much less pronounced, with people aged 25-34 having much less difficulty than those aged under 25. There were no significant differences for other age groups.

Table 3.11 Predicting finding the product features document difficult to understand, prospective purchasers who had received one

	Sig.	Exp(B) (Odds ratio)	95.0% C.I. for EXP(B)	
			Lower	Upper
Age (18-24)	0.01			
25-34	0.01	0.4	0.2	0.8
35-44	0.06	0.5	0.2	1.0
45-54	0.09	0.5	0.2	1.1
55-64	0.70	1.2	0.5	2.8
65+	0.27	0.6	0.2	1.6
Women (compared with men)	0.00	0.5	0.3	0.8
Couple, no dependents	0.61			
Single, no dependents	0.99	1.0	0.5	1.9
Couple with dependents	0.21	1.4	0.8	2.3
Lone parent with dependents	0.64	0.8	0.3	2.0
Other (mostly young singles)	0.74	0.9	0.3	2.1
Social grade (A and B)	0.51			
C1	0.60	1.1	0.7	1.9
C2	0.65	1.1	0.6	2.0
D and E	0.13	1.6	0.9	3.1
No internet access (compared with access)	0.83	1.1	0.6	1.8
Certainty at the outset (knew exactly)	0.74			
Knew more or less	0.98	1.0	0.5	1.8
Vague idea	0.44	1.3	0.7	2.6
No idea at all	0.98	1.0	0.4	2.2
Self-reported financial confidence (high)	0.00			
Medium	0.11	1.5	0.9	2.3
Low	0.00	3.0	1.6	5.6

Table 3.11 Continued

	Sig.	Exp(B) (Odds ratio)	95.0% C.I.for EXP(B)	
			Lower	Upper
Number of products bought personally in past 5 years (None)	0.15			
1	0.84	0.9	0.5	1.9
2	0.07	1.9	0.9	4.0
3 or 4	0.12	1.7	0.9	3.3
5 or more	0.40	1.3	0.7	2.5
Level of agreement that tends to trust financial advisers and accept what they recommend (agree)	0.72			
Neither agree nor disagree	0.64	1.1	0.7	1.8
Disagree	0.42	1.2	0.7	2.0
Number of types of information or advice sources used (none)	0.51			
One	0.25	2.0	0.6	6.2
Two	0.56	1.4	0.4	4.8
Three or more	0.46	1.6	0.5	5.0
Number of companies information was collected on - by customer or thru adviser (none)	0.59			
One	0.54	0.7	0.3	1.9
Two	0.33	0.6	0.3	1.6
Three	0.40	0.7	0.2	1.8
Four	0.78	0.9	0.3	2.3
Five to nine	0.13	0.5	0.2	1.2
10 or more	0.65	0.8	0.3	2.1
Number of product features documents obtained (one)	0.62			
Two	0.88	1.0	0.6	1.7
Three or four	0.22	1.4	0.8	2.3
Five or more	0.97	1.0	0.5	2.1
Needed help to understand product features document (Yes, and received help from an adviser)	0.00			
Yes, and someone else explained it to be	0.17	1.7	0.8	3.5
Yes, but it hasn't been explained to me	0.00	3.7	1.7	7.9
No, I didn't need further help	0.14	0.7	0.4	1.1
Certainty when first interviewed (knew exactly)	0.01			
Knew more or less	0.40	1.3	0.7	2.1
Vague idea	0.02	2.4	1.2	5.1
No idea at all	0.00	5.0	1.8	14.3
When likely to make decision and buy product (already decided)	0.14			
within a month	0.93	1.0	0.6	1.8
In 1 to 3 months	0.79	0.9	0.5	1.7
3 months or more or don't know	0.04	1.7	1.0	2.8
When started looking for product (Up to 2 weeks ago)	0.72			
2 weeks to 1 month ago	0.78	1.1	0.5	2.3
1-3 months ago	0.43	0.8	0.4	1.5
3-6 months ago	0.81	1.1	0.5	2.2
6 months+ ago	0.95	1.0	0.5	2.0
Product type (Mortgage)	0.83			
Pension	0.68	1.2	0.6	2.3
Investment	0.63	1.2	0.6	2.1
Simple insurance	0.26	1.5	0.7	2.9
Complex insurance	0.40	1.3	0.7	2.5
Pseudo R ² (Nagelkerke)	0.20			

Notes: Measures highlighted in bold were statistically significant ($p < 0.05$)

Age and employment status could not be included in the same model due to zero cases for some combinations of these measures. The one reported is the one that included age. Employment status was included in place of age in an identical model (and was not significant). Additionally, having spoken to a company representative, bank adviser, IFA or broker were included in place of needing help to understanding the document in a separate model; again none were significant.

A similar analysis was also run for people who had received documentation relating to a decumulation product and here only the level of self-reported confidence and experience was significant. This showed that, compared with their counterparts who had high levels of confidence and experience, those with only a low level were 14 times more likely to find the documentation difficult to understand. In this case, receiving an explanation from an adviser made no difference at all, suggesting that for some people, the documentation is far too difficult to comprehend even with expert assistance. This is yet more evidence that people buying decumulation products rely heavily on advisers in deciding what to buy.

3.2.4 How product features documents were used

Everyone who said that they had at least skim-read their product features document was asked how they had used it. Typically about four in ten people said, when prompted, that they had used the document to compare different products or providers (slightly higher for investments and slightly lower for decumulation products and pensions; Table 3.12).

Table 3.12 How the product features documents were used, among those reading at least some of the information, prompted response

	<i>Column percentages</i>					
	Mortgage	Pension	Investment	Insurance Simple	Complex insurance	Decumulation
To compare with other products/companies	39	35	44	39	38	31
Made me realise it was the right product for me	34	31	31	39	33	44
Made me consider the risks	30	35	46	15	33	36
For information/reference	26	25	33	32	20	27
Made me realise I needed more information/ advice	13	22	18	4	17	13
Made me realise it was not the right product for me	11	10	10	8	12	2
Don't know/No answer	7	5	3	8	5	7
<i>Unweighted Base</i>	234	135	311	212	165	299

PPI is omitted due to low base.

Two other prompted uses stood out: to make people realise it was the right product for them and to make them consider the risks. Even so, the levels of use were not high. Typically between three and four in ten people reported each of these uses, regardless of the product they were buying (Table 3.12).

It is interesting to note that the documentation made a minority of people realise that they needed more information or advice before they could make a decision – this being highest for people looking to buy a pension (22 per cent), and lowest for those seeking a simple general insurance policy (4 per cent). A further minority (typically

around one in ten) said that the documentation had made them realise that the product was not the right one for them.

It is worth commenting on the fact that among people who had bought a decumulation product, only 2 per cent said that the documentation had made them realise it was the wrong product for them, while an above average proportion (44 per cent) said it made them realise it was the right one. This is almost certainly because they were being asked about the documentation relating to the product they had already bought, whereas for other products the question was asked of prospective purchasers.

When prompted, very few people did not identify at least one way in which they had used the documents. However, in response to an earlier, unprompted version of this question, around four in ten people across the product types either said explicitly that they had not used it or that they did not know how it had been used.¹⁶

In the previous chapter we reported on the factors that predicted increased certainty among prospective purchasers about what type of product they wanted to buy (section 2.8). We repeated this analysis, but this time adding whether or not they had received a product features document (not shown). Adding this variable did not affect the main variables that had predicted an improvement in certainty earlier (Table 2.24); the number of companies from whom people had collected information, speaking to a manager/adviser in a bank or building society and product type were still significant and had broadly the same effect. So too did the level of certainty at the outset and how long people had been looking.

Controlling for these factors, people who weren't sure that they had received a product features document or knew that they had definitely not were very much less likely to have a clearer idea of what product they wanted than people who had definitely received one (0.5 times the odds in each case).

There was a fairly clear link between the prompted use of product documentation and the stage prospective mortgage and investment purchasers had reached in their decision-making (Table 3.13). (Note that this analysis could not be undertaken for other product types due to small sample sizes.) On the whole, the longer people expected to take before making a decision, the more likely they were to say that the document was used only for information or reference or to instigate further information-seeking. This made them realise that they needed more information or advice before making a decision. This suggests that people who were furthest from making a decision were conducting the least focused searches of all the groups.

People who reported being ready to buy were most likely of all to say the product features documents had helped them realise the product was the right one for them; conversely, people who were not ready to make a decision but expected to do so within the next three months, were most likely to report that it made them realise it was not the right product for them. This is encouraging as it suggests that consumers do use key features documentation in the way intended.

¹⁶ Detailed analysis has not been reported for this unprompted question because the responses varied considerably, indicating that people had trouble answering it, reflected in a large proportion whose responses could only be categorised as 'other'.

Table 3.13 How the product features documents were used, by how long before expects to decide what to buy (those reading at least some of the information, prompted response)

Cell percentages

	Already decided	Up to 3 months	More than three months or don't know when
Mortgages			
To compare with other products/companies	43	43	29
Made me realise it was the right product for me	39	34	25
Made me consider the risks	32	38	20
For information or reference	16	25	42
Made me realise I needed more information or advice	4	21	20
Made me realise it was not the right product for me	9	20	7
Don't know/no answer	4	13	8
<i>Unweighted base</i>	<i>101</i>	<i>57*</i>	<i>65*</i>
Investment			
To compare with other products/companies	39	55	36
Made me realise it was the right product for me	40	31	14
Made me consider the risks	41	49	50
For information or reference	21	38	43
Made me realise I needed more information or advice	11	21	29
Made me realise it was not the right product for me	7	15	8
Don't know/no answer	3	~	2
<i>Unweighted base</i>	<i>126</i>	<i>111</i>	<i>62*</i>

**Treat with caution due to small bases. '~' denotes greater than zero but less than one. Other product types are omitted due to small sample sizes.*

It might be expected that people would use the key features documentation differently if they had consulted an adviser who had also recommended a product to them. In fact, there were few systematic differences in their replies across the product types (Table 3.14). It is reassuring to note that people were more likely, when prompted, to say that the documentation had made them consider the risks (except among decumulation customers). They were also more likely to say that it made them realise that it was the right product for them (again with the exception of decumulation purchasers). This could indicate one of two things: either the products recommended by advisers were more appropriate to their needs than those selected by people who had not had such a recommendation; or, alternatively, that the adviser had persuaded them it was more appropriate. The other significant finding from this analysis is that people who had a product recommendation from an adviser were slightly more likely than others to say that they had not used the documentation for decumulation products and complex insurance.

Table 3.14 How the product features documents were used, by whether or not advice and a recommendation had been received

Cell percentages

		Mortgage	Pension	Investment	Simple Insurance	Complex insurance	Decumulation
To compare with other products/companies	Advised	43	**	47	**	29	35
	Not advised	35	33	43	40	44	24
Made me realise it was the right product for me	Advised	42	**	34	**	34	44
	Not advised	25	25	29	38	32	44
Made me consider the risks	Advised	37	**	51	**	36	34
	Not advised	23	33	43	16	31	39
For information or reference	Advised	21	**	25	**	22	25
	Not advised	31	21	39	31	20	32
Made me realise I needed more information or advice	Advised	14	**	17	**	10	14
	Not advised	11	27	19	4	22	10
Made me realise it was not the right product for me	Advised	10	**	12	**	12	3
	Not advised	12	9	9	8	12	1
Don't know/no answer	Advised	8	**	1	**	7	9
	Not advised	7	9	4	9	4	3
Unweighted base	Advised	109	**	130	**	62*	98*
	Not advised	114	81*	169	183	96*	201

**Treat with caution due to small bases. ** insufficient cases in the sample. PPI is omitted due to small base.*

3.3 Overview and conclusions: regulated advice and disclosure

FSA rules require that regulated advisers give their customers several key pieces of information, disclosing how they will be remunerated, how many companies' products they are authorized to give advice on and providing details of the key features of the products they recommend.

