Consumer Research
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Financial Services Authority

Mortgage Endowments – shortfalls and consumer action

Prepared for the
Financial Services Authority
by IFF Research Ltd

July 2005

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FSA Foreword

Mortgage endowments have been a priority for the FSA for some time, and a considerable amount of work has been carried out by us, the Financial Ombudsman Service, firms, trade associations and consumer groups. Millions of FSA factsheets have been distributed by firms or requested by consumers since 1999. There has been a great deal of media activity, and a large number of consumers have complained or taken some other action to deal with projected shortfalls on their policies.

This report was commissioned in order to help us take stock, look at how effective our consumer work has been, and identify which consumers most need help going forward. IFF, an independent research company, undertook this for us.

This report is published alongside our paper 'Mortgage endowments: Progress report and next steps' which sets out our next phase of activity in relation to both firms and consumers.

Acknowledgements

The research project was carried out on behalf of the FSA by IFF Research.

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Copies of the report can be downloaded from the Consumer Research publications section of the FSA website - http://www.fsa.gov.uk/Pages/Library/Other_publications/Consumer/index.shtml

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1.1. Introduction

Due to a decrease in (expected) investment returns over recent years, a significant number of endowment policies bought to repay a mortgage are projecting a shortfall between the target sum required and the sum expected from the endowment policy at maturity. As a result, some consumers may not have sufficient funds to repay their mortgage lender in full when the loan becomes due.

The Financial Services Authority (FSA) has conducted a substantial consumer awareness campaign to encourage endowment policyholders to take action, where appropriate, to address the risk of such a shortfall, and has made a commitment to the Treasury Select Committee to widen the scope of its work to further target consumers facing a shortfall. To do this most effectively, the FSA needed to better understand the scale and nature of the endowment shortfall problem facing consumers.

The scale of the issue has not previously been quantified at household level. Industry data is based upon *policies* rather than *households* as many mortgages are supported by more than one policy, and no consistent data existed on consumer behaviour or attitudes to addressing any potential shortfall.

1.2. Research objectives

IFF Research Ltd was commissioned to conduct research amongst households with an endowment-linked mortgage to determine in particular:

- the number of households facing a shortfall;
- the average shortfall for these households and the total shortfall value which this represents; and
- the number of households that have and have not taken action to address the shortfall, and the reasons for this.

1.3. Research approach

The research consisted of three discrete elements:

- The main element was a face-to-face survey of 1,242 households in Great Britain with an endowment-linked mortgage.
- Interviews were conducted with 104 households which had taken out an endowment-linked mortgage but switched to a repayment vehicle within the last four years.
- Thirty in-depth follow-up interviews were also conducted to understand in more detail the reasons for particular courses of (in)action.

The research was conducted between the 9 September and 5 December 2004.

1.4. Households with endowment-linked mortgages

It is estimated that 2.7million (11%) households in Great Britain have an endowment-linked mortgage[1]. This proportion is declining as households switch to repayment mortgages. Screening data from this study indicated that around one in six households with a mortgage had switched from an endowment-linked mortgages to a repayment mortgage.

Households with an endowment-linked mortgage had, on average, 1.4 policies, which indicated that around 3.8 million endowment policies were still linked to mortgages in Great Britain.

1.5. Households facing a shortfall at the medium rate[2]

Most households (82%) with an endowment-linked mortgage were projected to be facing a shortfall at the medium rate. This equates to about 2.2 million households in Great Britain.

Just under half (42%) of all households with an endowment-linked mortgage were facing a shortfall of £5,000 or more, the mean for all households being £7,200. This represents a total shortfall of £16 billion across all households in Great Britain facing a shortfall.

[1] Penetration % (11%) from Survey of English Housing April – September 2004, applied to the total number of households in Great Britain (24.5m).

[2] Shortfall based on the middle level projection of what policy will yield on maturity, based on most recent re-projection letter received. Where households had more than one policy, this assessment was based on all the policies they held and so represented the overall shortfall faced by the household.

The proportion of households facing a shortfall did not vary widely between key demographic sub groups (defined by income, household composition etc). However, some groups faced higher than average shortfalls.

Household type	Average shortfall
That comprised families (adults and children)	£8,900
Where the main income earner was aged 35 - 44	£9,100
Where the main income earner was a small employer/self employed	£8,100
In London	£10,500
In the South East	£8,400
That had two or more policies	£8,400
Where the household had other (unsecured) debts of £5,000 or more	£9,500

1.6. Concerns about shortfall

Most (79%) households that were facing a projected shortfall at the medium rate were concerned about their situation. Thirty per cent were seriously concerned. As might be expected those households that were seriously concerned about their situation included those with a higher shortfall, two or more policies, low income or were in net debt[3].

Two-thirds of households that were concerned about their situation (53% of all households with a shortfall) were worried about the financial consequences rather than simply being concerned that the situation had been allowed to arise. For example, concern was expressed over the potential financial impact that having a shortfall might have on their savings or pension provision or simply that they might not be able to afford to take action. These concerns were found to be largely justified, in that the financial position of the respondent largely reflected the concerns they raised.

1.7. Actions taken on shortfall

Over two-thirds (69%) of households that were facing a shortfall at the medium rate said that they had already taken some action regarding their situation. This equates to 1.5 million households nationally. A further 14% stated that they intended to take action in the future, but had not done so yet. Levels of action do not vary substantially across different sub-groups.

[3] Net savings/debt was the difference between the level of savings and debts (other than their mortgage) that the household had.

Actions taken already included:

- talking to an adviser;
- changing part of the mortgage to a repayment mortgage;
- making additional savings;
- making extra capital repayments; or
- making a complaint.

Just under half (48%) of the households that had a shortfall had already taken some *direct* action to address the shortfall, rather than just having sought advice or made a complaint. Furthermore, the majority (55%) of those who had already taken any action intended to take further action. In many of these cases, this was likely to be more direct action (i.e. action other than taking advice) to deal with their shortfall, and it was likely to be taken in the next six months. These findings suggest that, if all those expressing serious intentions to take further action actually do so, then the proportion of households that have taken action to address their shortfall could rise, in the short term, from 48% to 64%.

Just over half (54%) of those households that had already taken some action to deal with their shortfall felt it would have an impact on their savings or pension provision. Thus, in seeking to meet the mortgage shortfall many households may be negatively affecting their retirement income and long-term savings.

1.8. Reasons for not taking action

Almost a third (31%) of households with a shortfall had not yet taken any action. This equates to 700,000 households nationally. The 31% includes households with a shortfall that stated they were not intending to take any action (17%) as well as those who were intending to take action in the future, but had not done so yet (14%).

Some respondents had justifiable reasons for their inaction. These included having a shortfall small enough to be covered from existing income or savings, being unable to afford to take action and where the policy was due to mature shortly, so there was insufficient time to take any remedial action.

However, over half (55%) of those households that had not yet taken any action (17% of all households facing a shortfall) said they were waiting to see what happens in the future or had no particular reasons for not taking action. Further (qualitative) research amongst some of these households indicated that many were hopeful that the situation would sort itself out. They hoped that stock market returns would improve again and that this might help to bring their policy back on track. In other cases, households were not taking action because they did not know what options they had or which options were best for them, and did not know where to go for advice.

Those groups that were less likely to have taken action and to not have a justifiable reason for not doing so were:

- households with higher than average (£7,200) shortfalls;
- households where the main income earners were aged 45 years or more;
- households with high debts or net debts; and
- households that were financially at risk, due to having lower income and savings and/or debt[4].

Such households (older earners and/or higher debts) may find it harder to take action, as they may have a smaller range of options available to them.

1.9. Complaints

Respondents were asked a simple question about whether or not they had made a complaint. This provided a broad assessment of one aspect of action consumers may have taken and as respondents were not questioned in detail on this point, it is not intended to be comparative with official recorded figures around complaints. On this measure, about a fifth (18%) of all households with an endowment-linked mortgage *claimed* they had made a complaint or sought compensation regarding their endowment policy. It is important to note that this represents the extent to which households *felt* they had made a complaint, as opposed to those that may be recorded as such on firms' returns to the FSA.

The key reasons for making a complaint were:

- the policy would not cover the mortgage (78%);
- they were led to believe that it was guaranteed to cover the mortgage (55%);
- they felt the adviser had not explained properly how the policy worked (58%); or
- they felt the adviser had not explained properly the risks involved (62%).

[4] Households with an endowment-linked mortgage are more affluent than the population as a whole. Those defined as financially at risk or vulnerable are thus relatively less affluent than other households with endowment-linked mortgages, albeit that their income and/or savings may be above the national average.

The majority (97%) of those that said they had made a complaint felt they had grounds for doing so because they had been mis-sold the policy, rather than just because of poor policy performance (which would not in itself constitute grounds for a complaint).

A further 44% of households felt they had a case for complaining. However, only about a third of these (15% of all households) said they would be likely to make a complaint and would do so in the next six months.

The main reasons why those who felt they had a case for complaining have not done so included:

- they had not got round to it (40%);
- they were waiting to see if the stock market situation improved (23%); and
- they did not know how to complain (18%).

When asked directly whether they were aware of what to do if they wanted to make a complaint about a financial product or service, under a fifth (18%) knew exactly what to do, whilst over a quarter (28%) had no idea. Just over half (54%) felt they had only a vague idea. This does suggest that many policyholders were not confident about the procedures for making a complaint. Most (81%) were also not aware of the time limit on making a complaint.

1.10. Impact of FSA activity

Half of endowment-linked mortgage households said they definitely recalled receiving a copy of the FSA's factsheet with the re-projection letter, and a further 16% thought they probably had. Of those who recalled receiving the factsheet, just over half (55%) read at least some of it. Most of those (83%) who read it found it useful.

Overall, just under a third (30%) of all endowment-linked mortgage households were prompted to take action (including making a complaint) by the re-projection letter or the FSA's direct activities which included the provision of the factsheet, helpline and website.

These industry communications were more effective amongst younger people and those who were seriously concerned about their situation.

It should be noted that the FSA has also been involved in a wide range of other, less direct, activities in particular in gaining coverage of the issue in the media. Many households were prompted to take action by information they had gained from the media. Indeed it was often the combination of a number of sources which prompted households to take action.

The findings from the qualitative research indicated that most of those that had taken action were prompted to do so at least in part by the letter or factsheet. They found the communications particularly helpful in explaining the options available. However, some respondents, particularly those who had not taken action, expressed reservations and suggested some improvements. These included the following:

- Making the letter and particularly the factsheet shorter and more concise[5].
- Making the tone of the communications more urgent to prompt immediate action and explaining what the consequences of not taking action now would be[6].
- Providing clearer guidance of what would be the best course of action in their situation. A number of respondents commented that although the communications outlined the options available, it still did not help them in deciding which was the best option for them. This is clearly a restriction for any communication providing generic information.
- That the factsheet should be sent separately from the re-projection letter from the provider. This reflected, in part, that some respondents were not aware of the FSA and their independent status but also that they were distrustful of the documents from the provider. This in turn reflected a broader level of distrust with the industry arising from this issue.
- Making it clearer that there was a time limit for complaining[7].

Some of these improvements have already been made to the factsheet and letter. The findings from this research suggest these will be helpful in encouraging people to take action.

