



FINANCIAL
HEALTH
EXCHANGE

Consultation Response

The Culture, Media and Sport Committee:

Nuisance Calls and Text Messages

August 2013

Who we are

Toynbee Hall has worked on the frontline in the struggle against poverty for 130 years. Based in the East End of London we give some of the UK's most deprived communities a voice, providing access to free advice and support and working together to tackle social injustice.

Toynbee Hall helps over 13,000 people a year. Our years of experience in providing people with the skills to improve their financial health, means that we are in an ideal position to help others improve their financial health policies and practice. We have used this understanding to create the Financial Health Exchange.

The Financial Health Exchange is committed to creating a fairer, more financially healthy society and our aim is to improve financial health in the UK. We help policy-makers and practitioners stay up to date on the latest financial health thinking and ensure that financial health good practice is followed in all of their work with clients and service users.

We are at the forefront of shaping the future of financial health in the UK. Our publications, research, good practice examples and expert opinion pieces are accessible to all those who want to improve the financial health of others.

Introduction

Toynbee Hall supports the Department for Culture, Media and Sport (DCMS) in its changes to the Communications Act 2003 which will allow information to be shared between Ofcom, the Information Commissioner's Office (ICO) and Insolvency Service (IS). We are concerned with the impact of nuisance calls and texts from companies and we stress the need to break down existing barriers to enforcement of regulation. By implementing this change, the regulatory bodies will be able to take a more cohesive approach towards regulating nuisance calls. Toynbee Hall also supports recent ICO

action of imposing financial penalties on the worst offending companies and publishing their names on its website.

In theory, the Telephone Protection Service offers a free, solid solution for individuals, that can be regulated and enforced by law and we support the concept. However, it is a significant and continuing problem that the system is not effective. Customers that have registered their phone numbers are still receiving calls. In some cases, customers will receive several cold calls a day from companies. This is frustrating and distressing for individuals who have already gone to the effort of registering themselves. As a result of lax regulation, companies are often ignoring legislation completely. The proposed changes in legislation will strengthen the regulatory force by allowing collaboration of the two relevant official bodies.

However, there are further issues that need to be addressed. The complaint system, along with registration with TPS, is cumbersome and time-consuming. Registration alone can take up to 28 days to become fully effective. For those already registered and still experiencing problems, complaints can be made via the TPS website. However, as TPS is not responsible for enforcement, it can only offer to inform the ICO of complaints made about companies. It is the decision of the ICO whether to act on this information or not. This decision is normally dependent on the trends of complaints rather than each individual complaint. Toynbee Hall urges that it should be made easier for receivers of nuisance calls, particularly those registered on TPS already, to make complaints and to see results.

Furthermore, action needs to be taken to address the loopholes that exist for companies to use cold-calling techniques. Companies are able to conceal their identity and telephone number when calling customers, meaning that the receiver has insufficient information needed for a complaint. Toynbee Hall endorses the removal of the ability for companies to conceal themselves. Silent calls, automated calls and 'market-research' calls are left uncovered by the TPS. It is unclear whether receivers of these calls are to complain to the ICO, Ofcom or some other regulatory body. These loopholes need to be addressed and as said earlier, an effective complaint system needs to be established that works in a timely manner.

At Toynbee Hall, our Financial Inclusion team is particularly concerned with the problems associated with nuisance calls from financial companies, such as debt management companies and payday lenders. The people that receive help from Toynbee Hall in programmes such as Debt Advice and Financially Inclusive Tower Hamlets are often in a vulnerable financial situation. A cold call or text advertising a company's services is considered by most people a nuisance. However, these calls can have much more concerning effects on an individual, especially if the individual is already in a situation of financial instability.

Nuisance calling can have detrimental effects on the receiver's wellbeing:

- i) Receiving calls can cause frustration and distress for the person at the receiving end. This may stem from the confusion about how their contact details were obtained, the inconvenience of the call, feeling pressurised to buy into a product and other reasons. Silent calls often occur when the automated message fails to work due to the system being overloaded. For those receivers who might not be aware of this happening, the call can be unnerving, let alone

irritating. Some receivers may feel victimised, especially if the receiver suffers from mental health problems.

- ii) It can cause or perpetuate users' financial problems by encouraging them to make ill-advised financial decisions under pressure. Direct marketing through telephone or texts can be predatory, by targeting individuals that are financially vulnerable. These individuals may be more likely to buy-in to tempting, yet dangerous credit options.
- iii) In some cases, callers posing as a company can lead the receivers to divulge bank details over the phone, causing the receivers to become victim of theft.

Staff members at Toynbee Hall have worked with residents of the local community in Tower Hamlets, some of whom have spoken of their own experiences: in some cases, residents would receive up to 20 calls a day from payday lenders, leaving them feeling harassed.

On top of this anecdotal evidence from our service users, there is growing proof that nuisance calling is afflicting the financially excluded across the nation.

A March 2011 Citizens Advice Bureau (CAB) briefing brought forth evidence on two related practises: cold calling in the debt management industry and the charging of up front fees to financially vulnerable consumers by credit brokers. It emphasised that: "...cold calling has resulted in unauthorized deductions from the bank accounts of consumers who have been persuaded to part with their payment details." The briefing concluded by advocating the amendment of the 1974 Consumer Credit Act to prohibit cold calling from consumer credit businesses.

More recent CAB research indicated: "...a direct correlation between shoddy financial services, cold calling and lead generation – where people's details are passed on without their apparent permission." Analysing 1,845 calls made to CAB's consumer service between January and February 2013, the study found that 35 per cent contained evidence of cold-calling, out of the blue texts, letters and spam e-mails. Over half of the complaints, moreover, came in relation to financial services which impact strongly on the financially excluded (credit brokers: 710 calls; payday lenders: 281 calls; debt management: 129 calls; debt collection scams: 4 calls).

Further CAB research also revealed that, between April 2012 and March 2013, the consumer service dealt with over 30,000 complaints about cold calling for a range of products and services.

Concern has also been expressed at the way in which controversial payday lending companies have used cold calling. This is exemplified by the fact that Consumer group Which? includes – on the 'problems' section of its website – a consumer issue to do with people being bombarded with offers of loans from many payday loan companies after they have used one.

Adding to this concern is the fact that payday loan companies are using companies like T3 leads, which specialise in providing payday loan leads which allow firms to target specific consumers.

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