Although the results of this survey rely on customer recall (which can be unreliable) and an imprecise definition of a regulated adviser, it does seem that customers for all products except decumulation ones, do not always receive the written information they should be given. This seemed to be especially bad for documentation explaining whether the adviser was tied, multi-tied or covered the whole of market, where typically only two in ten of people recalled being given the information. This is far lower than the proportions saying that they had been given written details telling them how the adviser would be paid or that they had been given a product features document (each typically half or more).

Nevertheless, rather more customers did know how their adviser would be paid or the extent of the market they could advise on than could recall having been given the relevant documentation. This would suggest that they were told the information even if it was not given to them in writing.

After controlling for how long they had been looking and a range of other factors, the main predictor of prospective purchasers saying they had not been given either type of status disclose (charges and extent of market coverage) was whether or not they had received a product features document. This may indicate that some people are given no documents at all by the advisers they consult, possibly because they had received generic rather than regulated advice. Alternatively, some people either have very unreliable memories or do not register that they are being given documents in the first place.

Similar analysis of the factors predicting whether a prospective purchaser recalled having received a product features document included having spoken to an IFA, having spoken to a manager or adviser in a bank or building society and having spoken to a company representative or salesperson. This suggests that people are being given such documentation even outside of a regulated advice environment. People's level of confidence and experience was also a key predictor. The type of product was not, however, significant in the regression. With decumulation products the main predictor was people's level of confidence.

Typically, four in ten customers who recalled having been given a product features document said that they had read it thoroughly, rising to half of those who were advised on a complex insurance product. The main reason for doing so was that they wanted to understand or find out more about the product. Among those who had not read it thoroughly, most said they had skimmed through it – saying that they just wanted to pull out the key information.

Typically, around half of people needed or would have liked help to understand the product features document they were given. This was highest for decumulation products and lowest for simple insurance products. Most, however, were able to get the help they needed – usually from an adviser.

Across products, about three in ten people said that they found the product features document they had been given very clear and easy to use, while fewer than one in five people had at least some difficulty understanding it. Those who had received help, tended to find it easier to use.

The main factors predictive of finding the document difficult related to people's confidence and experience (for prospective purchasers and in the separate regression for decumulation products) and (for prospective purchasers only) whether they had received help from an adviser.

Among the prospective purchasers, product type was not a significant predictor, although it was highly significant in a separate analysis of those who found the document very clear and simple. In this case, mortgage key facts documents were a great deal easier and clearer than comparable product features documents for pensions, investments and either simple or complex insurance.

Together this suggests that some people, with lower levels of confidence and experience of using financial services, struggle to understand the product features document they are given and need help to do so. This was even more acute for people given key features documents relating to decumulation products, some of whom struggled to understand them even with the help of a financial adviser.

The most notable finding about how the product features documents were used was that (except for investments) around four in ten people either said that they had not used it or that they did not know how it had been used. Among those that had used it, the most common ways were to help them decide what to buy or as a source of reference information. There is evidence that product features documents help people to become clearer about the product they should buy.

These findings indicate that the FSA and the financial services industry face a number of challenges to ensure that consumers receive, use and understand disclosure information. It is encouraging that most consumers are using product features documents in the way intended and are receiving the help they need to understand them where necessary. However, the finding that as many as one in five people do not find the documents easy to use suggests the need for further work in this area. The situation is less clear for status disclosure; although rates of recollection of having received this information in writing are relatively low, there is some doubt that all those who were identified as having received regulated advice had actually received anything more than sales or generic advice.

4 Deciding what to buy

In reality, not everyone who starts out looking to buy a particular type of product will eventually do so, or may not do so for a long time afterwards. People will not complete their intended purchase for various reasons, including realising that the product is not needed or appropriate after all, a house-purchase falling through in the case of a mortgage, or deciding to buy a different type of product altogether. The two-stage interview design (pre and post-purchase) for five of the product types was particularly useful for enabling planned purchases that were not made to be explored.

This section looks first at whether or not the prospective purchasers who were successfully re-interviewed actually bought what they planned to buy.¹⁷ We then move on to discuss the length of time purchasers (of all the product types) took to complete their search and proceed to purchase, influences on the final product choice, the use of the product features document in making the final decision, and whether or not people had made an advised purchase. This chapter ends by considering the reasons given by people who decided not to buy any product or who bought an alternative product instead.

4.1 Do people buy what they set out to buy?

Among the subset of original prospective purchasers who were successfully re-interviewed, about six in ten had gone on to make their planned purchase across the product types (Table 4.1).

Table 4.1 Percentage of prospective purchasers who made the planned purchase

	<i>Cell percentages</i>				
	Mortgage	Pension	Investment	Simple insurance	Complex insurance
Prospective purchasers who made their planned purchase	55	40	57	92	66
<i>Unweighted base</i>	<i>250</i>	<i>93*</i>	<i>290</i>	<i>212</i>	<i>138</i>

** treat with caution due to low base.*

The exceptions were pension customers, of whom only 40 per cent went on to buy and, at the other extreme, simple general insurance customers, almost all of whom (92 per cent) had bought the product they had planned to buy.

¹⁷ About one third of all prospective purchasers interviewed in the initial interview completed a follow-up interview: mortgages, 34 per cent; pensions, 25 per cent; investments, 36 per cent; simple insurance, 38 per cent; complex insurance, 26 per cent (unweighted figures). 21 people who were originally planning to buy a pension were classified as having bought a mortgage in the follow-up questionnaire and, in error, were asked questions about the mortgage they had bought. These have been excluded from the base for analysis purposes.

4.2 How long did people take to decide?

The sample of decumulation and PPI customers were asked how long they took to buy the product after first starting to look; for others the time to complete the purchase was calculated.¹⁸ With the exception of PPI and, to a lesser extent, simple insurance, there was a tendency for purchasers to take several months to decide to make their purchase (Table 4.2).

For most products, about one in ten purchasers took less than a month to make their decision and buy the product, rising to one in six simple insurance customers, reflecting the relative simplicity of these products. The notable exception, however, is PPI, where almost two-thirds of customers (62 per cent) said they had bought the product within a month. This is surprising, given that PPI customers who had only made the decision to buy when purchasing a linked financial product are excluded from this measure and suggests that, in reality, rather more of these policies were sold alongside the loan they protected.

Table 4.2 Length of time taken to make the purchase

	<i>Column percentages</i>					
	Mortgage	Investment	Simple insurance	Complex Insurance*	Decumulation	PPI*
Within a month	11	11	16	9	13	62
One month to 3 months	23	21	37	26	25	19
3 to 6 months	23	28	22	26	21	11
6 months or more	43	39	26	39	40	9
<i>Unweighted base</i>	<i>128</i>	<i>161</i>	<i>162</i>	<i>84</i>	<i>448</i>	<i>55</i>

** treat with caution due to low base.*

Pensions are not included due to insufficient numbers in the sample.

At the other extreme, between about a third and two-fifths of mortgage, investment, complex general insurance and decumulation product customers took six months or more to make their purchase after first starting to look for information and advice. Slightly fewer (26 per cent) of simple insurance customers took this long, but it was PPI customers who were the least likely to do so (nine per cent).

We were interested to see what characteristics, if any, were important for determining the tendency for some people to have made very contracted and protracted decision-making processes.

¹⁸ The figures for decumulation and PPI are based on responses to a single question which asked respondents how long they took to make the purchase from first starting to look. The figures for all other products are based on summing the total time from the same question asked of prospective purchasers at the first interview with information about when the purchase was made at the follow-up interview.

Looking first at what predicts making a decision within a month of starting to look, logistic regression analysis shows that, among mortgage, pension, investment and general insurance customers, consulting an IFA was the only characteristic that related to this significantly, once other factors were controlled (table not shown).¹⁹ Consulting an adviser doubled the likelihood of making a purchase within this time-frame. However, the type of product was not significant suggesting that it was how the product was bought not the type that determined the time taken.

Similar analysis of decumulation product customers also found that consulting an adviser increased the likelihood of making a purchase within a month, independently of other factors (more than doubling the probability). In this case, the number of information sources consulted was also predictive and the probability of buying within a month were more than doubled for people who had consulted one source at most, compared with those who consulted two or more. Collecting information on two or more companies also had a similar effect.²⁰

Trust in financial advisers and obtaining product features documents were significant predictors of the tendency to make a prolonged search (six months or more) among mortgage, pension, investment and general insurance customers (table not shown). Medium and high agreement that the customer tended to trust financial advisers doubled the likelihood of having made a protracted search compared with low agreement. Reporting that a product features document had possibly been obtained or looked at also doubled the likelihood of having taken six months or more to make the purchase, compared with people who either said that they definitely had or had not obtained one. The likelihood is that this finding reflects a recall issue associated with a long and protracted search rather than a real effect of the features document in the search process. Product type was not significant.

Regression analysis of the decumulation product customers found that two factors helped to explain variations in the tendency to take six months or more to make the purchase. Consulting an adviser doubled the probability of having taken six months or more to make the purchase. Perhaps surprisingly, reporting high financial confidence doubled the probability of taking six months or more compared with those who had medium levels of financial confidence and trebled the chances compared with those with low levels of financial confidence. However, financial confidence supplanted the effects of consulting more types of information and having access to the internet, which are also found to be predictive of taking six months or more to decide (when financial confidence is excluded from the analysis), suggesting that to a certain extent financial confidence represents a tendency to access more information during the search.

¹⁹ Characteristics tested were age, gender, family structure, social grade, internet access, certainty at the outset, financial confidence, the number of products bought within the past five years, the tendency to trust financial advisers, the number of types of information sources used, the number of companies information was collected from, having received a product features document, consulting a company salesperson, bank or building society manager or adviser, an IFA or other type of adviser, and product type. Employment status was tested in place of age in an otherwise identical model.

²⁰ It is not surprising in itself that the equivalent measures in the cross-product regression were not predictive since, for the cross-product data, the information on the information sources and company details were collected only in the initial interviews when, for most prospective purchasers the information-seeking process was still far from complete.

Socio-demographic characteristics do not appear to drive a tendency to take either a relatively short or long time to make a purchase. Measures of the breadth or nature of the search are not consistently important, although when they do have an influence it seems that only the narrowest of searches results in a quick purchase. Consulting an adviser appears to facilitate a quick purchase, while at the same time it can be implicated in a more prolonged search and decision-making process. The finding that high self-reported financial confidence among decumulation product customers predicts a longer decision-making process appears to indicate that more experienced customers tend to conduct wider searches and perhaps even bide their time as financial markets change.