1.11. Conclusions

The efforts of the FSA and industry to date have been effective in encouraging a significant proportion of households with a shortfall to take appropriate action. Some groups were slightly less likely to have taken action to deal with their shortfall, but the differences were not substantive. Continued activity is therefore required across the whole market to ensure the issue remains in the spotlight and to encourage those that should be taking (further) action to start or complete the process.

A key message to communicate as part of the ongoing campaign is that the situation going forward is uncertain, and it is therefore prudent to start taking action sooner rather than later.

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5 The most recent version of the factsheet (issued in June 2004) is much shorter, but most respondents received the earlier version.

6 The most recent version of the standard re-projection letter (issued by the ABI in May 2004) is colour coded and includes the words 'red alert' at the top of the letter, if there is a serious risk that they will face a shortfall. Most respondents received the earlier version of this letter, but felt the inclusion of this warning would be helpful in encouraging people to read and action the letter.

7 The most recent version of the standard re-projection letter includes a warning about this.

Groups which the FSA may wish to consider targeting their information to specifically are households where the main income earner was older, or those that were financially vulnerable due to having a combination of low income and savings or other debts. These groups will have more limited options for addressing their shortfall and may therefore benefit from more specific guidance.

2. Introduction

2.1. Background

Due to a decrease in (expected) investment returns over recent years, a significant number of endowment policies bought to repay a mortgage are projecting a shortfall between the target sum required and the sum expected from the endowment policy at maturity. As a result, some consumers may not have sufficient funds to repay their mortgage lender in full when the loan becomes due.

This is potentially a significant issue of social importance. The FSA has conducted a substantial consumer awareness campaign to encourage endowment policyholders to take action, where appropriate, to address the risk of such a shortfall, and has made a commitment to the Treasury Select Committee to widen the scope of its work to further target consumers facing a shortfall. To do this most effectively, the FSA needed to better understand the scale and nature of the endowment shortfall problem facing consumers.

The scale of the issue has not previously been quantified at household level. Industry data is based upon *policies* rather than *households* as many mortgages are supported by more than one policy, and no consistent data existed on consumer behaviour or attitudes to addressing any potential shortfall.

In addition, industry data does not always accurately identify whether the endowment policy held is still linked to the mortgage. In some cases, a householder may have rearranged their mortgage themselves while the firm with whom the endowment policy is held still has the policy recorded as linked to a mortgage.

2.2. Research objectives

IFF Research Ltd was commissioned to conduct research amongst households with an endowment-linked mortgage to determine:

- the number of households facing a shortfall;
- the average shortfall for these households and the total shortfall value which this represents; and
- the number of households that have and have not taken action to address the shortfall, and the reasons for this.

The FSA was particularly interested in the experiences of some specific groups of consumers. These included households:

- which have one or more policies taken out before 1988, as they may not be covered by the existing regulations;
- which have one or more policies which were expected to mature in retirement, when the household might be less able to take action to deal with any shortfall; and
- which have bought ex-Local Authority properties, for whom endowments may not be ideal.

The research thus pays particular attention to these special interest groups. It also identifies and explores other groups which might be 'at risk' as a result of their financial circumstances.

In addition, the research set out to assess the role which the FSA's awareness campaign has played and to inform the further development of the FSA's communications. It is important to note that respondents could only comment on the FSA's 'direct' activities (the factsheet, website and helpline). The wider impact of media coverage is discussed in the report, however it is not possible for this research to comment upon the FSA's role in promoting such coverage.

The detailed research objectives were to provide:

- an estimate of the number of policies in force (and still required to clear or reduce the mortgage debt) and the number of households holding them;
- an estimate of the level of shortfall faced by households;
- an estimate of the number of households with expected shortfalls and any strategies being employed or considered to address the shortfall;
- an estimate of the number of households with potential shortfalls where there is no planned action to address the shortfall, and the reasons for this;
- an understanding of the households that currently have a repayment or other type of mortgage which they have switched from an endowment-linked mortgage, and the reasons why they did so;
- identification of households that will be particularly severely affected by any shortfall and the potential problems that they face;
- the reach among consumers of the FSA's awareness campaign about endowments informing them of the need to take action; and
- the number of endowment households which consider that they have a complaint[8] and/or can claim for having been mis-sold, and the reason for them not having made a complaint.

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[8] It should be noted that the complaint issue was not the key objective of this research and that other work has been conducted on this issue. It is important to note that the level of complaints obtained in this study represents the extent to which households *felt* they had made a complaint. The level of complaints obtained was therefore higher than official industry figures.

2.3. Research approach

The research consisted of three discrete elements:

- The main element was a face-to-face survey of 1,242 households in Great Britain with an endowment-linked mortgage.
- Interviews were conducted with 104 households which had taken out an endowment-linked mortgage but switched to a repayment vehicle within the last four years.
- Thirty in-depth follow-up interviews were also conducted to understand in more detail the reasons for particular courses of (in)action.

We outline the key methodological issues below. A more detailed explanation of the research methodology is given in the technical appendix. Copies of the questionnaires and discussion guides used in the research are also appended.

2.4. Main survey

Face-to-face interviews were carried out in respondents' homes amongst 1,242 households with an endowment-linked mortgage.

A representative sample of households was screened (using pre-selected addresses) to identify those with endowment-linked mortgages.

This sampling approach involved the screening of 32,000 households to identify the relevant target population and ensure that a representative sample was obtained. Data was then weighted to the known population profile of endowment-linked mortgage households[9] using the age and occupation of the head of household along with the household composition. The achieved sample profile is shown in Table 1.

Interviews lasted an average of 40 minutes and the fieldwork was conducted between 9 September and 15 November 2004.

[9] Survey of English Housing April – September 2004.

Table 1: Sample profile

Household type	Number of interviews
Age of main income earner	
<35	167
35-44	461
45-54	370
55+	218
Refused to state	26
Occupation of main earner	
Manager/professional	549
Intermediate occupations	286
Small employers and own account workers	106
Lower supervisory/technical	149
Semi-routine/routine	122
Never worked/unemployed/not otherwise classified	15
Not stated	15
Household composition	
Single adult only	73
2+ adults only	531
Adults plus children	600
Not stated	38
Total interviews	1242

2.5. Households switching to a repayment mortgage

One hundred and four interviews were conducted with households identified by the screening process as having switched from an endowment-linked mortgage to a repayment mortgage within the past four years. The purpose of this element was to understand what had caused these households to act as they did. This data was not weighted as the size and nature of the total population of such households is unknown, but the nature of the sampling approach means that these interviews will be representative of households of this type.

Interviews lasted an average of 20 minutes and were conducted during the mainstage fieldwork period. The findings from this element of the research are detailed in Chapter 8.

2.6. Follow-up interviews

Thirty in-depth, qualitative interviews were conducted with respondents who had taken part in the first stage. The purpose of conducting this element of the work was to further understand the barriers to households taking action to mitigate their shortfall, and explore what might encourage greater action.

Nineteen interviews were carried out with respondents who had not taken any action and had no clear reason for not doing so. To provide some comparisons, eleven interviews were conducted with respondents who had taken action.

Interviews lasted an average of one hour and were conducted between 22 November and 5 December 2004. The findings from this element of the research are not reported upon separately, rather they are used to illustrate findings as appropriate throughout the report.

2.7. Report structure

The remainder of this report is structured as follows.

Chapter 3: The profile of households with an endowment-linked mortgage	Explores the demographic profile of the target population
Chapter 4: Households with a projected shortfall	Examines the proportion of households facing a shortfall and the size of the shortfall
Chapter 5: Actions taken	Assesses what action has and has not been taken, and the reasons which lie behind this
Chapter 6: Complaints	Investigates the number of households which feel they have complained, the number which feel they have a case for doing so and the knowledge which exists on the complaints processes
Chapter 7: Impact of FSA activity	Explores the effect which FSA activity has had on the shortfall situation
Chapter 8: Households switching to a repayment mortgage	Considers those who have switched from an endowment-linked mortgage to a repayment mortgage, and their reasons for doing so

All data presented in chapters 3 to 7 of this report is weighted. In some cases tables will add to 99% or 101%, due to rounding.

3. The profile of households with an endowment-linked mortgage

This chapter examines the profile of households with an endowment-linked mortgage. It looks first at the demographic profile of these households in terms of the age and occupation of the main income earner and the composition of the household, and then at their financial position in terms of the annual income of the household and whether they have any savings or other debts.

In addition to this it looks at the size and nature of the groups of special interest to the FSA. At the start of the project the FSA identified three groups which were of special interest as they felt they might have a greater risk of facing an endowment shortfall and/or of not taking action to address their situation. These special interest groups included households:

- which have one or more policies taken out before 1988, as they may not be covered by the existing regulations;
- which have one or more policies which were expected to mature in retirement, when the household might be less able to take action to deal with any shortfall; and
- which have bought ex-Local Authority properties, for whom endowments may not be ideal.

3.1. Demographic profile of households with an endowment-linked mortgage

Table 2 shows the percentage split of some of the demographic profiles. Over half (56%) of the households with an endowment-linked mortgage had a main income earner aged 45 years or more, which reflected that sales of endowment-linked mortgages peaked in the 1980s. In just eight per cent of households was the main income earner aged under 35 years.

In terms of occupation, in almost half (44%) of households with an endowment the main income earner worked in a managerial or professional role. The remainder split almost equally between the other occupational categories.

Half (49%) the households with an endowment-linked mortgage were composed of families (adults and children). As would be expected, those households with adults only and particularly single-person households were more likely to contain older people. Although 37% of all households were composed of two or more adults, this proportion rose to 57% amongst households where the main income earner was aged 45 or over. Similarly, whilst 11% of endowment households were single person units, this rose to 14% amongst households where the main income earner was aged 45 or over, and to 28% among those where the main income earner was aged 55 years or over.

A third (33%) of households with an endowment-linked mortgage were in London and the South East. A further 29% were in the North, 13% in the Midlands and 11% in Scotland. This was broadly in line with the distribution of households nationally[10].

Table 2: Demographic profile of households with an endowment-linked mortgage

Household type	**%**
Age of main income earner	
<35	8
35-44	34
45-54	35
55+	21
Refused to state	2
Occupation	
Manager/professional	44
Intermediate occupations	14
Small employers and own account workers	11
Lower supervisory/technical	12
Semi-routine/routine	14
Never worked/unemployed/not otherwise classified	2
Not stated	3
Household composition	
Single adult only	11
2+ adults only	37
Adults plus children	49
Not stated	3
Region	
North East	14
North West	15
Midlands	13
Central/Greater London	11
South East	22
South West	10
Scotland	11
Wales	3
Base: All households with an endowment-linked mortgage	*1242*

[10] Family Resources Survey 2002 – 2003, a large national survey carried out on behalf of DWP.

3.2. Financial profile of households with an endowment-linked mortgage

It was important to gather a picture of the financial profile of households with an endowment-linked mortgage in order to help assess the impact any endowment shortfall may have. Detailed information was therefore collected on their levels of annual household income, savings, unsecured debt and pension provision.

3.2.1 Annual household income

Forty six percent of all endowment households had a total income of less than £30,000 per annum. This included 16% of households which had an income of less than £20,000 per annum.

