



Unite the Union response to the FSA discussion paper 10/8 on Pure Protection sales by retail investment firms

This response is submitted by Unite the Union. Unite is the UK's largest trade union with 1.5 million members across the private and public sectors. The union's members work in a range of industries including financial services, manufacturing, print, media, construction, transport, local government, education, health and not for profit sectors.

Unite is the largest trade union in the finance sector representing some 150,000 workers in all grades and all occupations, not only in the major English and Scottish banks, but also in investment banks, the Bank of England, insurance companies, building societies, finance houses and business services companies.

Executive Summary

- Unite would wish to see an improvement in decent pensionable salaries and less emphasis on reward schemes based upon sales targets;**
- There is an increase in reports among Unite members of dysfunctional selling where targets are based on selling higher value, more profitable products to customers and not necessarily the right product or service for their needs;**
- Unite has seen a significant increase in the number of workers involved in the formal disciplinary procedure for performance management issues and it is evident that a culture of bullying, humiliation and intimidation is evident in some companies;**
- Unite is disappointed that the UKFI has not been more forceful in tackling the target based bonus culture in companies owned or part owned by the state.**

Introduction

1. Unite welcomes the opportunity to respond to this discussion paper and to highlight a number of key issues relating to remuneration specifically.
2. Unite has campaigned for improved transparency in remuneration for some time and welcomes the FSA's proposals contained within this discussion paper which will provide consumers with increased information on remuneration and increased disclosure on commission payments.
3. However Unite believes that the proposals do not go far enough as transparency in the charges structure is only one element of the remuneration system operated within retail financial services. Unite would wish to see an improvement in decent pensionable salaries and less emphasis on reward schemes based upon sales targets. This would remove the pressures and anxiety that is associated with targets and reduce the risk of dysfunctional selling.
4. This response will focus primarily on the proposals contained in the discussion paper relating to remuneration transparency. It will highlight the pressures placed upon workers in the sector who are required to sell specific products or services to reach non-negotiated targets or face the disciplinary process for failures in performance.

Target culture – sales versus service

5. Unite has been made aware for some time that the issue of targets within the finance sector has created additional stress and pressure on the workforce leading in some cases to an increase in stress related absence. Unite has also seen a considerable increase in the level of disciplinary hearings based on members failing to reach non-negotiable target levels.
6. This increase coupled with the reported issues surrounding targets prompted Unite to conduct an information gathering exercise around targets and the sales versus service issue.
7. The campaign asked Unite members for feedback on this issue on an anonymous basis. Given that this campaign was via an electronic bulletin which relied upon members subscribing and taking the time to respond, Unite was pleased with the level of response.
8. Many of the responses provided personal statements/comments which provided some alarming admissions of practices going on in a number of large banks and insurance companies, some of which are used in this response to emphasise the issues raised. The results were overwhelmingly negative towards the target based sales practices used

by most companies across the sector with many members concerned that there was little reward for providing good customer service.

9. Unite has seen an increase in the level of casework with workers involved in the formal disciplinary procedure for performance management issues and it is evident that a culture of bullying, humiliation and intimidation is evident in some companies.

“The obsession with targets is ridiculous; in fact it has got to the bullying stage.”

10. Unite has been involved in representing members who have been disciplined for failing to reach performance standards and were subject to Performance Improvement Plans (PIPs) based on failure to reach targets some of whom were then managed out of the business.

11. There is an increase in reports among Unite members of dysfunctional selling where targets are based on selling higher value, more profitable products to customers and not necessarily the right product or service for their needs. One ex-branch manager reported:

“I have seen mis-selling in just about every branch I was ever in and forced to hold investigations for hundreds of customers who received products they did not agree to.”

12. Some products, including critical illness or income protection insurance are being sold to customers on the basis of the ‘fear’ factor – what if you contract a serious illness or disability or death. This advice is not based upon whether this is the right product for the customer. Indeed there are reports that products such as critical illness cover are being sold to customers who will be unable to make a claim on the insurance due to exclusion clauses not being made clear at the point of sale.¹

13. Unite members also report a higher incidence of bullying by branch managers with pressures to reach targets coming from further up the business and some branch managers who have not received training on managing staff or motivation instead using bullying and intimidation tactics as a method of delivering the results necessary. However this leaves the workforce demoralised and stressed and more likely to take time off on stress related absence as opposed to feeling motivated and enthused.

14. Staff attrition rates have also risen. Some of this is due to the economic and financial crisis and the drive to cut costs. However another significant factor is the numbers of employees involved in the formal disciplinary process as a result of performance management issues which could lead to dismissal or those who are unable to handle the pressures such sales techniques places on certain individuals.

¹ Financial Ombudsman Service: <http://www.financial-ombudsman.org.uk/>

“Ask yourself this, would you buy an investment from an adviser who needed you to take the plan otherwise he could receive a written warning or dismissal?”

Fairness for customers

15. Pressures to push products to customers creates queues in branches which mean customers complain more about service, further increasing stress and pressures on the workforce.

“The pressure to chase targets and abandon quality customer care has been ramped up and if you were to look closely at the complaints log you will see a dramatic increase in the level of customer complaints.”