4.3 Influences on the final purchase

All purchasers were asked whether their final product choice was recommended or influenced by a professional adviser, friend, relative or someone else, or if it was a choice they had made entirely themselves.

The relative importance of these influences differed considerably across products (Table 4.3). Simple insurance customers were very likely to report that they had made their final product choice entirely by themselves (82 per cent), with only one in ten (11 per cent) reporting choosing one that had been either recommended or influenced by an adviser.

At the other extreme, only about three in ten decumulation (27 per cent) and PPI (30 per cent) customers had made their product choice alone. Instead, about a half of these two groups of customers reported having bought one recommended by an adviser, with others (18 per cent and 11 per cent respectively) saying that they were influenced in their final choice by an adviser. This provides further evidence of an apparent reliance on advisers among decumulation product customers and that PPI customers are likely to be sold the policy; an issue that is the subject of recent FSA investigation and action.²¹

For each of the remaining products, about a half of purchasers said they made their final choice entirely by themselves. With the exception of pensions, about one in five of them bought a product recommended by an adviser and an equal number had been influenced in their choice of product by an adviser. Among pension customers, more than twice as many said they were influenced in their choice by an adviser (26 per cent) as said they had bought one that an adviser had recommended (12 per cent).

²¹ See GfK NOP (2007). *The sale of payment protection insurance: phase III mystery shopping results*. London: Financial Services Authority and FSA (2007). *The sale of payment protection insurance: thematic update*. London: Financial Services Authority.

Table 4.3 How the final product choice was made

Column percentages

	Mortgage	Investment	Simple insurance	Complex Insurance*	Decumulation	PPI
Chose one recommended by a professional adviser	23	21	5	18	50	52
Influenced in final choice by a professional adviser	20	23	6	20	18	11
Influenced in final choice by a friend, relative or someone else	6	8	7	9	5	6
Made the choice entirely by yourself	51	48	82	53	27	30
<i>Unweighted base</i>	<i>142</i>	<i>172</i>	<i>194</i>	<i>91</i>	<i>453</i>	<i>237</i>

* *treat with caution due to low bases.*

Pensions are not included due to insufficient numbers in the sample.

Across the product types, fewer than one in ten reported being influenced in their final choice by friends, family or someone else.

Despite the high proportions of decumulation purchasers saying their final choice was influenced, if not recommended, by an adviser, very few of those who had consulted a professional adviser of any kind reported feeling under any pressure to buy the product recommended (four per cent). Also no-one in the sample of decumulation product customers who made an advised purchase felt under any great pressure to buy the product (although three per cent felt under pressure ‘to some extent’).

The picture was not quite so positive for PPI customers. Almost three in ten (29 per cent) PPI customers who spoke to a professional adviser of any kind when making their purchase felt under at least some pressure, including 12 per cent who felt under pressure ‘to a great extent’. Sample sizes are too small to report for PPI customers who made an advised purchase.²²

One in eight people who bought PPI products said either that they were told that they had to take out PPI when they bought the main financial product (nine per cent) or that they did not know at the time whether or not it was optional (three per cent; Table 4.4). Only just over a third (36 per cent) of these said they definitely would have taken out the product if they had known it was optional. A further 31 per cent felt they would probably have purchased it (table not shown).

Half of those buying PPI reported that they were advised to take the product out although they did not have to (49 per cent; Table 4.4).

²² Customers of the remaining products were asked this question only during their initial interview, prior to having made their purchase. We have decided therefore not to analyse the findings.

Table 4.4 Which of the following best describes your purchase of the PPI?

	<i>Column percentages</i>
I was told that I had to take out the PPI in order to get the main product	9
I was advised to take it out but it was not compulsory	49
It was left for me to decide whether or not to take it out	39
I didn't know at the time whether or not the PPI was optional	3
<i>Unweighted base</i>	<i>237</i>

Most people who reported that they were either told they had to take out PPI to get the main product or were advised to do so, said they were told this by the company selling the product (59 per cent). However, almost three in ten reported the person as being an IFA; the remainder did not answer the question, did not know or said that someone else had told them (table not shown).

In addition to the 12 per cent of people (reported above) who were either told that the PPI product was compulsory or did not know whether it was or not, a further 12 per cent of PPI purchasers said they only found out later that it was optional. In other words, ‘inertia selling’ seems to have occurred in about a quarter of cases. These findings resonate with those from the latest annual report from the Financial Ombudsman Service.²³

Everyone who had bought a product of some kind was asked to describe, unprompted, their main reasons for taking out the specific product they had bought. Reasons varied considerably in their nature across the product types, from the fairly specific (such as the level of risk or the past performance or cost of the product) to the general (Table 4.5).

The past performance or cost of the product (including any financial incentives for taking it out, such as free breakdown cover with a car insurance policy) were particularly important among mortgage (56 per cent) and simple insurance customers (65 per cent).

The terms of the product suiting the purchaser’s needs were often cited for the more complex insurance products: complex insurance (52 per cent) and PPI (60 per cent); although it was also cited by more than four in ten of those who bought simple insurance (42 per cent).

Ease and convenience of making the purchase were rarely cited for any of the products. However, quite substantial minorities of customers said that they decided what to buy on the basis of an existing relationship or reputation of the provider. This was most common among those buying investments (33 per cent), decumulation products (22 per cent) or complex general insurance (18 per cent). Slightly fewer said that they had bought either on trust or on the recommendation of someone else, such as an adviser or employer. Here, the percentages were highest for decumulation products (11 per cent), investments and complex insurance (8 per cent each).

²³ Financial Ombudsman Service (2008). *Annual Review 2007/08*. London: Financial Ombudsman Service.

Table 4.5 Reasons for taking out particular product*Column percentages*

	Mortgage	Investment	Simple insurance	Complex Insurance*	Decumulation	PPI
Performance, rate, value, financial incentive	56	46	65	32	33	11
Low risk or to spread risk	-	9	-	-	-	-
To release cash/provide income	8	5	-	3	6	-
Suited needs	28	26	42	52	18	60
On trust or recommendation of adviser or employer	5	8	3	8	11	5
Company relationship or reputation	10	18	33	15	22	-
Easy or convenient	-	2	2	1	8	-
Other reasons	23	45	17	23	19	7
Don't know or no answer	3	-	2	5	1	22
Unweighted base	144	172	196	91	459	237

* treat with caution due to low bases. '-' denotes no case in sample
Pensions are omitted due to low base.

Overall, many people cited reasons that did not appear to relate to the specific product chosen; rather to the type of product. These responses have been included in the 'other' category in Table 4.5. This was very high (45 per cent) for people who had bought investments.

Of particular concern was the fact that a large proportion of PPI customers (22 per cent) said they did not know why they had bought it (or did not provide an answer at all). Also, more than half (55 per cent) of PPI customers said they bought the product for reasons relating to 'protection' or 'security' in general (these are all contained in the 'suited needs' category). Once again, this suggests that many PPI policies were sold and not actively bought.

4.4 Use of the product features document in final decision²⁴

A minority of prospective purchasers said that the product features documents they had received had helped them to decide what to buy. We re-ran the logistic regression in chapter 2, looking at the factors that predicted a greater certainty about what type of product people wanted to buy, but adding whether or not they had received a product features document. Taking other factors in the model into account, those who had received such a document had twice the likelihood of having a clearer idea than those who had not (table not shown).

²⁴ It should be noted that, unlike other sections of this chapter, this one relates to the situation when prospective purchasers were first interviewed.

Everyone who had received such documentation was also asked more directly about the extent to which it had helped them in their decision-making (Table 4.6).

Table 4.6 Whether product features documents helped with decision-making, among those reading at least some of the information

	<i>Column percentages</i>					
	Mortgage	Pension	Investment	Simple insurance	Complex insurance	Decumulation
Yes, to a great extent	30	28	26	30	37	39
Yes, to some extent	45	59	57	55	49	25
No	18	13	17	15	14	26
<i>Unweighted base</i>	<i>221</i>	<i>129</i>	<i>300</i>	<i>209</i>	<i>159</i>	<i>299</i>

PPI is omitted due to low base.

Typically, around eight in ten people said that it had helped, although generally speaking more people said that it had helped to some extent than said it had been a great help. The proportions of people finding it a great help were highest among purchasers of decumulation products (39 per cent) and prospective purchasers of complex insurance products (37 per cent). At the same time, these were the same groups that included the highest proportions of people finding it no help at all.

A further logistic regression was run to predict whether people had found the product features document helped their decision-making to a great extent (Table 4.7).

A familiar set of factors had a statistically significant effect, including on the level of self-reported financial confidence, the number of products bought in the past five years and the extent to which people knew at the outset what type of product they wanted to buy. In all cases the effects were large and it was the most confident people who had the highest odds of finding the product features helped them a great deal with their decision-making.

- People with low self-reported confidence had reduced odds of 0.3 compared with those with high levels.
- Someone who had bought five or more products in the past five years had 2.5 times the odds compared with someone who had bought none.
- People who had no idea at all what they wanted at the outset had odds of 0.2 compared with someone who had known exactly what they wanted.

This is further evidence that such documentation is less useful for less confident and experienced people who need it most.

Table 4.7 Predicting finding the product features helped decision-making to a great extent

	Sig.	Exp(B) (Odds ratio)	95.0 per cent C.I. for EXP(B)	
			Lower	Upper
Age (18-24)	0.03			
25-34	0.05	2.0	1.0	4.1
35-44	0.00	3.2	1.6	6.5
45-54	0.01	2.7	1.3	5.6
55-64	0.04	2.3	1.0	5.0
65+	0.06	2.3	1.0	5.7
Women (compared with men)	0.62	1.1	0.8	1.5
Family Structure (Couple, no dependents)	0.65			
Single, no dependents	0.70	0.9	0.6	1.5
Couple with dependents	0.78	1.1	0.7	1.6
Lone parent with dependents	0.15	1.7	0.8	3.4
Other (mostly young singles)	0.97	1.0	0.5	2.1
Social grade (AB)	0.10			
C1	0.08	1.4	1.0	2.0
C2	0.02	1.7	1.1	2.7
D and E	0.19	1.4	0.8	2.3
No internet access (compared with access)	0.47	1.2	0.8	1.8
Certainty at the outset (knew exactly)	0.80			
Knew more or less	0.89	1.0	0.6	1.5
Vague idea	0.53	1.2	0.7	1.9
No idea at all	0.76	0.9	0.4	1.8
Self-reported financial confidence (high)	0.00			
Medium	0.00	0.5	0.4	0.7
Low	0.00	0.3	0.1	0.5
Number of products bought personally in past 5 years (None)	0.30			
1	0.97	1.0	0.6	1.7
2	0.84	0.9	0.5	1.7
3 or 4	0.23	0.7	0.4	1.2
5 or more	0.12	0.7	0.4	1.1
Level of agreement that tends to trust financial advisers and accept what they recommend (agree)	0.54			
Neither agree nor disagree	0.60	0.9	0.6	1.3
Disagree	0.27	0.8	0.5	1.2
Number of types of information or advice sources used (none)	0.95			
One	0.93	1.0	0.4	2.2
Two	0.84	0.9	0.4	2.2
Three or more	0.74	0.9	0.4	2.1
Spoke to a company representative or salesperson (compared with not speaking to one)	0.12	1.4	0.9	2.1
Spoke to a bank/building society manager or adviser (compared with not speaking to one)	0.71	1.1	0.7	1.6
Spoke to an IFA (compared with not speaking to one)	0.76	0.9	0.6	1.4
Spoke to a broker (compared with not speaking to one)	0.79	0.9	0.5	1.8
Number of companies information was collected on - by customer or thru adviser (none)	0.20			
One	0.32	0.6	0.3	1.5
Two	0.38	0.7	0.3	1.6
Three	0.16	0.5	0.2	1.3
Four	0.75	0.9	0.4	2.1
Five to nine	0.51	0.8	0.3	1.7
10 or more	0.69	1.2	0.5	2.9