As would be expected, households with higher incomes were more likely to be those where their main income earner worked in a managerial or professional role (56% of these households had an annual income of over £30,000 compared with 39% of all households). These higher income households were also more likely to have a main income earner who was under 45 years of age (46% compared with 39% of all households).

The average household income of our sample was around £34,000 per annum, compared with the national average of around £25,000[11].

Table 3: Household income per annum

Annual income	**%**
Less than £20,000	16
£20,000 - £29,000	30
£30,000 - £49,000	27
£50,000 or more	12
Not stated	15
Base: All households with an endowment-linked mortgage	*1242*

[11] Family Resources Survey 2002 – 2003.

3.2.2 Savings

The majority of households with an endowment-linked mortgage had some savings. Just over one in ten (13%) had no savings[12]. Those households with no savings were more likely to have low incomes and work in non-managerial occupations. Twenty three per cent of households with an annual income of less than £20,000 and 20% of those where the main income earner was in a technical or semi-routine/routine occupation had no savings.

In terms of the level of savings, over half (52%) of households with an endowment had savings of £5,000 or more. As would be expected, those with higher incomes were more likely to have higher levels of savings. Seventy per cent of those with an annual income of £30,000 or more had savings of £5,000 or more, compared with 42% of those with an income of under £30,000 per annum. Amongst those households with savings, the average value of these savings was £14,000 which was significantly above the national average of £8,300[13].

Table 4: Household savings

Level of savings	**%**
No savings	13
Less than £5,000	29
£5,000 - £19,000	34
£20,000 or more	18
Don't know	6
Base: All households with an endowment-linked mortgage	*1242*

3.2.3 Debt

Respondents were also asked if, apart from their mortgage, they had any types of unsecured debt[14]. As shown by Table 5, households with an endowment-linked mortgage are split broadly equally between those with and without other debt.

[12] Savings does not include pensions but includes shares, unit trusts, premium bonds, investment or growth bonds, and ISAs, as well as cash savings.

[13] Family Resources Survey 2002 – 2003.

[14] Debt here means unsecured debt from borrowings from any other sources such as personal loans, credit or store cards, or financial agreements such as for a car or furniture.

Older people and those with higher household incomes were more likely to have no debt (55% of households where the main income earner was aged 45 or more and 62% of those with an income of £50,000 or more had no other debts compared with 47% overall). One in six (16%) households had debts of £5,000 or more.

Amongst endowment households with other debts, the average amount of debt was £5,300 which was significantly lower than the national average of £7,700[15]. These findings indicate that households with an endowment-linked mortgage are more affluent than households generally, having on average higher levels of income and savings, and lower levels of debt.

Table 5: Household debt

Level of debt	**%**
No debt	47
Less than £2,000	19
£2,000 - £5,000	12
£5,000 or more	16
Don't know/refused	6
Base: All households with an endowment-linked mortgage	*1242*

3.2.4 Net savings or debt

As most households with an endowment-linked mortgage had savings but only about half were in debt it was useful to look at the net position: savings minus debt.

As shown in Table 6, the majority (80%) of households had net savings and over half (56%) of all households had net savings of more than £5,000. Those households with net savings of £5,000 or over were more likely to be older and in higher income groups. Two-thirds (66%) of households where the main income earner was aged 55 and over and two-thirds (67%) of households with an income of £30,000 per annum or more had net savings of £5,000 or over compared with 56% overall. They were also more likely to be households where the main income earner was a small employer or self-employed (71%).

One in five (20%) households had net debts, with 11% having net debts of £5,000 or more. Those with net debts were more likely to be households with a low income (27% among those households with an income of under £20,000) and where the main income earner was working in technical or semi-routine/routine occupations (31%).

[15] FSA commissioned study on the National Statistics Office Omnibus Survey, 2004.

Table 6: Net savings/debt

Level of debt	%
Any net savings	**80**
£5,000 or more	56
Less than £5,000	24
Any net debt	**20**
Less than £5,000	8
£5,000 or more	11
Base: All answering debt and savings questions	*1074*

3.2.5 Pension provision

In the majority (83%) of households with an endowment-linked mortgage at least one person had made some private or occupational pension provision at some point. This included 71% of households where one or more person was currently contributing towards a private or occupational pension. The proportion of households with any pension provision was lowest amongst households where the main income earner was aged 55 years or more (61%).

3.3. FSA special interest groups

As outlined earlier the FSA had identified three groups of particular interest. These were households with at least one mortgage-linked endowment policy taken out before 1988, those where the policy was due to mature after the retirement date of the main income earner and those whose property was formerly owned by a Local Authority.

Half (53%) of the households with an endowment-linked mortgage fell into one or more of these groups. Table 7 shows the percentage of the three groups.

As would be expected, due to the definitions of these groups they included a high proportion of older people. Over two-thirds (69%) of households where the main income earner was aged 45 years or more were in one or more of these special interest groups. Whilst those households with an ex-Local Authority property were also more likely to be older (13% of households where the main income earner was aged 55 years or more had an ex-Local Authority property), they were more likely to be amongst households with a low income of under £20,000 (14%) and with net debt (13%).

Table 7: FSA special interest groups

Special interest group	%
Any FSA special interest group	53
One or more pre-1988 policy	39
Policy maturing after retirement of policyholder	18
Ex-Local Authority property	7
Base: All households with an endowment-linked mortgage	*1242*

Note:

Responses add to more than 100% as some households were in more than one group

3.4. Households financially at risk

The study also sought to examine whether any households with an endowment-linked mortgage were particularly exposed due to having a more limited financial capacity (in comparison with other endowment-linked mortgage households), as this would make it more difficult for them to address any shortfall. The key factors we took into account in examining financial ability were income and the existence of any savings or unsecured debts. This chapter has already discussed these factors individually, but we also examined the proportion of households that might be financially vulnerable due to a combination of these factors i.e. a total household income of under £30,000, with no savings or savings of under £5,000 and/or other debts of £5,000 or more.

It has already been stated that households with an endowment-linked mortgage are more affluent than those in the population as a whole. Thus households defined as being financially at risk or vulnerable are *relatively* less affluent than other households with endowment-linked mortgages, albeit that their income and savings maybe above the national average.

Overall, a third (33%) of households using the definition outlined above were financially vulnerable. As Table 8 shows, in about half these cases (16% of all households) this was because the household had a total household income of under £20,000 a year. A quarter of all households with an endowment were financially vulnerable due to having a household income of under £30,000 per annum and savings of under £5,000. In a smaller proportion of cases (7% of all households) it was due to having a combination of household income of under £30,000 per annum and debts of £5,000 or more.

The financially vulnerable were more likely to be households where the main income earner was under 35 years old and/or working in a semi-routine/routine occupation. Fifty one per cent of households where the main income earner was under 35 years old were financially vulnerable as were 43% of households where the main income earner was employed in a non-professional or managerial occupation. Nearly half (46%) of households which had an ex-Local Authority property were also more likely to be financially vulnerable.

Table 8: Financially vulnerable households

Total financially vulnerable due to relatively low income and savings and/or high other debt	%
Any FSA special interest group	33
Low income (<£20,000 per annum)	16
Lower income and little or no savings (income <£30,000 and no savings or savings of <£5,000)	25
Lower income and high other debt (income <£30,000 and other debt >£5,000)	7
Base: All households with an endowment-linked mortgage	*1242*

Note:

Responses add to more than 100% as some households were in more than one group

4. Households with a projected shortfall

This chapter looks briefly first at how many policies households have linked to their mortgage. It then examines what proportion of households with an endowment-linked mortgage are likely to face a shortfall, and the size of the projected shortfall. The final section of this chapter discusses whether, and the extent to which, households which have a projected shortfall are concerned about their situation.

4.1. Number of endowment policies

The first section of this chapter considers how many policies households have linked to their mortgage (note: we focus purely on households where the endowment is *still* linked and will be required by the householder to repay their mortgage). As discussed earlier one of the reasons for undertaking a household survey was the recognition that some households have more than one policy linked to their mortgage. As industry data is largely based on policies rather than policy ownership, it was necessary to undertake a household study to examine the impact of policy shortfalls at the household level.

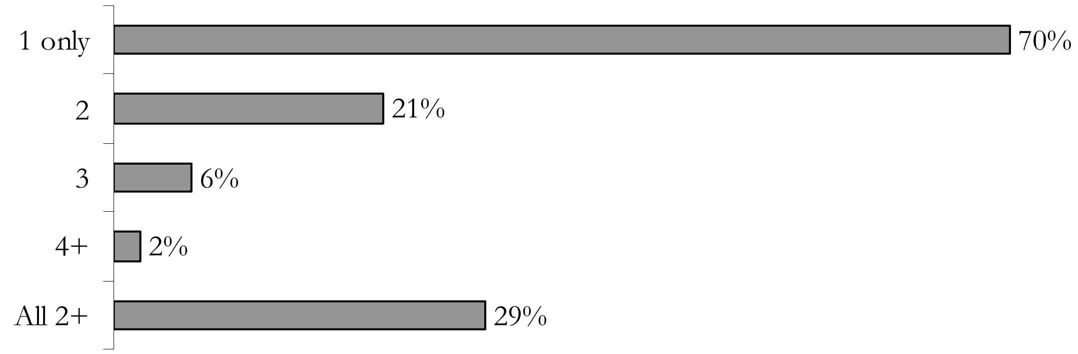
Just over two-thirds (70%) of households with an endowment-linked mortgage had only one policy linked to their mortgage. Twenty-nine per cent of households had more than one policy, with most of these (21% of all households with an endowment-linked mortgage) having two policies.

On average, households with an endowment-linked mortgage had 1.4 policies linked to that mortgage. Projecting this figure to all households with an endowment-linked mortgage[16] suggests that there are approximately 3.8 million policies linked to mortgages in Great Britain.

Households with two or more endowment policies linked to their mortgage were more likely to be those with a higher income (39% of households with an income of £30,000 or more per annum had two or more policies) and where the main income earner was working in a professional or managerial occupation (37%). However, they were also more likely to be households with no savings (39%) and net debt (37%). In terms of the FSA special interest groups, those households with a policy taken out before 1988 were also more likely to currently have two or more endowments (39%).

[16] 2.7 million households, based on 11% of households having an endowment-linked mortgage. This incidence of households with an endowment-linked mortgage is based on data from the Survey of English Housing April - September 2004.

Figure 1: Number of endowment policies



Base: All households with an endowment-linked mortgage (1,242)

4.1.1 Proportion of households facing a shortfall

In order to determine whether households with an endowment-linked mortgage were likely to face a shortfall, details of the projected shortfall or surplus from the latest re-projection letter were collected. Data was collected for each of the three projected rates (high, medium and low[17]). Where a household had more than one policy, this information was collected for each policy (up to a maximum of three policies). The results presented in this report represent the overall shortfall (or surplus) that the household faced across *all* of its policies.

