

# Are you overprotected?

Card protection policies sound like a good idea, but our investigation shows that they may be a needless expense

## WHAT YOU'LL LEARN

- The pros and cons of card protection policies
- Your rights to financial redress under banking regulations
- How to help protect yourself against financial loss due to fraud or theft

**P**rotecting your credit or debit card from loss, theft or fraud sounds sensible; and for a cost of between £20 and £40 a year, it may seem like a no-brainer.

However, a *Which? Money* investigation has found that some card providers may be breaching consumer law by misleading customers about the need for protection against fraud. While card protection policies are often sold to customers on the strength of the protection they offer against fraud, loss and theft of your cards, this is protection that all of us already have under the Regulatory Regime for Banking.

Under UK law, cardholders who haven't acted fraudulently or with gross negligence (for instance, by writing their Pin down) stand to lose no more than £50 if they're a victim of fraud, and the £50 excess is often waived.

But when we analysed card protection policy providers' literature and policies this summer (see table, p12), we found that none explained consumers' statutory protection. Instead, they trumpeted the amount they'd protect against theft, loss or fraud.

We believe companies that sell card protection policies by emphasising a benefit



that is a legal right could be misleading their customers.

And, by omitting to mention your legal rights when presenting this headline benefit, we think some providers could be breaching the Consumer Protection from Unfair Trading Regulations (CPRs).

Providers should be aware of these requirements and, by failing to abide by these regulations, we feel that they are exhibiting a serious lack of professional diligence, which could constitute another breach of the CPRs.

### Peace of mind?

All the policies offer additional cover, for loss or theft of cash or a handbag, for example. But we're concerned that rather than highlighting these features or pointing out the statutory rights of redress following unauthorised use of cards, many providers give greater prominence in their product literature and policies to card 'insurance'.

For example, as we went to press, CPP, one of the big suppliers of card protection policies, stated on its website: 'Don't be a victim. Get Card Protection today. With Card Protection from CPP you can protect yourself and up to four

**Card protection provides... a range of insurance benefits, as well as emergency assistance when away from home. The insurance provided against fraud losses is just one part of the product'**

*Barclaycard*

other adults in your household. You'll then have the peace of mind that if your cards are lost or stolen you're covered for financial loss and just one free call to us will get your life back on track.' This is right next to a statement in a box stating: 'Protect your cards and more. £36.99' a year.

We believe statements such as these are misleading, as insurance companies can't prevent you from being a victim of theft or fraud. Policies can only offer redress of losses, a right which you already have under the UK banking regulations.

The regulations also state that there is no limit on the amount of redress that is payable if you're a victim of fraud. Yet some policy providers do impose a limit.

Lloyds TSB is among the providers that cover £5,000 of financial loss incurred before the

cardholder discovers the misuse or loss and reports it, and up to £100,000 of losses thereafter. Other card providers, including Barclaycard and Argos, are now applying a blanket upper limit of £20,000. This is a new limit introduced by CPP, which underwrites many card protection policies. But you already have far greater protection under banking regulations.

### What the banks said

We contacted the card providers to ask why they focus on the insurance element of policies. Barclaycard told us: 'Card protection provides a helpline service which enables customers to cancel all their cards with one call, a range of insurance benefits, as well as emergency assistance when away from home. The insurance provided against fraud losses is just one part of the product.'

Argos said: 'We are confident that the product we offer through CPP includes a range of benefits, and that it is presented to our customers in a balanced way.'

Lloyds TSB responded: 'The card protection products offered by Lloyds TSB, Halifax and Bank of Scotland provide a comprehensive service in the event of a customer losing their cards. Cover for fraudulent use of payment cards is only a very small part of the product and the cover is for more than just a customer's credit or debit card. This is highlighted as just one of the many benefits of the cover.'

Other providers, including HSBC, First Direct, Nationwide and Tesco Bank, all withdrew their card protection policies from sale after we began to analyse the market but before we contacted them for comment.

### Other policy protection

The banks are keen to stress that, aside from fraud, loss and theft cover, there are other benefits to card protection to consider. But how good they are is open to debate.

If a card goes missing or fraud is detected, customers have access to a 24-hour phone line, which will cancel all your cards and authorise replacements. However, the same goes for customers who don't have a card protection policy (although you will have to call all of your card providers). The process of identifying fraud,

## Card protection policies

One of the key reasons people consider taking out a card protection policy is to cover the misuse of a card after loss or theft, or as a result of fraud. However, providing you haven't acted fraudulently or negligently, all of your losses, bar the first £50, are covered under banking rules. Many card providers will also waive the £50 excess. In contrast, card protection policies offer limited cover.