Table 4.7 Continued

	Sig.	Exp(B)	95.0 per cent C.I. for EXP(B)	
		(Odds ratio)	Lower	Upper
Number of product features documents obtained (one)	0.00			
Two	0.48	1.2	0.8	1.7
Three or four	0.00	1.8	1.2	2.7
Five or more	0.00	2.4	1.4	4.2
Certainty when first interviewed (knew exactly)	0.01			
Knew more or less	0.00	0.6	0.4	0.8
Vague idea	0.03	0.4	0.2	0.9
No idea at all	0.03	0.2	0.0	0.8
When likely to make decision and buy product (already decided)	0.40			
within a month	0.30	0.8	0.5	1.2
In 1 to 3 months	0.18	0.7	0.5	1.2
3 months or more or don't know	0.18	0.7	0.5	1.1
When started looking for product (Up to 2 weeks ago)	0.35			
2 weeks to 1 month ago	0.56	1.2	0.7	2.1
1-3 months ago	0.88	1.0	0.6	1.6
3-6 months ago	0.56	0.8	0.5	1.5
6 months+ ago	0.21	0.7	0.4	1.2
Product type (Mortgage)	0.34			
Pension	0.51	0.8	0.5	1.5
Investment	0.22	0.7	0.5	1.2
Simple insurance	0.46	0.8	0.5	1.4
Complex insurance	0.39	1.2	0.8	2.0
Pseudo R ² (Nagelkerke)	0.20			

Notes: The reference category is shown in parentheses.

Measures highlighted in bold were statistically significant ($p < 0.05$)

Age and employment status could not be included in the same model due to zero cases for some combinations of these measures. The model reported is the one that included age. Employment status was included in a separate, otherwise identical model in place of age. Employment status was not significant in the separate model.

4.5 Making advised purchases

A series of questions were asked of all customers who had purchased a product (including those who had bought either a decumulation product or PPI in the previous year) to try to establish whether or not they had received regulated financial advice from a professional on the product they went on to purchase and if the final purchase was the result of an advised sale.²⁵ An advised sale in this respect is one in which a regulated financial adviser both made a personal recommendation for a product and arranged the purchase. Previous research has shown that there is some confusion among consumers around what constitutes regulated financial advice and who is qualified to provide it.²⁶ We have no independent corroboration of the type of adviser people had consulted, so we have had to compute variables that try to minimise the effect of any customer confusion.

²⁵ Please note that in this section the findings are limited to those who had purchased a product, unlike in earlier sections of this chapter where the base included those who were planning to make a purchase.

²⁶ For example, GfK (2008) *Exploration of consumer attitudes and behaviour with regard to financial advice and the implication of RDR proposal*. London: Financial Services Consumer Panel

By cross-checking responses to the various questions we have classified people as having made their purchase on the basis of ‘regulated advice’ if they said they purchased a product that was recommended by someone they described as an IFA, a mortgage broker, an accountant or a solicitor. We also included people who said they had bought a product recommended by a manager or adviser at a bank or building society, as we thought that, on balance, these were more likely to be regulated advisers than not. We excluded from our definition people who said they bought a recommended product if the only person they said they spoke to about the product was a company representative or salesperson (including call centre staff), as these are unlikely to be regulated advisers. Consequently, ‘advised sales’ are those in which the customer used ‘regulated advice’ and for whom the purchase was arranged by the adviser.

Table 4.8 Proportion of purchasers who received regulated advice, by product

	<i>Cell percentages</i>						
	Mortgage	Pension*	Investment	Simple insurance	Complex insurance*	Decumulation	PPI
Received regulated advice (adviser recommended a product)	47	30	35	6	33	66	9
Advised sale (adviser recommended a product and arrange sale)	37	21	32	5	23	60	7
<i>Unweighted base</i>	<i>144</i>	<i>57</i>	<i>170</i>	<i>193</i>	<i>90</i>	<i>460</i>	<i>237</i>

** treat with caution due to low base.*

According to these definitions, the proportions of purchasers receiving regulated advice varied considerably by product type, ranging from as few as one in twenty (six per cent) of simple insurance customers, to two-thirds (66 per cent) of decumulation product customers. Just under half of mortgage customers had received regulated advice, while for pension, investment and complex general insurance the rate was about one in three.

The proportions of customers who made an advised purchase (adviser recommended and arranged the sale) were similarly varied. Very few simple insurance customers made an advised purchase (five per cent); while the purchase of a decumulation product was very likely to be made as a result of an advised sale (60 per cent).

Despite the relative complexity of PPI products, it is surprising how few PPI customers appear to have received regulated advice (nine per cent) or made an advised purchase (seven per cent). This is likely to reflect the tendency for these purchases to be unplanned and to be made during the purchase of the main financial product. Less than half of PPI purchasers said they had planned to take out PPI in advance (41 per cent), and only a quarter (26 per cent) had actively looked for information about PPI before purchasing the main financial product.

Using regression analysis we were able to determine which characteristics were independently related to having made an advised purchase (Table 4.9). It is interesting to note that very few factors were significant.

Product type was significant, with mortgage customers being most likely to have made an advised purchase and insurance customers least likely.

People who were retired had 2.6 times the odds of the full-time employed to have made an advised purchase. The tendency to trust financial advisers was also significant, with those with greater levels of trust being more likely to have made an advised purchase, as might be expected.

The only remaining characteristic that significantly predicted making an advised purchase was self-reported financial confidence. Those reporting the lowest levels of confidence had three times the odds and those classed as having medium levels of confidence had 2.4 times the odds, compared with the most confident prospective purchasers.

Nonetheless, a similar regression analysis undertaken for the sample of decumulation product customers (not shown) also found that trust in advisers was significant in the same direction as found in the regression of prospective purchasers. No other characteristics were predictive of decumulation product customers having made an advised purchase. Similar analysis could not be run for PPI customers due to small sample sizes.

Table 4.9 Predicting making an advised purchase

	Sig.	Exp(B) (Odds ratio)	95.0% C.I. for EXP(B)	
			Lower	Upper
Work status (Full-time)	0.04			
Part-time	0.79	1.1	0.5	2.2
Not working	0.34	0.7	0.3	1.5
Retired	0.01	2.6	1.2	5.6
Women (compared with men)	0.10	1.6	0.9	2.7
Couple, no dependents	0.59			
Single, no dependents	0.27	1.5	0.7	3.0
Couple with dependents	0.57	1.2	0.7	2.2
Lone parent with dependents	0.38	0.6	0.2	1.9
Other (mostly young singles)	0.93	1.1	0.3	3.8
Social grade (AB)	0.59			
C1	0.60	0.9	0.5	1.5
C2	0.60	0.8	0.4	1.6
D and E	0.17	0.5	0.2	1.3
No internet access (compared with access)	0.34	0.7	0.4	1.4
Certainty at the outset (knew exactly)	0.42			
Knew more or less	0.19	1.5	0.8	2.8
Vague idea	0.32	1.4	0.7	2.8
No idea at all	0.95	1.0	0.4	2.2
Self-reported financial confidence (high)	0.01			
Medium	0.00	2.4	1.3	4.4
Low	0.00	3.0	1.4	6.4

Table 4.9 Continued

	Sig.	Exp(B) (Odds ratio)	95.0% C.I. for EXP(B)	
			Lower	Upper
Number of products bought personally in past 5 years (None)	0.37			
1	0.05	0.4	0.2	1.0
2	0.35	0.6	0.2	1.7
3 or 4	0.20	0.6	0.2	1.4
5 or more	0.29	0.6	0.3	1.5
Level of agreement that tends to trust financial advisers and accept what they recommend (agree)	0.02			
Neither agree nor disagree	0.06	0.6	0.3	1.0
Disagree	0.01	0.4	0.2	0.8
Number of types of information or advice sources used (none)*	0.43			
One	0.22	3.7	0.4	31.2
Two	0.22	3.8	0.4	33.4
Three or more	0.38	2.7	0.3	23.5
Number of companies information was collected on - by customer or thru adviser (none)*	0.13			
One	0.64	1.3	0.4	3.9
Two	0.58	0.7	0.2	2.2
Three	0.61	0.7	0.2	2.4
Four	0.96	1.0	0.3	3.1
Five to nine	0.41	1.6	0.5	4.7
10 or more	0.20	2.2	0.7	7.4
Received product features document (Yes, definitely)*	0.33			
Yes, possibly	0.56	1.2	0.6	2.5
No, definitely not	0.26	0.7	0.4	1.2
Total search time (within a month)	0.29			
1-3 months ago	0.10	2.1	0.9	5.1
3-6 months ago	0.37	1.5	0.6	3.6
6 months+ ago	0.56	1.3	0.5	3.0
Product type (Mortgage)	0.00			
Pension	0.13	0.5	0.2	1.2
Investment	0.46	0.8	0.4	1.5
Simple insurance	0.00	0.1	0.0	0.1
Complex insurance	0.05	0.5	0.2	1.0
Pseudo R ² (Nagelkerke)	0.30			

Notes: Measures highlighted in bold were statistically significant ($p < 0.05$)

Age and employment status could not be included in the same model due to zero cases for some combinations of these measures. The one reported is the one that included employment status. Age was not significant in an otherwise identical model.

Measures marked with an asterisk (*) indicate those that are taken from the initial interview and therefore do not reflect the entire search process.

4.6 Reasons for deciding not to buy anything

As we note in section 4.1, a significant number of the prospective customers who were re-contacted said they had not bought the product they had planned to buy. These people were first asked to explain in their own words, unprompted, for the reason (Table 4.10).²⁷ Due to small sample sizes it is only possible to report the

²⁷ Because 21 pension customers who did not buy a pension were, in error, not routed through to this section of the questionnaire, the findings for pensions are based on a subset of the original sample who were re-contacted.

findings for people who had originally been planning to buy a mortgage, pension or investment product.

One of the more commonly cited reasons related to a change of circumstances, especially for mortgage customers (37 per cent), including home purchases falling through or not finding the right home. This reason was also cited by a quarter of people who had planned to buy a pension.

Table 4.10 Reasons for deciding not to buy original product type, unprompted

Cell percentages

	Mortgage	Pension*	Investment
Advised not to	1	3	2
Already have it	11	17	11
Circumstances changed / no need any more	37	25	12
Decided not to/never certain I would	6	6	14
Concerned about market conditions	6	5	12
Too young/old	2	5	2
Can't afford / too expensive	22	28	37
Refused / not eligible	4	-	3
Available elsewhere	-	9	3
Need to look more	2	6	8
Haven't made up mind	5	6	2
Other	11	9	1
Don't know / refused	1	-	5
<i>Unweighted base</i>	<i>106</i>	<i>55</i>	<i>118</i>

'-' denotes no case in sample

* treat with caution due to low base.