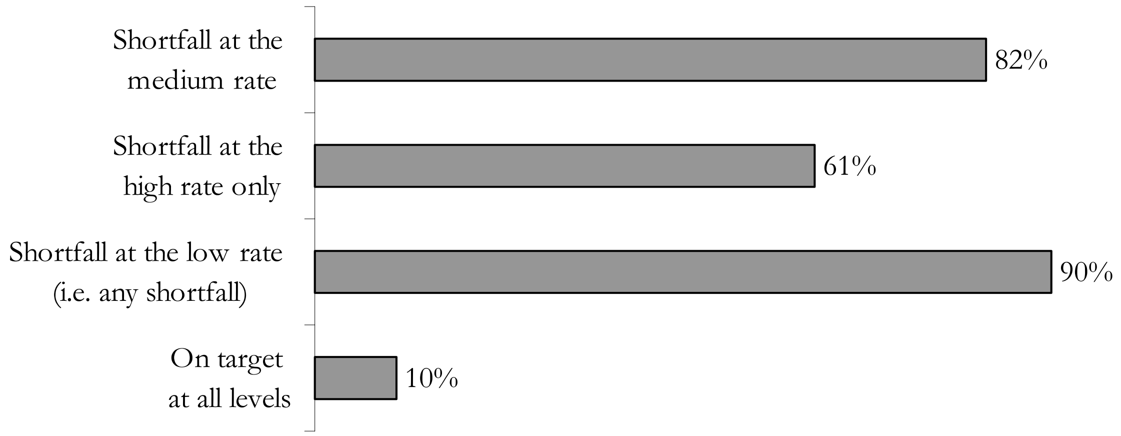
Nearly four in five (79%) households interviewed were able to provide copies of their re-projection letters. Where these were not available, respondents were asked to say whether they were facing a shortfall or whether their policy was on target to pay off their mortgage in full. Where they were likely to face a shortfall, they were also asked to provide an estimate of the likely shortfall. If they could not provide this information the interview was terminated. This occurred in 96 instances, which is unlikely to have skewed the results.

Overall, 82% of households with an endowment-linked mortgage were projected to have a shortfall at the medium rate of projection on their letters. This proportion was very sensitive to the rate at which policies were projected to grow. In particular, if policies were to perform at the highest projected growth rates, the proportion of households that were likely to face a shortfall would fall to 61%. If rates were at the lower end of the scale, 90% of households would face a shortfall. Only 10% of households were on target at all levels.

[17] In the majority of cases the rates used in the re-projection letter were 8%, 6% and 4%. However, in some cases other (usually lower) rates were used.

Projecting these figures to the total market suggests that about 2.2 million households currently face a projected shortfall at the medium rate[18].

Figure 2: Households with a shortfall



Base: All households with an endowment-linked mortgage (1,242)

It should be noted that in the majority of cases the rates used in the re-projection letters were 4%, 6% and 8%. However, in some cases other (usually lower) rates were used by the provider. Figures were only collated in households with one policy, but these indicated that most projections were based on 4% (in 94% of cases, otherwise it was usually 3%), 6% (in 84% of cases, otherwise it was usually 5%) and 8% (in 85% of cases, otherwise it was usually 6%).

Of those households which had more than one policy, almost two-thirds (64%) were projected to have a shortfall at the medium rate on each of their policies.

As might be expected, those households with policies which were due to mature within a few years of the survey were less likely to be facing a projected shortfall at the medium rate. This analysis could only be undertaken amongst those households which had only one policy and were able to provide a copy of their latest re-projection letter. However, as Table 9 shows, 80% of households where the policy will mature before 2010 were likely to face a shortfall at the medium rate, compared with 90% amongst those with a policy maturing from 2010 onwards.

[18] This projection is based on 11% of all households in Great Britain having an endowment-linked mortgage. This incidence of households with an endowment-linked mortgage is based on data from the Survey of English Housing April - September 2004.

Table 9: Impact of maturity date on likelihood of facing a shortfall at the medium rate

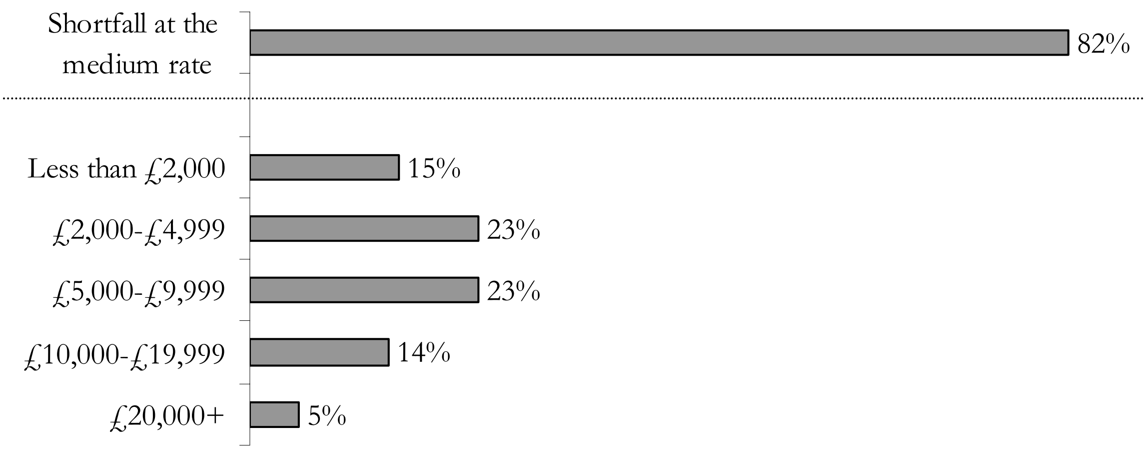
Policy maturity date	**Shortfall at the medium rate**
Policy maturing before 2010	80%
Policy maturing 2010+	90%
Policy maturing 2010 – 2014	93%
Policy maturing 2015 – 2019	91%
Policy maturing after 2020*	78%
Base: All households with one policy only and letter available during interview	*691*
**Sample base <100*	

4.2. Level of shortfall at the medium rate

This section examines the size of the shortfall households were projected to face at the medium rate, and those sub-groups likely to face the highest shortfalls.

As discussed above, 82% of all households with an endowment-linked mortgage were likely to face a shortfall at the medium rate. Figure 3 shows the breakdown of this percentage by income.

Figure 3: Size of shortfall at the medium rate



Base: All households with an endowment-linked mortgage (1,242)

The average shortfall faced by households with a projected shortfall at the medium rate was £7,200. Projecting this amount to the total market, based on the estimated 2.2 million households facing a shortfall at the medium rate, indicates that the total size of the shortfall which these households face is about £16 billion.

4.3. Variations in level of shortfall at the medium rate amongst key sub-groups

Over the next three pages, Table 10 shows how these figures vary by the key sub-groups. It shows what proportion were likely to face a projected shortfall at the medium rate, the proportion likely to be facing a higher shortfall (£5,000 or more) and the average size of the shortfall.

Table 10: Proportion of households facing a shortfall at the medium rate and the size of the shortfall

	Shortfall at the medium rate	Shortfall £5,000+	Mean level of shortfall	Base
Total shortfall at the medium rate	*82%*	*42%*	*£7,200*	*1029*
Age of main income earner				
<35	76%	34%	£6,500	*167*
35-44	89%	59%	£9,100	*461*
45-54	84%	36%	£6,300	*370*
55+	69%	24%	£4,500	*208*
Occupation				
Management/professional	86%	41%	£7,300	*549*
Intermediate	79%	39%	£6,000	*286*
Small employers/own account workers	76%	53%	£8,100	*106*
Lower supervisory/technical	74%	39%	£7,700	*149*
Semi-routine/routine	82%	33%	£5,900	*122*
Household composition				
Single adult only	68%	29%	£600	*73**
2+ adults only	82%	30%	£5,000	*531*
Adults plus children	85%	53%	£8,900	*600*

	Shortfall at the medium rate	Shortfall £5,000+	Mean level of shortfall	***Base***
Total shortfall at the medium rate	*82%*	*42%*	*£7,200*	*1029*
Region				
Scotland	81%	31%	£5,900	*139*
Wales	91%	38%	£6,500	*42**
NE	72%	33%	£6,500	*171*
NW	85%	43%	£6,700	*181*
Midlands	85%	46%	£7,000	*165*
London	81%	52%	£10,500	*126*
SE	82%	46%	£8,400	*275*
SW	87%	39%	£5,400	*118*
Household income				
<£20,000	74%	28%	£4,500	*203*
£20,000-29,999	83%	43%	£6,800	*376*
£30,000-49,999	84%	41%	£7,700	*365*
£50,000+	91%	52%	£9,900	*155*
<£30,000	80%	38%	£6,100	*579*
£30,000+	86%	44%	£8,400	*520*
Savings				
No savings	81%	41%	£6,300	*144*
Any savings	82%	42%	£7,400	*1088*
Savings <£5,000	82%	41%	£6,500	*424*
Savings £5,000+	81%	42%	£7,700	*612*
Other debt				
No other debt	79%	38%	£7,100	*521*
Any debt	84%	45%	£7,400	*677*
Other debt <£5,000	88%	41%	£6,400	*458*
Other debt £5,000+	77%	49%	£9,500	*199*

	Shortfall at the medium rate	Shortfall £5,000+	Mean level of shortfall	*Base*
Total shortfall at the medium rate	*82%*	*42%*	*£7,200*	*1029*
Net savings/debt				
Net savings £5k+	81%	43%	£7,800	*548*
Net savings <£5k	86%	39%	£5,900	*323*
Net debt <£5k	74%	35%	£6,800	*103*
Net debt £5k+	77%	49%	£8,400	*127*
Any net debt	76%	43%	£7,700	*230*
Any net savings	83%	42%	£7,200	*871*
Number of policies				
1 only	82%	40%	£6,700	*880*
2+	83%	44%	£8,400	*358*
Any special interest group	80%	34%	£6,200	*603*
Pre-1988 policy	78%	31%	£5,500	*451*
Maturity date after retirement	74%	35%	£7,300	*199*
Ex-Local Authority property	78%	28%	£5,200	*81**
Financially vulnerable household**	80%	38%	£5,900	*442*

Base: Total households with an endowment-linked mortgage

*Notes: * Sample base <100*
*** Those households with income <£30,000 and no/low savings or other debts of £5,000+*

The proportion of households with an endowment-linked mortgage that were projected to have a shortfall at the medium rate did not vary widely across the key groups. The only sub-groups which were substantially less likely to have a projected shortfall at the medium rate were the following:

- Households where the main income earner was aged 55 years or more (69% compared with 82% overall). This was likely to reflect that they were more likely to have a policy which was maturing shortly. Sixty eight percent of households where the main income earner was aged 55 years or more had a policy which matured before 2010, compared with 20% of households where the main income earner was under 55 years of age.

- Households where the total household income was under £20,000 per annum (74%). Conversely those with high household incomes of £50,000 or more per annum were significantly more likely to face a shortfall at the medium rate (91%).
- Households where the main income earner was employed in a lower supervisory or technical occupation (74%). In comparison, those households where the main income earner was in a managerial or professional occupation were significantly more likely to show a shortfall at the medium rate (86%). For other occupational groups, differences were not statistically significant from the overall figure.
- Households in the North East (72%).
- Households where the policy matures after retirement (74%). Other FSA special interest groups were not significantly more or less likely to be facing a shortfall at the medium rate.
- Households in net debt (76%).