COST AND LEVELS OF COVER			
	COVER PROVIDED BY	ANNUAL COST	COVER FOR LOSS OR THEFT AND FRAUDULENT TRANSACTIONS (ONCE LOSS REPORTED)
FSA <sup>a</sup>	Your rights	Free	Unlimited <sup>b</sup>
Argos	CPP	£30.99	Up to £20,000
barclaycard	CPP	£39.99	Up to £20,000
Clydesdale Bank	CPP	£35.00	Up to £20,000
The co-operative bank	Sentinel	£30.00	Up to £100,000 <sup>c</sup>
cpp	CPP	£35.00	Up to £20,000
Lloyds TSB	Sentinel	£30.00	Up to £100,000 <sup>c</sup>
First Direct	Sentinel	£39.95	Up to £100,000 <sup>c</sup>
Thomas Cook	CPP	£20.00	Up to £75,000 <sup>d</sup>
Yorkshire Building Society	CPP	£35.00	Up to £20,000

<sup>a</sup> Your rights under the banking Conduct Regime <sup>b</sup> After the first £50 of loss, cover is unlimited <sup>c</sup> £5,000 before loss reported <sup>d</sup> £1,500 before loss reported

theft or loss, cancelling cards and issuing new ones could be quicker with card protection in place, but is this really something you'd pay for year-on-year? The banking regulations state that you are entitled to get your money back 'immediately', provided you haven't acted wrongly, and this is what really matters.

### Loss of cash and documents

Most of the card protection policies we looked at would cover loss of cash abroad (£200-£300), loss of documents, such as passports, and baggage while overseas, and access to emergency cash to cover hotel and transport while abroad, typically between £200 and £300. Travel insurance from the likes of Which? Best Buy ETA will cover you for these to some degree.

However, you could get up to £5,000 in emergency cash with the Clydesdale Bank card protection policy; that's far more than you would get with its travel insurance policy (£500 maximum for money, including travellers' cheques, and £200 for cash loss).

### Loss of belongings

If your mobile phone was stolen and used, you could be covered for up to £1,000 of calls with a Clydesdale or Yorkshire Bank card protection policy. But anyone with mobile phone insurance would already have this protection.

Card protection policies often cover handbag, wallet or mobile phone loss, which standard home insurance may not protect. This could be a useful feature of card protection policies. But if

## What you can do

How to cancel an unwanted card protection policy and safeguard your cards in other ways

### CANCEL

To cancel your policy, contact your provider direct. If you do this within 14 days of buying the policy you'll get a full refund. You may not be entitled to a refund after this date, so check your policy details. If you feel you have been mis-sold a policy, complain to the provider and take the matter to the Financial Ombudsman Service if the matter is unresolved after eight weeks.

### PROTECT YOURSELF

Always keep your card details (including your Pin) secure

and don't give your details to friends. Try to cover the keypad when you're entering your Pin in a public place.

### CARD CONTACTS

Put your card providers' phone number on your mobile phone or keep them with you, perhaps in your bag or wallet, so you can contact them as soon as you realise your card security has been compromised.

### INSURANCE

Check what you're covered for under car, travel and home insurance policies. If you have

quality cover, you may be paying for benefits offered by card protection insurance.



Keep card providers' contact details handy on your mobile

your travel and home contents cover offers this kind of protection, arguably there's very little that the card protection policies give you in addition. For example, Which? Recommended Provider RIAS offers personal belongings protection on its home insurance policy. It covers you for loss of belongings, money and credit cards anywhere in the world for up to 60 days. With other providers you

may have to pay an additional premium, but it's worth comparing this charge with the annual card protection policy premium.

A further feature of these policies is the replacement of keys and locks. The Co-operative Bank's policy (provided by Sentinel) provides up to £600 worth of cover for replacing locks and keys, plus transportation costs. But this loss may be covered by car or home insurance policies. Swiftcover.com's car insurance will cover you for these losses up to £1,500. RIAS, Barclaycard, First Direct and HSBC are among those who will also offer key and lock protection under their home insurance policies.

## ID theft insurance

Not to be confused with card protection policies, ID theft insurance is designed to cover the cost of repairing the damage caused if your identity is assumed by a fraudster. It can give you the means to spot potential misuse of your personal data more quickly, by giving you unlimited access to your credit file, for example.

ID theft insurance providers have been widely criticised for the way they've sold

policies. Earlier this year it emerged that the Financial Services Authority is investigating CPP's handling of its ID theft insurance sales calls.

Lucy Widenka, Which? senior advocate, said: 'Our issues have always been that these policies offer poor value and claim to provide protection you already have. Which? members have told us that they have felt bullied into buying the policies.'



Insurance policies can't stop thieves from striking

## What price cover?

As the typical cost of a card protection policy is about £20 to £40 a year, they may still seem like a good idea. But, our research shows that of the 29% of Which? members with a card protection policy, only a fifth have ever claimed on it.

Given that card protection policies often automatically renew when they reach the end of their term, the costs can soon mount up.

About 20% of Which? members have kept their credit card for more than 20 years, while 60% stick with their debit card provider for 20 years or more. This could mean a policy may cost you between £400 and £800 in the long run; all for a policy we don't think you need.

If banks are to continue selling these, we think they should stop emphasising benefits which you already have. But removing them from sale altogether would be better still.