The other main reason related to a lack of affordability. This was relatively common among pension (28 per cent) and mortgage (22 per cent) customers. It was also the most common reason among investment customers who had not made their planned purchase (37 per cent), most likely a reference to ongoing management fees or charges or to minimum investment thresholds.

It is surprising that more than one in ten prospective mortgage and investment customers who decided not to buy, rising to almost one in six pension customers, said this was because they already had the product. It is possible that some pension customers may not have realised that they were paying into a company pension; almost one in ten said the product was available through their employer (nine per cent). Perhaps others had been looking for the product only speculatively, in the hope of improving on a product they already had.

In addition to these reasons, one in eight investment customers gave reasons relating to concern about market conditions (12 per cent). A small number of prospective

mortgage customers who did not go on to buy said that they were refused or not offered the product they wanted (four per cent), although this proportion would have increased since the survey was carried out. A minority of people across the product types said they had been either too busy or needed more time to make up their mind. It is possible that a proportion of these would go on to make a purchase at some point in the future.

Customers who had decided not to make their planned purchase were also asked if this was for any reason related to the information or advice they received. Respondents were prompted with five reasons and asked to specify any others that related to information or advice. In fact, two-fifths of investment customers and three-fifths of mortgage and pension customers said they had not bought for a reason that was unrelated to information or advice (Table 4.11).

Table 4.11 Reasons for deciding not to buy original product type relating to information and advice, prompted

Cell percentages

	Mortgage	Pension*	Investment
Did not receive enough information or advice	4	11	12
Unhappy with the quality of advice received	7	8	8
Found product area too confusing	14	13	18
Didn't know where to go for information or advice	12	8	13
Already had or have one	4	2	1
Advised against it	-	2	2
Other	59	59	40
Don't know or refused	20	25	33
<i>Unweighted base</i>	<i>106</i>	<i>55</i>	<i>118</i>

* *treat with caution due to low base.*

'-' *denotes no case in sample*

A sizeable minority of people said that they 'found the product area too confusing', ranging from 13 per cent of people who had planned to buy a pension, to 18 per cent of those who had been looking for an investment. One in eight mortgage and investment customers said they did not know where to go for information or advice, while a similar proportion of the pension and investment customers who had not bought said they did not receive enough information or advice. Finally, about one in twelve people across the three products said they were unhappy with the quality of advice they had received.

4.6.1 Needs met in other ways

Around one in five prospective investment purchasers had met their needs by buying some other kind of product (22 per cent), as had a slightly smaller number of those planning to buy a pension (16 per cent; not shown). Only one in twenty people who had previously planned to take out a mortgage and then decided not to had bought another type of product (five per cent).

Customers who bought an alternative product were also asked the basis on which they made this decision. However, because so few customers were in this position, there were insufficient numbers in the sample to report the analysis.

4.7 Overview and conclusions: deciding what to buy

Around six in ten prospective purchasers of mortgages, investments or complex insurance policies had, when re-contacted, made their planned purchase. The proportion was rather lower for those planning to buy a pension, while almost all of those intending to purchase simple general insurance had actually done so.

On the whole, the majority of people had taken more than three months to buy their planned product, although the timescale was a great deal shorter for PPI customers, most of whom had made the purchase within a month. Consulting an IFA doubled the likelihood of a quick purchase; socio-demographic factors played little part.

There were wide differences in the ways purchasers of different products had made up their minds about what to buy. Simple general insurance customers were very likely to say they had made up their mind without the influence or recommendations of others. At the other extreme, the majority of people who had bought a decumulation product had bought the product recommended by an adviser or (much less commonly) had been influenced in their choice by an adviser. Across the other products, typically around half had decided uninfluenced by others, with most of the rest acting on the recommendation or advice of an adviser.

There was evidence that up to a quarter of people had bought PPI with a mortgage or other credit agreement without realising that it was optional. When asked why they had bought the policy a fifth were unable to say why, and more than half cited reasons relating to security. This suggests that many policies were sold and not bought.

Financial considerations (such as past performance or cost) were the main reasons why people had chosen the mortgage or simple general insurance they had bought. In contrast, people buying complex insurance had selected their policy because the terms suited their needs. Many people had been influenced in their choice of investment by the reputation of the provider or because they had an existing relationship with them.

Product features documents had undoubtedly helped people to decide which product to buy, although most people had found it helped only to some extent. The key predictors of people finding product features documents a great help related to people's confidence and experience in the financial services marketplace. This is further evidence that such documents are less useful for people with more limited experience or confidence.

There was considerable variation by product in the proportions of people who had made an advised purchase – ranging from six in ten people who had bought a decumulation product to a tenth of that number (seven per cent) who had bought a simple general insurance product. The main predictors of an advised purchase were the type of product bought, self-reported financial confidence and a self-reported tendency to trust advisers. Each of these three variables had a very large effect on the likelihood of making an advised purchase.

There were two main reasons why people did not subsequently buy a mortgage, pension or investment as planned. Non-purchase of mortgages was most often due to a change in circumstance, while lack of affordability was the main reason why people had not made planned investment purchase. Both reasons explained, to a broadly equal extent, why people had not bought a pension.

People who had not made a planned purchase of these three products were also asked whether it was for any of a list of reasons relating to information and advice provision. On the whole they had not, although sizeable minorities of them said either that they had 'found the product area too confusing' or that they had not known where to go for information.

The role advisers (in the broadest sense) can play in helping financial customers reach a decision is undoubtedly one that many people value and use. However, there are a number of areas of concern where efforts to improve the situation might be focused. Firstly, there is an apparent reliance on advisers to the exclusion of other sources of information, especially for decumulation products. This is made all the more worrying given that a number of these had probably seen a generic rather than a regulated adviser. Secondly, as FSA mystery shopping has shown, there is evidence of the extent to which some PPI purchasers are seemingly sold a policy. Thirdly, there is a high tendency to report being influenced in the final purchase decision by a provider's reputation or an existing relationship. Together, these underline the continued need to encourage consumers to inform their decisions through a wider variety of sources.

Finally, some consumers did not make the purchase they had planned to make because they had found the product area too confusing or had not known where to go for information. This provides further evidence that progress is still to be made to ensure that consumers access the available information and that the information, once obtained, is clear, relevant and simple to use.

5 Post-sales experience

For some types of product, information or advice that extends beyond the point of purchase is important for ensuring the product bought continues to meet the customer's needs. In reality, many people confessed to not having carefully read the information they had received post-sales. Nonetheless, most customers were content that the product they had bought met their needs and few had made a complaint about the product they had bought; those who did were mostly dissatisfied with the way their complaint was handled but did not take the matter further.

In this chapter, our attention turns to a separate sample of past mortgage, pension, investment or complex insurance policy purchases. The timeframe of these purchases varied. For pensions and investments they had been made between two and five year's previously. Mortgages and complex insurance, however, had been brought into regulation by the FSA more recently. As a consequence, they were asked about purchases that had been made since they became fully regulated. People who had bought a mortgage were asked about purchases made between one year and two years and five months previously, while those who had bought a complex general insurance policy were asked about purchases made between a year and two years and two months previously.

The focus of the analysis also shifts to post-sales information and advice and its use. This includes further advice received, receipt and use of financial statements and how purchasers would rate the amount of information they had received after the sale. We also look at purchasers' satisfaction with the product they had bought, whether it had performed as expected and whether they had cause to make a complaint. Before doing so, however, we set the scene by looking at the ways in which these purchases had been made.

5.1 How purchases had been made

The majority of the four products covered had been bought from a provider: commonly a bank or building society for mortgages, investments and (to a lesser degree) complex insurance policies; with insurance companies featuring for pensions and complex insurance policies in particular (Table 5.1).

The reliance on intermediaries was higher for mortgages and pensions than it was for investments or complex insurance policies. Typically around two in ten purchases had been made through an IFA, with a further two in ten mortgages having been bought through a broker. IFA sales were slightly higher for pensions.

Table 5.1 Who the product was bought from*Column percentages*

	Mortgage	Pension	Investment	Complex insurance
From your bank/building society	58	20	58	39
Direct from an insurance company	~	22	8	22
Direct from investment company	-	4	8	2
From an IFA/professional financial adviser	20	31	19	18
From a mortgage broker	19	1	2	8
From a retailer, e.g. a supermarket	~	4	1	5
Other answers	1	15	3	5
Don't know or no answer	1	3	2	2
Unweighted base	1,486	199	1,333	2,535

~ indicates a value of greater than zero but less than one.

- indicates no cases in the sample.

Around seven in ten purchases had been made face-to-face with an adviser or salesperson, although it was slightly lower for complex insurance policies, just over half of which had been bought in this way (Table 5.2). Telephone purchases were made most frequently for complex insurance and mortgages, with postal purchases being slightly more common for pensions and investments. Few products had been bought over the internet.

Table 5.2 How the product was bought*Column percentages*

	Mortgage	Pension	Investment	Complex insurance
Face-to-face with an adviser/salesperson	71	69	72	55
Over the telephone	17	5	8	25
Via the internet	7	4	5	9
By post	3	11	11	8
Other answers	1	10	2	2
Don't know	~	2	2	1
Unweighted base	1,486	199	1,334	2,535

~ indicates a value of greater than zero but less than one.

Across the four products, around a third of purchases were said to have been made on the recommendation of a professional adviser, and advisers had influenced a further two in ten people in their choice of product (Table 5.3). Four in ten people said that they had made the choice entirely by themselves and only a handful reported that they had been influenced by family or friends.

It should be noted that, compared with the recent purchases reported in Chapter 4 (Table 4.1), the people asked about retrospective purchases were more likely to report

buying a product that had been recommended by an adviser and less likely to say they had made the choice entirely by themselves. The pattern of replies nearly matches those given by people who had already bought decumulation products or PPI. The explanation for this is not immediately obvious, although it could be related to the fact that two-thirds of the prospective purchasers could not be re-contacted to find out what, if anything, they had bought.

Table 5.3 Influence on final product choice

	<i>Column percentages</i>			
	Mortgage	Pension	Investment	Complex insurance
Chose one recommended by a professional adviser	32	37	33	35
Were influenced in your final choice by a professional adviser	21	19	20	18
Were influenced in your final choice by a friend, relative	4	5	9	6
Made the choice entirely by yourself	42	37	37	40
Don't know	~	2	1	1
<i>Unweighted base</i>	<i>1,486</i>	<i>199</i>	<i>1,334</i>	<i>2,535</i>

'~' indicates a value of greater than zero but less than one.

5.2 Post-sales information and advice

Post-sales information, in the form of regular financial statements and advice, enable consumers to review the products they have bought in light of their performance and changing market conditions. People who had bought mortgage, pension and investment products were asked how closely they had read their statements and how they rated the information provided about the progress of their product; investment and pension customers were also asked if they had received any formal advice about their product since purchasing it.

5.2.1 Further advice

People who had bought either a pension or an investment product from an IFA were asked whether or not they had subsequently received any further formal advice about the product. Slightly fewer than half of pension (44 per cent)²⁸ and investment customers (47 per cent) reported that they had, although given the wording of the question, this was not necessarily from the same person that had sold them the product, nor was it necessarily from an IFA.