16. This is supported by an increase in customer complaints reported to the Financial Ombudsman Service. The 2010 annual review of personal finance disputes² highlighted:

- There has been a 46% annual increase in complaints to the Ombudsman resulting in compensation for 50% of complainants.
- There were over 925,000 consumer enquiries and complaints about banking and credit specifically rose by 30%.
- Complaints from skilled/semi skilled (C1 and C2 social groups) increased by 21%.

17. One could argue that this group may be less financially informed and are being sold unsuitable products or services. This however only becomes apparent when trying to make a claim on policies. They then realise they were mis-sold a product resulting in a complaint to the Ombudsman.

“I feel that you are pushed to get the sales whether it is an appropriate product for the customers or not.”

18. One member wrote that the insurance company maintain targets on the amount of time contact centre workers are in conversation with customers and told to keep problem cases to a minimum.

“My argument is, if you have a problem and want to resolve this there shouldn't be a time limit on this, as resolving a complaint or issue to the customers' satisfaction is a positive thing. Isn't it?”

19. Some methods of selling for example critical illness cover would focus on the fear of an inability to meet monthly financial commitments which is likely to be greatest among lower skilled groups where little protection is

² <http://www.financial-ombudsman.org.uk/publications/ar10/index.html>

provided by employers or the state and where there is perhaps less contingency in place for such events.

“This to me is not service, it is the bank being greedy and trying to get a customer to take a product they cannot afford or may get them into debt. How is this treating customers fairly?”

Fairness for workforce

20. The sector has faced significant job losses in the past 18 months and a number of respondents have claimed that while sales targets are up staffing level are down. Increasing workloads coupled with reduced staff numbers inevitably places an increased burden on those workers remaining and with little time to properly service customers or meet unrealistic targets, an enormous strain is placed on those who remain.

21. One member who has been forced into cold selling which he admits he finds difficult, is facing dismissal after 14 years with the company. The member is very experienced yet he is on stage 2 of the banks formal disciplinary process for not meeting targets.

“There seems to be a total disregard for their knowledge, experience and loyalty.”

22. This individual is not alone.

“We have gone from being professionals who provide an excellent service to bullied workers who are constantly under threat of our jobs. If their ridiculous outlandish targets are not met, then the company has virtually provided its case for dismissal and has no regard for loyalty, hard work and especially customer opinion or services”.

23. It should be made clear that while many of the comments made by members reflected the pressures of targets and the bullying culture associated with this, many respondents say that they genuinely care about their job and are keen to provide the best service possible to customers. Unfortunately the pressures placed upon them make this a difficult balance to achieve.

“I have been told off for spending too much time helping customers! Managers have said if there is no sale move on. Even when registering a death for a family member.”

In whose interest?

24. Unite believes it is reasonable to assume that some of the largest banks and insurance companies in the UK would be compliant with the FSA conduct of business rules particularly ICOB 4.3 (suitability), ICOB 4.4 (statements of demands and needs), and ICOB 5.3 (provision of

information to retail customers).³ The ABI General Insurance Code also states in one of its general sales principles that the intermediary “shall ensure as far as possible that the policy proposed is suitable to the needs of the prospective policyholder.”⁴

25. Yet it would appear from complaints to the Financial Ombudsman and in Unites own findings that in an increasing number of circumstances, these rules are being flouted with companies apparently prepared to take the risk of being caught out.

26. There would also appear to be little support for whistle blowers who identify inappropriate behaviour which leaves workers who highlight malpractice left exposed to the threat of dismissal.

“The scariest thing is that it is a disciplinary offence to bring the bank into disrepute by talking openly about how wrong all of this ‘sales over service’ culture is. Bank branch procedures now in place mean that staff should report their concerns internally first...this means that the things that are wrong can be covered up internally...”

27. Unite is also disappointed that the UKFI has not been more forceful in tackling the target based bonus culture in companies owned or part owned by the state, which it is acknowledged contributed in part to the financial crisis in the UK banking system.

28. The UKFI Shareholder Relationship Framework Document objective 3.1 (c) clearly states that for commercial reasons the UKFI “...respects the commercial decisions of the financial institutions.”

29. This would indicate that if it is deemed by the company to be commercially beneficial to pursue sales over service then UKFI is bound to allow such behaviour by the terms of this document despite evidence that commercial decisions carried out in these institutions in the past have proved to be flawed. This key objective therefore allows companies to continue to maintain their business strategies based on targets and bonuses unchallenged. This must be reviewed.

A fairer future

30. The recently published Which? Future of Banking report⁵ has identified that a new ethical based reward culture is required in the banking sector which focuses on customer satisfaction, fair treatment and resolution of customer complaints as areas for reward. The report goes on to say

³ <http://www.fsa.gov.uk/pubs/hb-releases/rel53/rel53icob.pdf>

⁴ www.abi.org.uk

⁵ Which? Future of Banking Commission Report 2010

“There should be no commission or bonuses received for selling products.”⁶

31. Unite contributed to the report and supports this recommendation. We also support the statement on page 7 of the report which states:

“...banks should cease rewarding frontline staff for increasing sales.

32. The adoption of an ethics based culture will improve customer confidence and raise morale among the workforce who increasingly see sales based targets as a key component of stress in the workplace and stress related absence.

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⁶ Ibid. para 25