

26 July 2017

Dear Colleague,

Fairer Finance report

You may be aware that the independent consumer group, Fairer Finance, recently published a report into practices found in some parts of the funeral planning market. As we are working with many Later Life Academy members, we thought that it would be helpful to provide you with our initial views on the report and some of the key points that it raises.

Sales practices

At Ecclesiastical Planning Services (EPS), our priority is to ensure that potential clients are treated fairly. We do not use sales teams or high pressure third parties to sell funeral plans direct to consumers. The majority of our plans are sold through funeral directing firms that arrange their funeral pre-payment plans with EPS and the rest are sold by advisers who are professionally qualified and/or hold a membership of the Later Life Academy¹ who have chosen us as their preferred provider. This ensures that people are provided with a professional, personal service from specialists who can ensure that their needs and wishes are met by the plan they choose.

We were pleased that the report highlighted us as one of three providers who “stood apart from the rest as doing more to promote transparency and fair value for consumers²” as this is something on which we pride ourselves. We work hard to ensure that all of our literature is clear, fair and not misleading.

Regulation

Many of you will be aware that for some time we have expressed the view that the supervision of plan providers is insufficient. The absence of adequate regulatory monitoring is creating an increasing number of concerns for those that want to develop good quality business in a responsible manner. We believe that the bad practices that have become prevalent with some funeral plan providers need to be eliminated. For example, we agree that some of the commission payments that are paid to third party sales agents seem excessive and can encourage aggressive sales tactics. We are also aware that customers are often told that their plan will be serviced by a firm that may have no intention of accepting plans from that particular provider. These are just two examples of bad practice that threaten to bring the funeral industry into disrepute and we agree that the time is right to consider how the funeral plan market is regulated going forward.

We certainly support the view that all funeral plan providers should be subject to the same level of robust supervision and we are optimistic that there will be an interest on the part of the funeral planning industry in exploring the options for change.

Financial security

The Fairer Finance report suggests that the financial health of funeral trusts could be in poor shape when plan providers take excessive amounts out of trust funds to cover their operating and other costs.

It is possible that both advisers will be contacted by planholders seeking reassurance regarding the security of their pre-payment money that is held with EPS. Therefore, we have noted overleaf some information about the security of EPS funds that may serve as a useful point of reference:

- The EPS arrangement uses whole of life assurance funds rather than a funeral trust.
- The whole of life assurance policies are monitored and regulated by the Financial Conduct Authority. Funeral trusts are not regulated.
- After the deduction of the plan management fee, the full amount of the funeral pre-payment is held in the whole of life assurance policy. This means that the funds for every EPS funeral plan are ring-fenced and underpinned by a separate whole of life policy which enables EPS to fully guarantee the pre-payment amount for every funeral plan. Therefore, the funeral pre-payment amount can never reduce in value.
- The plan redemption value will always reflect the full plan growth over the life of the plan.
- EPS cannot make any deductions from the whole of life assurance funds – the whole value will be paid to the funeral director for the purpose of conducting the funeral.

Disbursements

The report expresses the view that the treatment of any payment that a customer makes for disbursements (third party costs outside of the funeral director's control, such as cremation fees) is sometimes confusing. It also points out that even those plan providers that advertise "fully guaranteed plans" often include a number of exclusions in the small print.

Our view is that when disbursements are included in the plan it should be made absolutely clear to the customer what exactly is covered by their payment. In addition, any elements of the plan that may require a further payment at the time of service delivery should also be highlighted.

For plans that simply include a contribution towards the cost of disbursements it is right that customers should be made aware that a "top up" payment may be required, and this should be clear in the customer documentation. EPS has earned a reputation for producing customer facing materials that are accurate and clear for the customer to read and understand and we are pleased that this was recognised in the report.

In summary

We believe the discussion around funeral plan regulation will be ongoing and we are looking forward to participating in the debate. If you have any thoughts that you would like us to feed into the discussions please do not hesitate to let us know.

I am sure that there will be good reason for me to write to you again to share our thoughts on funeral plan regulation as the discussions develop. In the meantime, I hope that you will find this information to be helpful, and please do not hesitate to contact me should you have any questions or wish to share your observations.

With kind regards,



Chris Clark
Managing Director
Ecclesiastical Planning Services

¹ The Later Life Academy provides training, development and support to expand and enhance Independent Financial Advisers' skills in the later life market. They are accredited by the National Skills Academy.

² Is the prepaid funeral planning market working well for consumers?, Fairer Finance report, 7 July 2017.