There were also some notable differences in the proportions that were facing a higher than average shortfall. Those sub-groups which were more likely to face a higher shortfall were the following:

- Households where the main income earner was aged between 35-44 years. Fifty nine per cent of these households had a shortfall of £5,000 or more, the average being £9,100.
- Households with adults and children. Fifty three percent had a shortfall of £5,000 or more, the average being £8,900. This reflected the fact that in over half (54%) of households with adults and children, the main income earner was 35-44 years old.
- Households where the household income was £50,000 or more per annum. Fifty two per cent of this group faced a shortfall of £5,000 or more, the average being £9,900. This reflected the generally larger mortgages held by this group. Forty seven percent of households with an income of £50,000 or more per annum had a mortgage of £75,000 or more compared with just 9% of households where the income was less than £50,000.
- Households in London. Fifty two per cent of households in London were facing a shortfall of £5,000 or more, the average being £10,500. Households in the South East were not significantly more likely to face a shortfall of £5,000 or more than the national average, but the average size of shortfall they were projected to face at the medium rate was higher than average at £8,400. These findings reflect the higher cost of housing in London and South East. Twenty four percent of households in London had a mortgage of £75,000 or more and 17% in the South East, compared with 7% of households in the rest of the country.
- Households where the main income earner was a small employer or self employed. This group were not significantly more likely to face a shortfall at the medium rate, but where they did, they were significantly more likely to be facing a higher shortfall of £5,000 or more (53%), the average being £8,100.

- Households where the household had higher levels of other debt (£5,000 or more).This group were not significantly more likely to face a shortfall at the medium rate, but where they did, they were significantly more likely to be facing a shortfall of £5,000 or more (49%), the average being £9,500.

Households in the FSA's special interest groups and those who were financially vulnerable were no more likely than average to be facing a shortfall at the medium rate or to be facing above-average shortfalls.

4.4. Concerns about the shortfall

This final section of this chapter examines whether, and the extent to which, households which have a projected shortfall at the medium rate are concerned about their situation. It then discusses the nature of these concerns and whether they are justified. By 'justified', it is meant that respondent answers were analysed in the context of their wider financial situation, to understand whether or not their concerns were 'real'. Chapter 5 goes on to discuss the action which householders have taken.

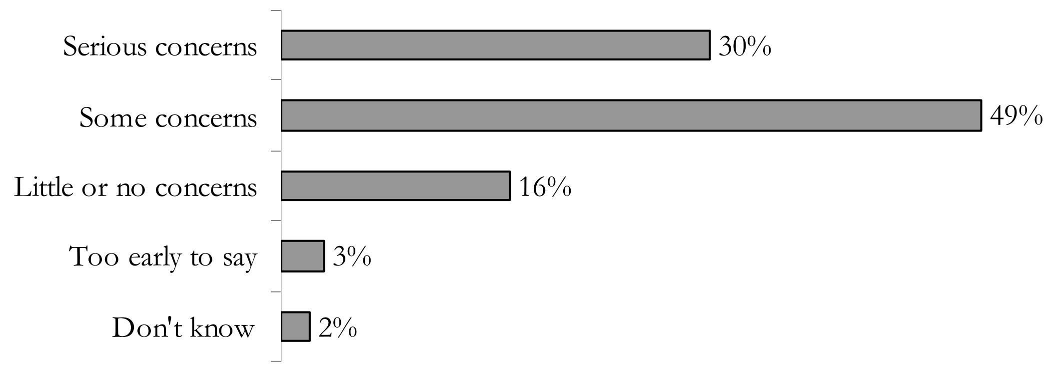
4.4.1 Level of concern about shortfall

Most (79%) households facing a projected shortfall at the medium rate were concerned about their situation. Just under a third (30%) were seriously concerned. As might be expected those that were seriously concerned about their situation were more likely to be households:

- that were facing a higher level of shortfall above £5,000 (36%);
- with two or more policies (42%);
- where the total household income was under £20,000 per annum (45%); and/or
- where the household was in net debt (39%).

About one in six households (16%) said they were not concerned about their situation. These were more likely to be households where the household income was £50,000 or more per year (45%) and the main income earner was in a professional/managerial occupation (23%).

Figure 4: Level of concern about shortfall



Base: All households with a shortfall at the medium rate (1,029)

As Table 11 shows, the main reasons why these households were not concerned about their situation included that they have already taken action to deal with the shortfall, the shortfall was small or they felt that they could cover the shortfall from their existing savings.

Table 11: Reasons given for not being concerned about situation

Reason given	%
Shortfall only small	39
Have enough saved to cover shortfall	30
Endowment not needed to pay off mortgage	26
Have increased premiums	22
Paying into other policy	9
Have taken other action	5
Other	5
Don't know	4
Base: All households with little or no concern and shortfall at the medium rate	*167*

Note:

Responses add to more than 100% as some respondents gave more than one reason

Further analysis of these reasons shows that they were largely justified. The results of this further analysis are discussed below. However, it should be noted that the number of respondents giving each of these responses was small (fewer than 100 sampled cases) so results should be treated as indicative only.

The majority (89%) of those that said they were not concerned about their situation because they had already taken action to deal with their shortfall (such as increasing their premiums or paying into another policy), had in fact done so.

Similarly, two-thirds (68%) of those who said they were not concerned about their situation because the shortfall was small, had a shortfall of less than £5,000, and 47% had a household income of £30,000 or more, indicating that the shortfall was either small or small relative to their income.

Finally, all those who said they had enough saved to cover the shortfall did in fact have savings, and in 72% of these cases these savings were £5,000 or more. In many of these cases (60%) they either had no other debts or these debts were less than £5,000.

However, comments made by a few respondents during the follow-up interviews suggested that some households with a shortfall should be more concerned than they were. As discussed more fully in the next chapter, some households that faced a shortfall were hoping that the situation would improve with time.

"My reaction was that it would go away – sort itself out – head in the sand – a natural reaction for me."
Refused age, shortfall <£5K, household income £10-19K

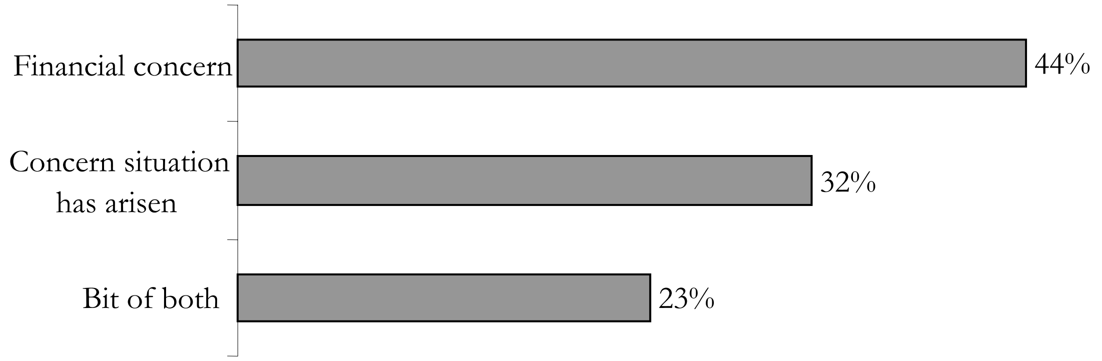
4.4.2 Type of concern

Those respondents who said they were concerned about their situation were asked whether their concerns were financial, more general concerns about the situation having arisen, or a combination of both. Those saying they had financial concerns were also asked about the nature of these concerns.

Two-thirds (67%) of households with a shortfall at the medium rate had financial concerns. The following groups were also more likely to have financial concerns:

- those with serious concerns (82%);
- those with a household income of under £30,000 (71%);
- those with no or savings under £5,000 (76%); and
- those with net debts (79%).

Figure 5: Type of concern



Base: All households with some or little concerns and a shortfall at the medium rate (801)

4.4.3 Financial concerns

The table below shows the main reasons why households had these financial concerns. The reasons varied but in the majority of cases further analysis shows they were largely justified.

Table 12: Main reasons for having financial concerns

Reason given	**%**
Will use retirement monies	21
Will have to use other savings	38
Will have to make additional savings	36
Will have to retire later	10
Will have to sell home	6
Can't afford to take action	5
Base: All households with financial concerns and shortfall at the medium rate	*549*

Note:

Responses add to more than 100% as some respondents gave more than one reason

Many households with financial concerns about their shortfall were worried because they felt they would need to use some of the money from their pension (21%) or other savings (38%) to pay off any shortfall.

The majority of these respondents had these monies. Amongst those saying they would use monies from their pension, 94% were currently contributing to a pension and most of the others (a further 4%) had some previous pension provision. Amongst those saying they would have to use other savings, 91% already had other savings.

However, 36% of these households were concerned because they would need to save additional monies to meet the shortfall. Most (92%) of these households already had some savings, but in many cases these savings were small (59% had savings of less than £5,000), they had other debts (66%) and/or their household income was under £30,000 per annum (65%).

One in ten of these households were worried that they would have to postpone their retirement. The sample base was low so results need to be treated as indicative only, but they suggest that these were more likely to be households where the main income earner was aged 55 or more (in 56% of households where they were worried that they might have to postpone their retirement, the main income earner was aged 55 or more). They were also more likely to have a household income of less than £20,000 per annum (27%) and to have other debts (53%).

Similarly, small proportions were worried as they could not afford to take action, or felt that it may be necessary for them to sell their home. Again, sample bases were small, but they indicated that these households were more likely to have incomes of less than £20,000 per annum and other debts.

4.4.4 Other concerns

A third (32%) of households with a shortfall had either other non-financial concerns about their situation or a mix of financial and other concerns (23%).

The findings from the follow-up interviews indicated that some of those that had other concerns about the situation were surprised that they were in this situation. This was because, even though in many cases they had heard about the problem, they did not think it would apply to them, or that previous re-projection letters had shown they were on target, but the latest one was now showing that they were likely to face a shortfall.

"Correspondence stating everything on track then suddenly [I received] a letter about a shortfall with no explanations as to why it occurred."
Aged 35-44, shortfall £5K+, household income refused

"I wasn't too sure about the information on the news – the reliability – it's from the horse's mouth that you find out."
Aged 55-59, shortfall £5K+, household income £20-29K

Others felt let down and angry that the situation had arisen, and this led to feelings of distrust towards the industry.

"I am disappointed and angry. I wanted to retire at 55, but may have to reconsider this in light of the problem – we were not prepared."
Aged 35-44, shortfall £5K+, household income £50-74K

"The endowment was sold to us as the best thing ever and we would have loads of money left over – it was like a promise."
Aged 35-44, shortfall £5K+, household income £30-39K

"I feel let down. I had kept my side of the bargain - they have not."
Aged 35-44, shortfall £5K+, household income refused

"We feel let down – we put our trust in the people who sold us the endowment. Now we feel we are on our own."
Aged 60-64, shortfall <£5K, household income £10-29K

4.4.5 Changes in level of concern over time

Half (50%) of households with a projected shortfall at the medium rate said their concerns have increased over time. These were more likely to be households which had serious concerns about their situation (72% of households with serious concerns about their shortfall felt their concerns have increased over time).

Most of the rest did not feel their level of concern had changed. Only 5% felt less concerned now. As might be expected, these were more likely to be more affluent households. Twelve per cent of households with a shortfall at the medium rate with a household income of £50,000 or more said they were less concerned now about their situation, as were 8% of those households with net savings of £5,000 or more.