Of these, the majority said they had found the additional advice very helpful (56 per cent) or fairly helpful (37 per cent). There appeared to be little difference in the proportions between investment and pension purchasers.

²⁸ Treat with caution due to small base (63 pensions).

5.2.2 How closely people read their statements

Customers who buy a mortgage, pension or investment product should receive regular statements from their provider. Purchasers of these three products were asked how closely they read their annual statements (Table 5.4).

Table 5.4 How closely statements were read, by product type and sub-category

	<i>Row percentages</i>					
	Read it all carefully	Just read the parts I think are important	Only glance at it	Never received annual statement	Don't Know	<i>Unweighted base</i>
Mortgage	51	23	16	8	2	1,486
Interest-only mortgage	44	22	19	14	2	346
Repayment mortgage	53	23	15	7	2	1,104
Pension	40	36	19	4	2	199
Investment	42	32	21	3	2	1,334
Equity/stocks & share ISA	38	32	24	3	3	764
Unit trusts	48	31	20	2	-	124
Investment trusts	48	32	17	1	2	113
Insurance or investment bond	46	30	16	5	2	133
10 year savings plan	42	37	16	2	3	131
All	46	28	18	6	2	3,019

Numbers were too small to report percentages for endowment mortgages, sub-categories of pensions or OIECs. '-' indicates no cases in the sample.

This showed that many people do not read their statements carefully. The proportion was higher for mortgage-holders (half of whom did so) than it was for people who had bought a pension or an investment (four in ten), who were more inclined to focus on parts that they considered most important. Among mortgage holders, however, people with a repayment mortgage read their statements more carefully than those with an interest-only one. While holders of unit trusts, investment trusts and insurance or investment bonds, read their annual statements more carefully than people with an equity ISA or a ten-year savings plan.

Of particular concern, is the fact that 14 per cent of people with an interest-only mortgage could not recall having received a statement at all. This occurred less frequently with other products.

We have run regression analysis to predict who was most likely to have read their annual statements carefully (Table 5.5). On this occasion, however, we do not have the variables that were so important in earlier analysis (self-reported experience and confidence, number of products bought in the past five years or certainty about the product wanted from the outset) as the questions on which these are based were not put to the people interviewed about past experiences.

Table 5.5 Predicting reading the annual statement carefully

	Sig.	Exp(B)	95.0% C.I. for EXP(B)	
		(Odds ratio)	Lower	Upper
Age (18-24)	0.00			
25-34	0.37	1.2	0.8	2.0
35-44	0.75	0.9	0.6	1.5
45-54	0.48	1.2	0.7	1.9
55-64	0.17	1.4	0.9	2.3
65+	0.03	1.8	1.0	3.0
Women (compared with men)	0.15	0.9	0.8	1.0
Social grade (AB)	0.00			
C1	0.72	1.0	0.8	1.2
C2	0.00	0.6	0.5	0.8
D and E	0.00	0.7	0.5	0.9
No internet access (compared with access)	0.36	1.1	0.9	1.4
How the product was chosen (recommended by a professional adviser)	0.01			
Influenced by a professional adviser	0.92	1.0	0.8	1.3
Influenced by a friend, relative or someone else	0.53	0.9	0.6	1.3
Made the choice entirely by oneself	0.00	1.3	1.1	1.6
Don't know	0.58	0.7	0.2	2.2
How the product was taken out (Face-to-face with an adviser/salesperson)				
Over the telephone	0.19			
Via the internet	0.53	0.9	0.7	1.2
By post	0.93	1.0	0.7	1.4
Don't know	0.93	1.0	0.7	1.4
Other	0.96	1.0	0.5	1.8
Who the product was purchased from (bank/building society)	0.01			
Direct from an insurance company	0.64			
Direct from an investment company	0.46	1.1	0.8	1.6
IFA/professional financial adviser	0.29	1.3	0.8	1.9
Mortgage broker	0.31	1.1	0.9	1.4
Retailer e.g. a supermarket	0.09	1.3	1.0	1.7
Other	0.73	0.9	0.4	2.0
Don't know or no answer	0.47	1.2	0.7	2.0
Product type (Mortgage)	0.46			
Pension	0.00	0.5	0.4	0.7
Investment	0.00	0.6	0.5	0.7
Pseudo R ² (Nagelkerke)	0.06			

Notes: Measures highlighted in bold were statistically significant ($p < 0.05$)

Age and employment status could not be included in the same model due to zero cases for some combinations of these measures. The one reported is the one that included age. Employment status was included in an otherwise identical model in place of age. Employment status was significant in the separate model ($p < 0.00$; see text for details).

This analysis showed that people who had bought an investment or (especially) a pension were much less likely to have read their annual statements than those who had purchased a mortgage. This may reflect a genuine difference in the tendency to read these documents or it could be that the mortgage holders had made their purchase

more recently and that people read the first annual statement carefully but are less diligent about reading them the longer they have held the product. Unfortunately the data does not permit this to be tested.

People who had chosen which product to buy entirely by themselves were more likely to read their statements carefully than those who had bought one that was recommended by an adviser (the odds were 1.3 times higher). Social grade was also statistically significant, with people in social classes C2, D or E paying less attention to their annual statements than those in classes A or B. (We were unable to test the effect of income as there were many missing values). This suggests that it is the more experienced and confident product-holders who read their statements most carefully, although this could not be tested directly.

The effect of age was interesting. Although age was statistically significant it was only people aged over 65 who had a higher likelihood of reading their statements. A separate model that included work status in place of age confirmed that the odds of reading a statement carefully were almost twice as high (1.7 times) among retired people than it was for those who were working;²⁹ the odds were also increased among those who were not working for reasons other than retired (1.3 times). The most likely explanation for this is that people who are post-retirement or not working for some other reason live on a reduced and often fixed income, may have more time and need to pay closer attention to statements that relate to either their expenditure or their assets.

5.2.3 How customers rate the amount of information provided

Mortgage, pension and investment holders were asked whether they had received enough information about the progress of the product they had bought. The great majority of people, when asked directly, said that they had received ‘about the right amount of information’ and this varied remarkably little across the different types of product (Table 5.6). It was, however, slightly lower for pensions than for any other type of product, with 12 per cent of people saying that they had not received enough information and eight per cent saying they had been given too much.

Of particular concern, however, is the fact that people who had bought a mortgage or pension recommended by a professional adviser were less likely to say that they had got the right amount of information (84 per cent and 76 per cent respectively) than their counterparts who had made the choice of product themselves (90 per cent and 83 per cent). The reasons for these disparities differed. In the case of mortgages it was because those who had bought one recommended by an adviser were more likely to have said that they were not given enough information, while for pensions the disparity arose because those buying a recommended one said that they had been given too much.

²⁹ Age and work status could not be included in the same model due to zero cases in some cells when the two measures are cross-tabulated.

Table 5.6 Assessment of the amount of information given, by product type and sub-category

	<i>Row percentages</i>				
	Too much	Not enough	The right amount	Don't Know	<i>Unweighted base</i>
Mortgage	3	7	88	3	1,486
Interest-only mortgage	3	7	85	4	346
Repayment mortgage	3	6	88	3	1,104
Pension	8	12	80	1	199
Investment	6	8	84	2	1,334
Equity/stocks & share ISA	6	8	85	2	764
Unit trusts	9	5	85	1	124
Investment trusts	5	5	88	3	113
Insurance or investment bond	6	9	81	4	133
10 year savings plan	5	9	83	3	131

Numbers were too small to report percentages for endowment mortgages, sub-categories of pensions or OIECs. This question was not asked of people who had bought a complex insurance policy.

Table 5.7 Assessment of the amount of information given, by how product was chosen, within product type

	<i>Row percentages</i>				
	Too much	Not enough	The right amount	Don't Know	<i>Unweighted base</i>
Mortgage	3	7	88	3	1,486
Adviser recommendation	4	8	84	3	482
Chose personally	3	5	90	2	626
Pension	8	12	80	1	199
Adviser recommendation	11	13	76		77
Chose personally	3	14	82	1	71
Investment	6	8	84	2	1,334
Adviser recommendation	6	7	85	1	456
Chose personally	5	9	85	1	480

This question was not asked of people who had bought a complex insurance policy.

There was no apparent link between the method of buying the chosen product (face-to-face, by telephone, over the internet, etc) and people's assessment of whether or not they had received the right amount of information.

We also investigated any possible links with the body from which the product had been bought and have reported those suppliers where the numbers were sufficiently large for analysis (Table 5.8).

Mortgagors who had bought through a broker were less likely to say that they had been given the right amount of information than those who had made their purchase either through an IFA or direct from a bank or building society. This was both because slightly more of them felt that they had been given too much information and because slightly more felt they had received too little.

Table 5.8 Assessment of the amount of information given, by how product was chosen, within product type

	<i>Row percentages</i>				
	Too much	Not enough	The right amount	Don't Know	<i>Unweighted base</i>
Mortgage	3	7	88	3	1,486
Bank/building society	3	5	90	2	863
IFA/professional adviser	3	7	87	3	302
Broker	5	9	83	3	280
Investment	6	8	84	2	1,334
Bank/building society	5	9	85	1	774
Direct from insurance company	11	9	78	1	106
Direct from investment company	6	6	88	-	101
IFA/professional adviser	6	4	88	2	261

Note this question was not asked of people who had bought a complex insurance policy; numbers of people buying a pension were too small for analysis

Among investors, it was those who had bought direct from an insurance company who were least likely to say the amount of information they had been given was about right. In this case the difference was largely accounted for by a larger proportion of people who felt that they had been given too much.

5.3 Post-sales experience of the product bought

Everyone who had bought one of the four products covered by this part of the survey was asked how satisfied they were with the product they had bought, whether or not it had performed as they had expected and if they had had cause for complaint. In addition, holders of complex insurance policies were asked if they had made a claim on the policy and their experience if they had, while mortgage-holders were asked if they had fallen into arrears and the response of their lender if they had fallen behind.

5.3.1 Whether the product bought met people's needs

When asked if the product they had bought had met their needs, the great majority of people said that it had, although a significant proportion of them were vague about this. Only a handful of people said it had not, with a similar number not knowing whether it did or not (Table 5.9).

However, surges in enquiries at the Financial Ombudsman Service as a result of website campaigns and claim management companies' activities suggest that many people are unaware that a product does not meet their needs until it is brought to their attention.³⁰ These findings should, therefore, be interpreted with caution.

³⁰ *Op. Cit.*

Table 5.9 Whether product the bought was suitable for people’s needs, by product type and sub-category

	<i>Row percentages</i>				
	Yes, definitely	Yes, probably	No	Don't Know	<i>Unweighted base</i>
Mortgage	76	21	2	1	1,486
Interest-only mortgage	75	22	2	1	346
Repayment mortgage	77	21	2		1,104
Pension	56	34	7	5	199
Investment	57	36	4	3	1,334
Equity/stocks & share ISA	59	34	5	2	764
Unit trusts	54	40	3	3	124
Investment trusts	55	38	1	7	113
Insurance or investment bond	52	39	4	4	133
10 year savings plan	59	35	3	2	131
Complex insurance	62	31	5	2	2,535
Critical illness	61	32	3	4	550
Income protection	58	34	7	2	327
Payment protection	55	34	9	2	666
Life	67	29	2	2	992

Numbers were too small to report percentages for endowment mortgages, sub-categories of pensions or OIECs.

On the whole, people were vaguer about the suitability of the pensions, investments and complex insurance policies they had bought than they were about mortgages. People who had bought PPI, income protection insurance or a pension were the ones who were most inclined to say that the product did not meet their needs but, even so, the proportion was less than one in ten.

Regression analysis was run, which identified four predictors of believing that the product that had been purchased was unsuitable: age, the type of product, how the product was chosen, from whom it was bought (Table 5.10

Table 5.10).

The older people were less likely to have bought an unsuitable product, so the likelihood of someone aged over 65 doing so were a third of those for young people aged between 18 and 24.

People who had bought an investment had twice the probability of a mis-purchase compared with mortgage buyers, and the tendency for pensions was higher still at 2.9. Purchasers whose choice of product had been influenced by an adviser were more likely to think they had bought an unsuitable product than those who had bought on an adviser’s recommendation; and people who had actually bought through an IFA had significantly reduced odds compared with people who had bought from a product provider.

Table 5.10 Predicting believing that the product bought was not suitable for needs

	Sig.	Exp(B) (Odds ratio)	95.0% C.I. for EXP(B)	
			Lower	Upper
Age (18-24)	0.04			
25-34	0.20	0.7	0.4	1.2
35-44	0.04	0.5	0.3	1.0
45-54	0.01	0.4	0.2	0.8
55-64	0.01	0.4	0.2	0.8
65+	0.02	0.4	0.2	0.8
Women (compared with men)	0.25	0.8	0.6	1.1
Social grade (A and B)	0.05			
C1	0.79	1.0	0.7	1.4
C2	0.09	0.7	0.4	1.1
D and E	0.15	1.4	0.9	2.2
No internet access (compared with access)	1.00	1.0	0.7	1.5
How the product was chosen (recommended by a professional adviser)	0.00			
Influenced by a professional adviser	0.00	1.8	1.2	2.6
Influenced by a friend, relative or someone else	0.10	0.5	0.2	1.1
Made the choice entirely by oneself	0.08	0.7	0.5	1.0
Don't know	0.00	7.9	2.8	21.7
How the product was taken out (Face-to-face with an adviser/salesperson)				
Over the telephone	0.11			
Over the telephone	0.01	1.6	1.1	2.4
Via the internet	0.32	0.7	0.3	1.5
By post	0.46	1.2	0.7	2.2
Don't know	0.46	1.5	0.5	3.9
Other	1.00	0.0	0.0	.
Who the product was purchased from (bank/building society)	0.02			
Direct from an insurance company	0.77	0.9	0.6	1.5
Direct from an investment company	0.42	1.3	0.7	2.8
IFA/professional financial adviser	0.00	0.4	0.3	0.7
Mortgage broker	0.49	0.8	0.5	1.4
Retailer e.g. a supermarket	0.49	1.3	0.6	2.9
Other	0.14	0.5	0.2	1.3
Don't know or no answer	1.00	0.0	0.0	.
Product type (Mortgage)	0.02			
Pension	0.00	2.9	1.4	6.2
Investment	0.01	1.8	1.1	3.0
Complex insurance	0.10	1.4	0.9	2.1
Pseudo R ² (Nagelkerke)	0.07			

Notes: Measures highlighted in bold were statistically significant ($p < 0.05$)

Age and employment status could not be included in the same model due to zero cases for some combinations of these measures. The one reported is the one that included age. Employment status was included in an otherwise

identical model in place of age. Employment status was significant in the separate model ($p < 0.05$; Not working carried relative odds of 2.0 compared with working full time).

Decumulation products were not included in this sample of people. However, people who had bought one of these in the past 12 months were asked how confident they were that it met their needs. It is perhaps of some concern that one in ten of them (nine per cent) were not.

5.3.2 Whether the product bought had performed as expected

Similarly, when asked if the product they had bought had performed as expected, only a very small proportion of people said it had not and, as might be expected, this was higher for pensions and investments than it was for mortgages and complex insurance policies (Table 5.11). It was highest of all for insurance or investment bonds, equity ISAs and investment trusts. In contrast, it was particularly low for repayment mortgages and life insurance.

Table 5.11 Whether product the bought had performed as expected, by product type and sub-category

	<i>Row percentages</i>			
	Yes	No	Hard to say /don't know	<i>Unweighted base</i>
Mortgage	87	2	11	1,486
Interest-only mortgage	86	3	11	346
Repayment mortgage	89	1	10	1,104
Pension	71	7	22	199
Investment	76	8	16	1,334
Equity/stocks & share ISA	77	8	15	764
Unit trusts	79	5	16	124
Investment trusts	82	8	10	113
Insurance or investment bond	73	10	17	133
10 year savings plan	76	4	20	131
Complex insurance	60	2	38	2,535
Critical illness	55	2	43	550
Income protection	57	3	40	327
Payment protection	57	4	39	666
Life	66	1	33	992

Numbers were too small to report percentages for endowment mortgages, sub-categories of pensions or OIECs.

There was a high degree of correlation between believing the product bought had not performed as expected and thinking that the product was not suitable. We, therefore, ran the regression above, but this time including product performance. As expected this was highly significant and increased the probability greatly (55 times). It had relatively little consequence on the effect of age, how the product was chosen and from whom it was bought, but product type ceased to be significant. In other words, people's views of the suitability of the pensions and investments they had bought were greatly influenced by the subsequent performance of these products.

Everyone who had said that the product they had bought had not performed as expected was asked to say why. The number of people involved was too small for

analysis by type of product, although, as might be expected, the replies for investments related primarily to low returns.

5.3.3 Making a claim on complex insurance policies

Given that they had only held their policy for between one and two years, it is not altogether surprising to find that less than two per cent of people with complex insurance cover had tried to make a claim. This varied little across the four types of policy, ranging from less than one per cent of life insurance policies to four per cent of income protection policies.

The majority of people who had claimed had found it easy to do, although significant minorities of the people affected had their claim rejected and reported that the service they had received was poor. The number of people involved (just 45) was, however, too small for statistical reporting.

5.3.4 Arrears on mortgages

The mortgagors had only had their current mortgage for between one and two and a half years. Despite this, almost three per cent of them had already fallen into arrears. What we do not know, however, is whether they had faced a change in circumstance since buying the mortgage (which is the most common cause of financial difficulties), or whether they had been sold a mortgage that was beyond their means, or some other reason. The proportion was higher for interest-only mortgages (five per cent) than it was for repayment ones (two per cent).

There was little variation in the level of arrears by how people had selected their mortgage, for example two per cent of those who had chosen their mortgage themselves were in arrears – the same proportion as among those who had bought one that had been recommended by an adviser. Nor was there much variation by the method of purchase, although it may be worth noting that the incidence of arrears was lowest for those who had bought their mortgage over the internet (one per cent). The level of arrears was, however, lower for those who had bought direct from a bank or building society (one per cent) than it was for mortgagors who had bought through an intermediary (three per cent for both IFAs and brokers).

Once again, the number of people affected is very small (37 people) and so their experiences cannot be reported statistically. The majority reported that they had been contacted by their mortgage lender within a month of falling into arrears and an even greater number reported that their lender had been understanding.

5.3.5 Complaints

Even less people said that they had made a complaint about the product they had bought. The largest proportion was for insurance or investment bonds and, even then, only five per cent had done so. For most products, however, it was between one and three per cent.

Table 5.12 Whether has complained about the product bought, by product type and sub-category

	<i>Row percentages</i>		
	Yes,	No	<i>Unweighted base</i>
Mortgage*	3	97	1,483
Interest-only mortgage	2	98	345
Repayment mortgage	3	97	1,102
Pension*	2	98	199
Investment*	2	98	1,324
Equity/stocks & share ISA	1	99	761
Unit trusts	2	98	124
Investment trusts	3	97	111
Insurance or investment bond	5	95	131
10 year savings plan	3	97	129
Complex insurance	1	99	2,526
Critical illness	1	99	548
Income protection	2	98	327
Payment protection	1	99	664
Life	~	100	987

‘~’ denotes greater than zero but less than one per cent.

As might be expected, there was a strong correlation between people believing that the product they had bought was probably not suitable for their needs and their tendency to complain, although the numbers by product type were too small for separate analysis. Even so, across all the products covered by this part of the study, only 11 per cent of the people who thought that the product probably did not meet their needs had made a complaint.

Regression analysis identified the predictors of making a complaint (Table 5.13). As expected, confidence that the product bought met their needs was highly significant and, compared with those who said it definitely met their needs, those who thought it probably did had double the odds of complaining, while those who thought it probably or definitely did not had nearly 14 times the odds.

Product type was also significant, with people being much less likely to complain about an investment or complex insurance product than about a mortgage. This was the case when the variable for product suitability was removed. Employment status was the only socio-demographic variable to reach statistical significance, with people who were retired or not working for some other reasons having twice the probability of complaining compared with those in full-time work. This might be because they were living on a fixed income and so any cause for complaint might bear more heavily on their finances. Alternatively it might indicate that people in full-time work were too busy to complain.

Although all complainants were asked about the nature of their complaint, the numbers of people involved were too small for analysis by type of product. However, across the four types of product covered, there were two main areas: misleading advice (28 per cent) and poor customer service (15 per cent).

Table 5.13 Predictors of having made a complaint about the product bought

	Sig.	Exp(B) (Odds ratio)	95.0% C.I. for EXP(B)	
			Lower	Upper
Age (18-24)	0.24			
25-34	0.89	1.1	0.2	5.1
35-44	0.37	2.0	0.5	8.5
45-54	0.62	1.5	0.3	6.6
55-64	0.28	2.3	0.5	10.8
65+	0.14	3.4	0.7	16.9
Women (compared with men)	0.89	1.0	0.6	1.5
Social grade (AB)	0.14			
C1	0.21	0.7	0.4	1.2
C2	0.35	1.3	0.7	2.5
D and E	0.30	1.5	0.7	3.0
No internet access (compared with access)	0.20	0.7	0.3	1.2
Confidence that product was right product for needs (Yes, definitely)	0.00			
Yes, probably	0.00	2.2	1.3	3.7
Probably not	0.00	13.6	7.3	25.5
Definitely not	0.00	9.2	3.3	25.7
How the product was chosen (recommended by a professional adviser)	0.45			
Influenced by a professional adviser	0.11	1.7	0.9	3.2
Influenced by a friend, relative or someone else	0.55	1.4	0.5	4.3
Made the choice entirely by oneself	0.08	1.7	0.9	3.2
Don't know	1.00	0.0	0.0	.
How the product was taken out (Face-to-face with an adviser/salesperson)	0.11			
Over the telephone	0.13	1.6	0.9	2.7
Via the internet	0.17	0.4	0.1	1.6
By post	0.07	0.3	0.1	1.1
Don't know	1.00	0.0	0.0	.
Other	1.00	0.0	0.0	.
Who the product was purchased from (bank/building society)	0.43			
Direct from an insurance company	0.08	1.9	0.9	4.1
Direct from an investment company	0.10	2.4	0.8	7.1
IFA/professional financial adviser	0.55	0.8	0.4	1.6
Mortgage broker	0.45	0.7	0.3	1.7
Retailer e.g. a supermarket	0.90	0.9	0.1	6.8
Other	0.68	0.6	0.1	4.9
Don't know or no answer	1.00	0.0	0.0	
Product type (Mortgage)	0.00			
Pension	0.15	0.4	0.1	1.4
Investment	0.01	0.4	0.2	0.8
Complex insurance	0.00	0.2	0.1	0.3
Pseudo R ² (Nagelkerke)	0.16			

Notes: Measures highlighted in bold were statistically significant ($p < 0.05$)

Age and employment status could not be included in the same model due to zero cases for some combinations of these measures. The one reported is the one that included age. Employment status was included in an otherwise identical model in place of age. Employment status was significant in the separate model ($p < 0.05$; Not working and retired carried odds of 2.1 compared with working full time).