5. Actions taken

This chapter examines whether households with an endowment-linked mortgage and, in particular, those with a projected shortfall at the medium rate have taken or intend to take action to address the shortfall. It then discusses the types of action they have taken or are intending to take, what prompted them to take this action and the impact of this action on their savings and pension. The final section looks at why households have yet to take action and their likelihood of doing so in future.

5.1. Households that have taken or intend to take action

Overall, amongst all households with an endowment-linked mortgage, 62% had already taken some action and a further 19% had not done so yet but intended to. This included some households whose endowment policies were on target at all levels to pay off their mortgage in full. Just under a fifth (17%) of households which were on target at all levels had taken action and a further 49% intended to do so.

As Table 13 shows, amongst the households with a projected shortfall at the medium rate, just over two-thirds (69%) had already taken some action. This equates to about 1.5 million households in total. A further 14% stated that they intended to take action in future, but had not done so yet.

The proportion of households with a shortfall at the medium rate which had taken or intended to take action did not vary widely across the key sub-groups. The only sub-groups that were substantially less likely to have taken or intend to take action were:

- those households that had relatively little or no concerns about their situation (65%), which analysis suggested was largely justifiable as the shortfall was small and/or they could cover it from existing savings;
- those households where the main income earner was a small employer or self employed; or
- those households with higher levels (£5,000+) of other debt (62%) or in net debt (75%), a group that had not or did not intend to take action, as their general financial situation made it unaffordable.

As discussed in the previous chapter, the latter two groups were less likely to have a shortfall, but where they did, it was likely to be above the overall average in size. The reasons why these two groups were less likely to have taken or intend to take action is discussed later in this section.

There were also a few notable differences in the proportion who had already taken some action as opposed to just stating that they intended to do so in the future. The sub-groups which were less likely to have taken action already include the following:

- Households with a smaller projected shortfall at the medium rate (less than £5,000). Sixty three percent of this group had taken action already, compared with 75% of those where the shortfall was larger (£5,000+).
- Households where the main income earner was older (aged 45+ years). Sixty five percent of this group had taken action already, compared with 75% of households where the main income earner was younger.
- Households with higher levels of other debt or net debt. Fifty seven percent of households with other debts of £5,000 or more had already taken some action, compared with 71% of those with no or lower other debts and 59% of households with net debts compared with 71% of those with net savings.

Again, the reasons why these groups were less likely to have taken any action so far are discussed later in this section.

It was also of note that amongst those households with a household income of under £30,000 per annum there was a higher proportion that said they were intending to take action (19% compared with 9% amongst households with an income of £30,000 or more). However, the difference in the proportions that had already taken action was not statistically significant.

Similarly, amongst those households where the main income earner was employed in technical or semi-routine/routine occupations there was a higher proportion that said they were intending to take action (17% and 32% respectively compared with 11% for managerial/professional and 10% for intermediate occupations). Again, the difference in the proportions that had already taken action was not significant.

Those households in the FSA's special interest groups that face a shortfall at the medium rate were generally no more or less likely to have taken or be intending to take action to deal with their shortfall than other groups. The only significant difference of note was amongst those households where the policy matures after retirement. They were more likely to have already taken action as opposed to be intending to do so (72% of households where their policy matures after retirement and that were facing a shortfall had already taken action, whilst only 8% were still intending to do so).

Table 13: Proportion of households with shortfall at the medium rate who had taken or intended to take action

	Total that had taken or intended to take action	Had taken action	Not taken action but intend to	Base
All with shortfall at the medium rate	*83%*	*69%*	*14%*	*1029*
Size of shortfall				
Shortfall <£5,000	84%	63%	21%	*485*
Shortfall £5,000+	83%	75%	8%	*514*
Age of main income earner				
<44	85%	75%	10%	*542*
45+	83%	65%	18%	*538*
Occupation				
Manager/professional	82%	71%	11%	*472*
Intermediate	80%	70%	10%	*233*
Small employer/own account workers	72%	66%	6%	*82**
Technical	85%	68%	17%	*115*
Semi-routine/routine	97%	65%	32%	*100*
Household composition				
Single adult	98%	81%	17%	*47**
2+ adults	79%	64%	15%	*436*
Adults plus children	85%	71%	14%	*513*
Region				
Scotland	86%	63%	23%	*111*
Wales	87%	69%	18%	*38**
North East	86%	70%	16%	*131*
North West	87%	74%	13%	*155*
Midlands	80%	63%	17%	*143*
London	80%	71%	9%	*103*
South East	83%	71%	12%	*228*
South West	86%	76%	10%	*102*

	Total that had taken or intended to take action	Had taken action	Not taken action but intend to	*Base*
All with shortfall at the medium rate	*83%*	*69%*	*14%*	*1029*
Household income				
<£20,000	87%	62%	25%	*152*
<£30,000	85%	66%	19%	*473*
£30,000+	79%	70%	9%	*440*
Savings				
None/<£5,000	87%	70%	17%	*463*
£5,000+	81%	67%	14%	*509*
Debt				
None/<£5,000	88%	71%	17%	*817*
£5,000+	62%	57%	5%	*157*
Net savings/debt				
Any net savings	85%	71%	14%	*730*
Any net debt	75%	59%	16%	*176*
Number of policies				
1 policy	82%	66%	16%	*727*
2+ policies	88%	76%	12%	*301*
Concerns about situation				
Serious/some	89%	71%	18%	*802*
Little/none	65%	64%	1%	*201*
Any special interest group	81%	66%	15%	*500*
Pre 1988 policy	79%	62%	17%	*369*
Maturity date after retirement	80%	72%	8%	*165*
Ex-Local Authority property	74%	61%	13%	*64**
Financially vulnerable groups	86%	67%	19%	*356*

Base: Total households with a shortfall at the medium rate

*Notes: * Sample base <100*

*** Those households with income <£30,000 and no/low savings or other debts of £5,000+*

5.2. Types of action already taken

Table 14 shows the main actions already taken by those households with a shortfall at the medium rate.

Table 14: Types of action already taken

Actions taken	**%**
Talked to adviser	39
Changed part of mortgage to repayment	29
Started additional savings	27
Made a complaint	26
Made extra capital payments	23
Increased monthly payments into existing policy	10
Changed all of mortgage to repayment	6
Taken out top-up endowment	5
Arranged for term to be extended	4
Cashed in policy	3
Made endowment paid up	3
Traded endowment	*
Other	5
Total taken any direct action	**69**
Base: All households with shortfall at the medium rate and had taken action	*694*

Note:

Responses add to more than 100% as some respondents gave more than one response

The action these households were most likely to have taken was to have talked to an adviser about their situation (39%). About a quarter of households had either changed a part of their mortgage to a repayment mortgage (29%), started an additional savings scheme (27%) or had made extra capital payments to pay off some of the capital owed (23%). About a quarter of these households (26%) claimed to have made a complaint. As discussed later in this report, this figure represents respondents' perceptions of whether they had complained, and not the number who had made an official complaint[19].

[19] A number of people spontaneously mentioned making a complaint as one of the actions they took. Later in the interview a direct question was asked of all respondents. This showed 18% of households with an endowment-linked mortgage said they had made a complaint.

Amongst those households with a shortfall at the medium rate who had already taken action, just over two-thirds (69%) had taken some direct action to address their shortfall, as opposed to only having sought advice and/or saying they had complained. Overall therefore, just under half (48%) of those households with a shortfall at the medium rate had already taken some direct action to address their situation.

5.3. Likelihood of taking further action (amongst those households which had already taken some action)

Just over half (52%) of those households which had taken some action already intended to take further action. Table 15 shows the further actions that these households were likely to take.

Table 15: Households that have already taken action, and further action planned

Action to be taken	**%**
Total intending to take further action	**52**
Make complaint to provider	14
Extra capital payments	11
Start additional savings	11
Switch to repayment	10
Switch to part-repayment	9
Extend term	7
Complain to the FSA	5
Increase monthly payments	4
Talk to adviser	3
Complain to the Financial Ombudsman Service	3
Other	6
Don't know	16
Total intending to take any direct action	**43**
Base: All households with shortfall at the medium rate and had taken action	*694*

Note:

Responses add to more than 100% as some respondents gave more than one response

They were similar to those that had already been made, but the proportion citing direct action to deal with their situation was higher (83% of those who were likely to take further action were likely to take direct action to deal with their shortfall). Twenty two per cent were likely to make a complaint in the future (14% to their provider, 5% to the FSA and 3% to the Financial Ombudsman Service) and only 3% were likely to seek advice. These findings suggest that taking advice (or complaining) was a first step that led on to households taking more direct action to address their shortfall.

The majority (89%) of those households that said they were going to take further action were very or quite likely to do so, and almost half of these said they were likely to take this further action within the next six months. This suggests that the proportion of those with a shortfall at the medium rate that will have taken some action to deal with their shortfall could rise from 48% to up to 64% in the short term (i.e. within the next six months).

5.4. Reasons for taking action

The main reason why households with a shortfall had taken action was because they wanted to ensure that they were in a position to pay off their mortgage in full at the end of the term (55%). Other reasons why households had already taken action included that they thought that the situation was only likely to get worse so they felt it was better to take action now (16%); that they wanted to be sure of where they stood (13%) and that they did not want the mortgage term to extend beyond the date they were likely to retire (5%). A small proportion also mentioned spontaneously that they had taken action as a result of advice they had received (10%) or the information provided in the re-projection letter or factsheet (2%).

Table 16: Reasons for taking action

Reasons for taking action	**%**
Wanted to ensure they could pay off their mortgage	55
Felt problem with endowments could only get worse – better to take action now	16
Wanted to understand where they stood	13
Advised to (told it was the best option)	10
Did not want mortgage to run into retirement	5
Could afford to pay extra	4
Policy only had a short time to run	3
Was one of the options suggested in a letter	2
Base: All households with shortfall at the medium rate and had taken action	*694*

Note:

Responses add to more than 100% as some respondents gave more than one response

The following quotes illustrate the types of comments respondents in the follow-up interviews were making about their reasons for taking action.

"We got £3,500 from complaining which we put into an ISA to help make up the shortfall. We spoke to a financial adviser who suggested we take out the ISA."
Age 25-34 years, shortfall £5,000+, household income £10-19K

"We have looked at our options and decided to go with the safe option – we will cash in our policies and use this to pay off as much of the mortgage as we can and then switch to repayment … that way you'll know at the end of the term, you'll have nothing to pay."
Age 25-34 years, shortfall £5K+, household income £30-39K

"I'm nearing retirement and I just want it sorted out."
Age 60-64, shortfall <£5K, household income £10-29K

"I've been making extra payments since the start of the mortgage because I worked in sales and got lump sum commissions. I've had to do more now since my situation has got worse but it was always part of the plan."
Age 35-44, shortfall £5K+, household income £20-29K

5.5. Prompts to taking action

Two-thirds (68%) of households with a shortfall at the medium rate who have already taken some action were prompted to take this action as a result of some advice or information they received. As Table 17 shows, this included 'informal' sources (such as the media, and talking to spouses, partners, other friends and family) and more 'formal' information sources (such as the re-projection letter, FSA factsheet, talking to an adviser or the mortgage/endowment provider, or contacting the FSA helpline/website). Indeed these findings show that it was often a combination of sources which had prompted them to take action.

Information from the media was the most frequently mentioned prompt to taking action (34%), and of course media interest has been heightened by a number of reasons, including actions by the FSA, firms and consumer bodies. Just over a quarter (26%) of households were prompted to take action by the re-projection letter, and 22% by the FSA factsheet.

Overall, just over a third (37%) of households with a shortfall at the medium rate who have already taken some action said they were prompted to take this action as a result of receiving the re-projection letter or factsheet or contacting the FSA helpline or website. A quarter (24%) said it was the FSA contact specifically, rather than the re-projection letter, which prompted them to take action. However, this latter finding needs to be interpreted with caution as the qualitative interviews suggested that the re-projection letter and the FSA factsheet were often seen as a 'pack' and some respondents could not always recall whether it was just one or both elements that had played a part in encouraging them to take action.

FSA activity did not appear to have been more effective amongst particular sub-groups. The only group that was significantly more likely to have said that they had been prompted to take action by some FSA activity were those aged less than 35 years (72%).

However, over half (54%) of those who took action were prompted by formal sources, the remainder being mainly prompted by the media. Only a small proportion (4%) were prompted to take action as a result of just informal discussion with spouses, partners, other relatives or friends.

Table 17: Prompts to taking action by advice/information received

Prompts to taking action	**%**
Total prompted to take action	**68**
Information from the media	34
Re-projection letter	26
FSA factsheet	22
Friend/colleague	18
IFA	15
Mortgage provider	10
Relative	7
Information from internet	6
Joint holder of policy	5
Endowment company helpline/adviser	5
FSA website	4
Financial Ombudsman Service	3
FSA helpline	1
Summary	
Letter and/or any FSA information	37
FSA only	24
Any formal channels	54
Any media channel	36
Informal only channels	4
Base: All households with shortfall at the medium rate and had taken action	*694*

Note:

Responses add to more than 100% as some respondents gave more than one response

5.6. Impact of taking action on savings and pensions

It needs to be recognised that the actions households have to take to address their endowment shortfall may have an impact on the amount of savings they have or their pension provision. This in turn could have a negative effect on households' financial situation in retirement and add to the concerns about this issue.

Those respondents that had already taken action to address their shortfall were therefore asked if they felt that this action had impacted or would impact on their savings or pension provision. Overall, just over half (54%) of the households with a shortfall at the medium rate who had taken action, felt that it would impact on their savings or pension provision. These households were more likely to be those:

- where the main income earner was aged 45 years or more (63%);
- where the household income was £30,000 or more per annum (62%, rising to 82% amongst those where the household income was £50,000+ per year); and/or
- where the household had net savings (61%, rising to 69% where the household had net savings of £5,000 or more).

This was not unexpected as it was older people and those with higher incomes who were more likely to have pension provision and savings.

Households were more likely to feel that taking action would have an impact on savings rather than pensions (44% compared with 20%).

Table 18: Impact of taking action on household savings and pensions provision

Impact	**%**
Any impact on savings/pension	**54**
Any impact on savings	*44*
Intend to use savings	36
Amount currently saving/saved has been reduced	17
Any impact on pension provision	*20*
Reduced amount saving for pension	10
Delayed planned retirement date	15
Plan to use pension	14
Base: All households with an endowment-linked mortgage	*1242*

Note:

Responses add to more than 100% as some respondents gave more than one response

5.7. Likelihood to take action in future (amongst those households that had not yet taken any action)

Almost a third (31%) of households with a projected shortfall at the medium rate had not yet taken any action. This equates to about 700,000 households nationally. Of the households with a shortfall that had not yet taken any action, almost half (14% of all households with a shortfall at the medium rate) said they did intend to take action in the future. However, whilst most (88%) of these households which said they were intending to take action were very or quite likely to do so, only about a third (35%) would do so in the next six months. This suggests that only a further 8% of all households with a shortfall at the medium rate have serious intentions to take action in the short term. In most other cases it is likely to be more of an aspiration.

5.8. Reasons for not taking action (yet)

Table 19 shows the main reasons respondents gave for why they had not yet taken any action.

Table 19: Main reasons for not having taken action yet

Reasons for not having taken action yet	**%**
Waiting to see what happens	35
Need to take further advice	26
Shortfall not a serious financial problem	16
Cannot afford to take action	10
Can cover shortfall from savings	8
Didn't feel it necessary to take action	8
Already paid off part of mortgage	7
Only short time left on policy	7
Didn't want to go to trouble	5
Can cover shortfall from retirement monies	4
Letter showed shortfall will only be small	3
Other	9
No particular reason	20
Base: All households with a shortfall at the medium rate and have not yet taken action	*335*

Note:

Responses add to more than 100% as some respondents gave more than one response

The most frequently given reason was that they were waiting to see what happens (35%). A further 20% of respondents said they had no particular reason for not taking action. Follow-up interviews were undertaken with this group to gain a better understanding of why they held these views, and the potential barriers to taking action. These findings are discussed later in this section.

Other reasons for not having taken action yet were more substantial and included that they needed to take further advice (26%), that the shortfall was not a serious financial problem (16%) or they could cover it from other sources (savings: 8%, retirement monies: 4%). Some households also felt that they could not afford to take action (10%) or there was not enough time to do so before the policy matured (7%).

Further analysis of these responses suggested that some households which had not (yet) taken action had justifiable reasons for not having done so. The results of this further analysis are discussed below. However, it should be noted that the number of respondents giving each of these responses was small (fewer than 100), so results should be treated as indicative only.

- Almost a fifth of households said they had not taken action as the shortfall was not a serious problem (16%) or the letter showed the shortfall was small (3%), and a further 8% said they did not feel it was necessary to take action. Further analysis of these groups indicated that about half (55%) of them had a shortfall of less than £5,000 and most had savings which they could use to make up any shortfall at the end of the term (93% of these had savings and 70% savings of £5,000 or more). They were also more likely to be households with higher incomes (54% of them had a household income of £30,000 or more per annum).
- Eight per cent of households said they had not taken action as they felt they could cover the shortfall from their savings and a further 4% from monies they would get when they retire. Further analysis of these groups showed that all those who said they were intending to use other savings, did have other savings and in over two-thirds (69%) of these cases they had £5,000 or more in savings. However, only in about a third (38%) of these cases was the shortfall under £5,000. All those intending to use monies from their pension were currently contributing to a pension.
- Ten percent of households said they could not afford to take action to deal with their shortfall. Most of these had a household income of less than £30,000 per annum, although almost two-thirds had net savings of £5,000 or more.
- Seven per cent only had a short time left before their mortgage term expired so they did not consider they had sufficient time to take any remedial action. Almost two-thirds of these (65%) had shortfalls of under £5,000 although a similar proportion had net debts.

5.8.1 Reasons for not taking action amongst those group that were less likely to have taken action or be intending to do so

Earlier in this chapter (section 5.1) a number of groups were identified as being less likely to having taken action or be intending to do so. These were:

- households where the main income earner was a small employer or self employed;
- households where the main income earner was aged 45 years or more; and/or
- households with high other debts, high net debts or with a higher shortfall.

Below we examine the reasons why these particular groups had not or were not intending to take action. Again in some cases the base sizes were small (fewer than 100), so results should be treated as indicative only.

- Small employers/self employed were less likely to be taking action or intending to take action. The sample base is only 37, but most of this group had justifiable reasons for not taking action. Over half stated that they had already paid off part of their mortgage and a further quarter said they could cover the expected shortfall from their savings.
- Amongst those households with high other debts, some had justifiable reasons for not having taking action. This included that the letter showed the shortfall would only be small (8%), they had already paid off part of their mortgage (12%) and that they could cover the shortfall either from existing savings (15%) or pension monies (8%). Seventeen per cent felt they could not afford to take action. However, over half (57%) said they were waiting to see what happened or had no particular reason for not having taken action.
- Amongst those households in net debt, some had justifiable reasons for not having taking action. This included that the letter showed the shortfall would only be small (9%) and that they felt there was only a short time left until the policy matured (20%). However, two-thirds (67%) said they were waiting to see what happened or had no particular reason for not having taken action.
- Amongst households where the main income earner was aged 45 years or more, 61% were either waiting to see what happens or had no particular reason for not taking action. A further 25% felt they needed to take further advice. Relatively few households in this group had justifiable reasons for not taking action. The other main reason for not taking action was that there was only a short time left until their policy matured (11%). Six per cent said they could cover the shortfall from their savings and 4% from pension monies.
- Amongst those households with a higher shortfall (£5,000 or more), just under half (47%) were either waiting to see what happens or had no particular reason for not taking action yet. Most of the rest had justifiable reasons for not taking action. These reasons included having already paid off part of their mortgage (15%), being able to cover the shortfall from savings (13%) or pension monies (7%), or that they could not afford to take action (16%).

It is also worth noting that amongst the more financially vulnerable households that had not taken action already to deal with the shortfall, 58% were either waiting to see what happens or had no particular reasons for not taking action, and a further 25% felt they needed to take advice. Whilst these households were no less likely than average to have taken action, those that have not may be of concern as they are potentially less able to deal with any shortfall from existing sources such as savings.

5.8.2 'Waiting to see what happens' or 'no particular reason' as reasons for inaction

As discussed earlier, a high proportion (55%) of those households with a shortfall that have not taken action yet stated that they were waiting to see what happens or had no particular reason for not taking action. Follow-up interviews were conducted with a sample from this group to gain a better understanding of why they held these views and the potential barriers to taking action.

In a few cases it emerged that legitimate reasons existed for this inaction, such as a member of the household was out of work so they could not afford to take action at the moment or that there was only a short time until the end of their mortgage term. However, many were hoping that the situation would sort itself out, hoping that if stock market returns improved, their policies would get back on track.

"I believe there is a possibility that it will get back on track. I will look at it again in two to three years' time."
Age 35-44 years, shortfall <£5K, household income refused

"We were waiting to see what would develop – in another 12 months will things have improved?"
Age 55-59 years, shortfall <£5K, household income refused

"I think the rates and stock market will rise again and if this doesn't happen, I think we will have enough to lower the shortfall. We could always sell the house and get something smaller."
Age 45-54 years, shortfall <£5K, household income £30-39K

In a number of these cases from the qualitative research, respondents still had at least ten years before their mortgage term expired, which either added to their view that there was time for their policy to get back on track or that they did not have to start taking action yet as there was still time to do so. However, only one or two considered that this was a gamble on future stock market performance.

"My endowment company is performing better than some others and with 13 years still to go on the mortgage, it's pointless to start panicking now. It will probably be made up in the future."
Age 45-54 years, shortfall <£5K, household income £30-39K

"I wasn't worrying overly much. The figures at this stage are not too bad and there is still 10 years to run."
Age 45-54 years, shortfall £5K+, household income £10-19K

"If I don't take any action there will be a shortfall when I retire. If things do not change and I am gambling on the situation getting better … I will not have the nest egg I thought I would have to retire on."
Age 35-44 years, shortfall £5K+, household income £20-29K

In other cases from the qualitative research, they were not taking action as they did not know what they could do or where to go for advice. As discussed more fully later in this report, a number of these respondents explained that although the re-projection letter and factsheet did explain what options they had, this information did not help them decide which option was right for them. The FSA leaflets are however intentionally designed to be neutral and the re-projection letters are a standard template and ate not permitted to favour one option over another unless there is some sort of contractual obligation.