Likewise, we can only report on complainants' experiences across all products. A little over half of complainants (55 per cent) said that the firm they had complained to was helpful, of whom the majority (34 per cent) described them as 'fairly' helpful.

That left 39 per cent of people reporting that the firm had been unhelpful and a further six per cent who did not know one way or the other.

At the time of the interview, 18 per cent of complainants were still waiting for their complaint to be resolved. Of the remainder, 41 per cent had their complaints dealt with in less than a month (including 11 per cent within a week) and a further nine per cent in between one and two months. Allowing for the people who did not know how long it took, that left at least 22 per cent of complainants who had to wait more than eight weeks, after which they could have taken their complaint to the Financial Ombudsman Service.

About half (51 per cent) of complainants did not have their complaint upheld by the firm. The complaint was upheld in four in ten cases (40 per cent), although only half of these people received compensation. Mirroring this, around half of people (52 per cent) were not satisfied with the standard of service they had received when they had complained; only one in ten (11 per cent) were very satisfied and a third (34 per cent) were fairly satisfied. The rest could not say.

Given this level of dissatisfaction, it is interesting to note that only seven of the 44 people who were dissatisfied had taken their complaint further. We do not know the reasons why the majority did not take the matter further. Of those who had, three had contacted a solicitor or other professional adviser, one re-contacted the firm and two had taken up the complaint with the Financial Ombudsman Service.

5.4 Overview and conclusions: the post-sales experience

A little under half of people who had bought a pension or an investment from an IFA said that they had received further advice after the sale. The majority of them had found the advice helpful.

Only about half of people who had bought a mortgage, pension or investment had read the annual statements they were sent carefully. Many had either selectively read what they considered the key parts or had only glanced at it. Statements were read most carefully by people with a repayment mortgage and least carefully by those with an equity ISA. The people most likely to read statements had bought a mortgage, they had chosen the product entirely by themselves and were in social classes A and B. This suggests that it was the most experienced and confident who read their statements – the same groups as had read and used the product features document. People aged over 65 were also inclined to do so, as were retired people and those not working for other reasons – all of them being people who might need to keep a close eye on their expenditure and assets.

Most people felt that they had been kept adequately informed about the ‘progress’ of the product they had bought and this varied little across the different types of product. Mortgagors who had bought a mortgage that had been recommended by a professional adviser were most inclined to say that they had not been given sufficient information, while those buying a pension that had been recommended by an adviser were most inclined to say that they had been given too much information. Among

investors, people who had bought their investment from an insurance company were especially likely to say that they had been given too much information.

While the great majority of people said that the product they had bought had met their needs, a significant minority of these were vague about this. On the whole, people were vaguer about the suitability of the pensions, investments and complex insurance policies that had been bought than they were about mortgages. People who had bought PPI were most inclined to say it did not meet their needs but, even here, the proportion was less than one in ten. There were four main predictors of having bought an unsuitable product. The likelihood declined with the age of the purchaser; it was a great deal higher for investments and especially pensions and it was greater for people whose purchase had been influenced by an adviser (rather than following their recommendation). People who had bought through an IFA were much less likely to have bought an unsuitable product than those who had made the purchase direct with the provider. Of some concern was the finding that one in ten people who had bought a decumulation product within the past 12 months were not confident that it met their needs.

Equally, most people reported that the product they had bought had performed as they had expected, although this was higher for mortgages than for other products. There was a strong correlation between product performance and views about its suitability. When added to the analysis it became the strongest of all the predictors of suitability, displacing product type (but not the other factors that had been significant).

Few complex insurance policy holders had needed to make a claim on it, and the majority of these found it easy to do. However, significant minorities reported that their claim had been rejected and that the claims handling service had been poor.

Similarly, few mortgage purchasers had fallen behind with their mortgage, although most of those who had were contacted within a month by their lender and reported that the lender had been understanding.

Only a handful of people said that they had made a complaint about the product they had bought. The incidence is highest for insurance and investment bonds, but even here only one in twenty people had complained.

The main issues on which they were complaining were misleading advice and poor customer service. As might be expected there was a strong correlation between people complaining and them thinking that the product they had bought was unsuitable for their needs. Even so, only one in ten of the people who thought that the product they had bought probably did not meet their needs had complained about it to the provider.

The key predictors of making a complaint about a product included not being confident that it met people's needs and the type of product (people were most likely to complain about a mortgage). People who were retired or not in work were more inclined to complain than those in full-time work, suggesting either that they had more to lose or that they had more time to take up the complaint. At least one in five people had to wait more than eight weeks to hear the outcome of their complaint. About half of complainants did not have their complaint upheld and a similar

proportion was not satisfied with the way their complaint had been handled. Despite this very few people took the matter further.

Although the majority of consumers appear satisfied with the product they purchased, these findings suggest that, in the post-sales environment, there is still some progress to be made before the FSA's objective is met fully. In particular, there appears to be a need to ensure people receive sufficient information they need to monitor the performance of their products without giving them so much that it is counter-productive. There is a particular need to find ways of encouraging people with less financial confidence to read and understand the information they are provided with. The fact that very few people who are dissatisfied with the way their complaint has been handled take the matter any further, might be of additional concern if it reflects a lack of knowledge or clarity about how to do so, or a lack of confidence that it would be worthwhile. It is, however, promising that the majority of people are confident that the product they had bought suited their needs if they had bought through an IFA.

Appendix A – Products covered by the three surveys

	Group A Prospective purchasers (subset re-interviewed after purchase decision)	Group B Purchased product in last 12 months	Group C Purchased product more than 12 months previously
Mortgages			
Endowment mortgages	x		x
Interest-only mortgages	x		x
Repayment mortgages	x		x
Pensions			
Employer pension	x		x
Personal pension	x		x
Stakeholder pension	x		x
Free-standing additional voluntary contributions	x		x
Investments			
Equity/stocks & share ISA	x		x
Unit trusts	x		x
Investment trusts	x		x
Insurance or investment bond	x		x
10 year savings plan	x		x
OIEC	x		x
Endowment policy (not linked to a mortgage)	x		x
Complex insurance			
Life insurance	x		x
Income protection insurance	x		x
Payment protection insurance	x	x	x
Critical illness insurance	x		x
Simple general insurance			
Motor insurance	x		
Home contents insurance	x		
Buildings insurance	x		
Pet insurance	x		
Private medical/dental insurance	x		
Decumulation products			
<i>Annuity or drawdown products</i>			
Pension Annuity		x	
Income Drawdown		x	
Life Annuity		x	
<i>Equity release</i>			
Home reversions		x	
Life time mortgage		x	

Appendix B – Characteristics of prospective purchasers close to a decision

Table B. 1 Personal characteristics by product type, those close to a decision

Column percentages

	Mortgage	Pension	Investment	Simple insurance	Complex insurance
Age					
18-24	11	5	8	8	18
25-34	28	17	10	18	27
35-44	32	37	11	20	28
45-54	22	14	17	18	13
55-64	7	19	30	21	10
65+	1	8	24	14	5
Gender					
Male	52	65	63	52	54
Female	48	35	37	48	46
Family type					
Couple, no dependents	32	42	57	39	37
Single, no dependents	8	18	18	18	9
Couple with dependents	47	30	20	31	37
Lone parent with dependents	58	2	4	7	9
Other (mostly young singles)	8	9	7	4	9
Household income per year					
Less than £15,000	16	15	23	29	16
£15,000 - £24,999	21	18	22	19	20
£25,000 - £34,999	23	13	15	20	21
£35,000 - £49,999	16	25	22	19	19
£50,000 +	24	30	19	13	25
Employment status					
Full-time	65	60	34	42	59
Part-time	18	13	20	16	18
Not working	14	8	6	19	16
Retired	4	19	39	23	7
Social grade					
A and B	33	44	52	33	36
C1	29	31	22	27	27
C2	25	16	17	23	19
D and E	12	9	8	16	17
Education					
Secondary level	51	39	40	52	48
Further qualification	21	25	26	27	22
Degree or higher	27	35	34	19	29
Still studying	~	2	-	2	1
Internet access					
Yes	82	80	76	71	80
No	18	20	24	29	20
Unweighted base	199	105	257	240	143

'~' denotes greater than zero but less than one per cent. '-' denotes no cases in sample.

Table B. 2 Levels of financial experience and sophistication of purchasers and prospective purchasers, those close to a decision

	<i>Column percentages</i>				
	Mortgage	Pension	Investment	Simple insurance	Complex insurance
Financial confidence					
High	35	42	42	27	28
Medium	53	42	45	58	60
Low	11	16	13	15	12
Trust in financial advisers and their recommendations					
High	47	55	44	36	50
Medium	33	22	30	35	27
Low	20	23	20	29	23
Appetite for risk (pensions and investments only)					
Safety or cautious	..	12	8	..	..
Balanced	..	49	57	..	..
Motivated or acquisitive	..	39	35	..	..
Number of products bought personally in past 5 years					
0	20	21	16	23	17
1	31	20	19	19	19
2	13	11	13	14	10
3 or 4	16	12	21	26	21
5 or more	20	36	31	17	32
<i>Unweighted base</i>	<i>199</i>	<i>105</i>	<i>257</i>	<i>240</i>	<i>143</i>

.. denotes not asked

Table B. 3 How clearly prospective purchasers knew type of product what they wanted at the outset, those close to a decision

	<i>Column percentages</i>				
	Mortgage	Pension	Investment	Simple insurance	Complex insurance
Statement closest to situation before starting to obtain information or advice about product					
I knew exactly what product type I wanted	46	30	31	64	30
I knew more or less what product type I wanted	36	34	33	29	32
I had a vague idea about what product type I wanted	10	24	25	5	26
I had no idea about what product type I wanted	7	12	11	3	11
<i>Unweighted base</i>	<i>198</i>	<i>105</i>	<i>256</i>	<i>238</i>	<i>143</i>

Table B. 4 When prospective shoppers had started to look for information. those close to a decision

Column percentages

	Mortgage	Pension	Investment	Simple insurance	Complex insurance
When first started to look for information					
Up to 2 weeks ago	14	10	15	23	17
2 weeks to 1 month ago	8	11	12	13	14
1-3 months ago	32	15	31	20	25
3-6 months ago	19	17	16	12	13
6 months+ ago	26	47	27	32	31
<i>Unweighted base</i>	<i>197</i>	<i>105</i>	<i>256</i>	<i>229</i>	<i>143</i>