"Frankly, I don't know what else there is that I can do. I wouldn't know who to ask for advice, whether it would be the CAB [Citizens Advice Bureau] or someone else."
Age 50-59 years, shortfall <£5K, household income £20-29K

"I haven't got around to it. I've been busy and wasn't aware I could do anything until that last interview."
Age 25-34 years, shortfall <£5K, household income £30-39K

"I don't know where the best place to go for advice is. I've said what I think but I don't know if it's right."
Age 45-54 years, shortfall £5K+, household income £10-19K

6. Complaints

This chapter of the report looks at complaints. As discussed in the previous chapter, some respondents mentioned making a complaint as an action they had taken or intended to take. Respondents were also asked more directly whether they had made a complaint, and if not, whether they felt they had a case for complaining and might do so in future.

It is important to note that the level of complaints obtained in this study represents the extent to which households felt they had made a complaint. The level of complaints obtained was therefore higher than official industry figures. Obtaining information on complaints was not a primary objective of this study as a specific study on complaints had already been undertaken[20]. There was insufficient time within this interview to probe in more detail about the nature of the complaints made. However, these results remain valuable because households' satisfaction with the process and outcomes of perceived complaints, regardless of whether they fit industry definitions, is still important.

6.1. Complaint levels

Just under a fifth (18%) of all households with an endowment-linked mortgage said they made a complaint or sought compensation regarding a mortgage endowment policy. Almost two-thirds (62%) of this group (11% of all households with an endowment) had previously mentioned making a complaint as an action they had taken. Of those households that complained and had more than one policy, 55% had complained about more than one policy.

As would be expected, making some kind of complaint was more common among those who were seriously concerned about their situation - 27% of households that were seriously concerned about their situation had made a complaint compared with 7% of households that showed little or no concern. As shown in Table 20, making a complaint was also more common among those with higher household incomes (22% among those with a household income of £30,000 or more) and those in higher occupational groups.

There was little difference in the incidence of complaints among those who were in any of the FSA's special interest groups. Those households facing a shortfall of £5,000 or more were significantly more likely to have made a complaint, but again, at 23%, the proportion was only slightly higher than the total proportion. Of those households whose endowment policies were currently on target at all levels, under one in ten (7%) had made a complaint.

[20] FSA consumer research 16 - Mortgage Endowment: The Consumers View. A survey of policyholders' attitudes to their policies and how providers handle complaints (December 2002).

Table 20: Proportion of respondents claiming to have made a complaint

Respondents groups	Made complaint
	%
All households with an endowment-linked mortgage	*18*
Age of main income earner	
<35	7
35-44	18
45-54	19
55+	22
Occupation	
Managerial/professional	20
Intermediate	23
Small employer/own account worker	28
Lower supervisory/technical	9
Semi-routine/routine	12
Household income	
<£30K	12
£30K+	20
Net savings/debt	
Any net debt	17
Any net savings	19
Number of policies	
1 policy	17
2+ policies	21
Concerns about endowment	
Serious concerns	27
Little/no concerns	7
Any FSA special interest group	19
Any financially vulnerable group	14
Base: Total households with a shortfall at the medium rate	*1242*

6.2. Subject of complaints

Respondents were asked for the subject of their complaint spontaneously, and then prompted with a range of possible issues. The key reasons for making a complaint (prompted and unprompted combined) related to the fact that the policy would not cover the mortgage when it was originally anticipated to do so and also (possibly) yield an additional lump sum for these policyholders. Over three-quarters of households (78%) who felt they had complained, said they complained because the policy would not cover the mortgage; about two-thirds (66%) complained because they expected to receive a surplus; and 55% complained because they thought the policy was guaranteed to pay off the mortgage.

Table 21: Reasons for making a complaint

Reasons	**%**
The policy won't cover the mortgage	78
Poor policy performance	67
Expected a surplus	66
Not told about the risks	62
Policy not explained properly when bought	58
Thought the policy was guaranteed to meet the mortgage	55
I was misled/lied to	44
Would have been better off with a repayment mortgage	37
Sold wrong policy/mis-sold	35
Wanted a repayment mortgage at the time	14
Did not want an endowment policy/pressured to buy	11
Policy matures after retirement age	4
Told to cancel other policy	3
Policy insufficient in the first place	1
Other	1
All who felt they had grounds for complaint based on being mis-sold their policy	**97**
All who complained about poor policy performance only	**3**
Base: All who had complained	*226*

Note:

Responses add to more than 100% as some respondents gave more than one reason

Common reasons for making a complaint also related to the way policies were sold at the outset. These included not being told about the risks (mentioned by 62%); the adviser not having explained properly how the policy worked (58%); feeling they were misled or lied to (44%); and having been sold the wrong policy (35%).

Overall, 97% of households that made a complaint felt they had grounds for doing so because they had been mis-sold their policy rather than just because of poor policy performance (the remaining 3%). The latter, in itself, would not constitute grounds for making a complaint. It should be noted that this assessment is based on respondents' responses and does not include any investigation or questioning on the details of the sale at the time.

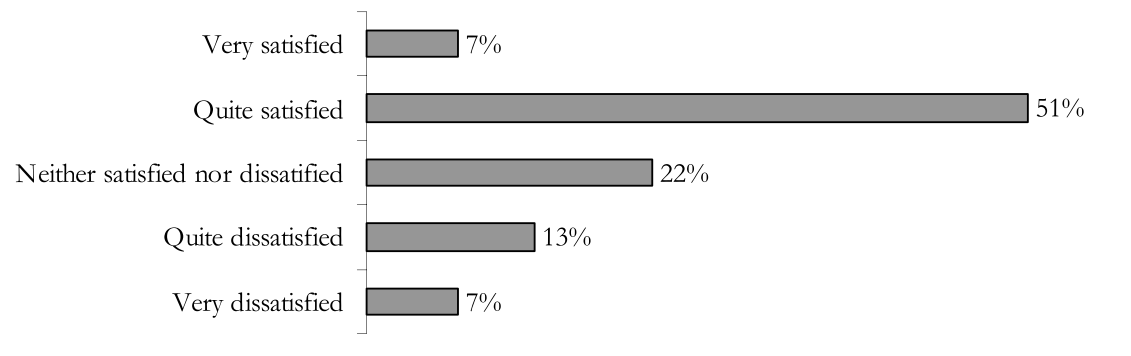
6.3. Satisfaction with making a complaint

Respondents who said they had made a complaint about their endowment policy were asked how satisfied they were with the ease of making their complaint and the outcome of their complaint, and also whether they had encountered any difficulties in making their complaint.

6.3.1 Satisfaction with the process of making a complaint

Over half (58%) of those who had made a complaint said they were satisfied with the ease of making their complaint. A fifth were either quite (13%) or very (7%) dissatisfied in this regard.

Figure 6: Satisfaction with ease of making a complaint



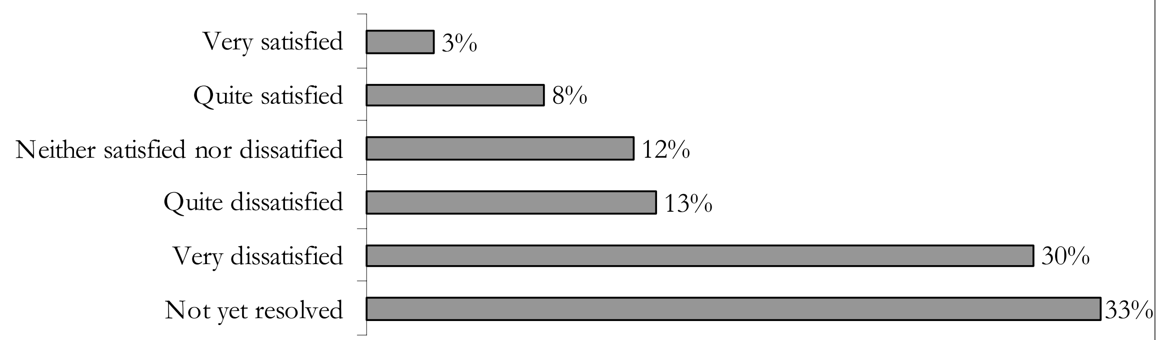
Base: All who had complained (226)

Just over a quarter (28%) of those who had made a complaint said they encountered difficulties in doing so. Where difficulties were encountered, the main ones mentioned were that the adviser or endowment company either would not help or did not respond (8%); it took too long to get a response or they had received no response (5%); and the information about making a complaint was not easy to read or understand (4%). Others mentioned that the forms were complex and took a long time to complete (2%); that they could not get help or did not know who to ask for help in making their complaint (3%); that the adviser/endowment company did not believe them when they said they had been told the policy would yield a surplus (1%); and that they had the impression that the FSA was not independent and should work on behalf of policyholders (1%).

6.3.2 Satisfaction with outcome of complaint

Only around one in ten (11%) of those who made a complaint said they were satisfied with the outcome, while over four in ten (43%) were quite or very dissatisfied. A further third (33%) reported that their complaint had not yet been resolved.

Figure 7: Satisfaction with outcome of complaint



Base: All who had complained (226)

6.4. What prompted the complaint

The receipt of advice or information is a prompt to action; over three-quarters (78%) of those who made a complaint were prompted to do so as a result of advice or information received. This was a significantly higher proportion than those who were prompted to take action as a result of advice or information they received (68%).

Information from the media was the most frequently mentioned prompt to complain (58%). The re-projection letter (46%) and, to a lesser extent, the FSA factsheet (23%) were also frequently mentioned prompts.

Anecdotal information was also a major prompt, with three in ten (29%) mentioning friends and colleagues, and two in ten (19%) mentioning relatives as a source of information, indicating that issues surrounding endowment-linked mortgages might be beginning to become a topic of conversation.

"My friend complained and had some money back and we've got £3,500 for complaining which we put into an ISA to help make up the shortfall."
Age 25-34 years, shortfall £5K+, household income <£20K

Table 22: What prompted households to make a complaint

Prompt	%
Information from media	58
Re-projection letter	46
Friend/colleague	29
FSA factsheet	23
Relative	19
Independent Financial Adviser	14
Information from internet	13
Joint holder of policy	12
FSA website	9
Informal channel only	9
Mortgage provider	8
Financial Ombudsman Service	6
Other professional	3
FSA helpline	2
Other	2
Summary	
Any formal channel	71
Any media channel	59
Letter and/or FSA	57
Re-projection letter	46
FSA only	30
Base: All who had complained	*226*

Note:

Responses add to more than 100% as some respondents gave more than one reason

In many cases, households were prompted to complain by a number of different factors. Overall, industry activity in the form of the re-projection letter and the FSA factsheet, website and helpline prompted over half of households (57%) that had made a complaint to do so. FSA activity alone prompted three in ten (30%) to make a complaint.

Most households which made a complaint (71%) were prompted (at least in part) to do so by 'formal' sources of information of all kinds including advice from Independent Financial Advisers and providers, while only one in ten (9%) households did so on the basis of 'informal' sources only. This suggests that although endowments were becoming part of public discourse, anecdotes perhaps tended to act as a prompt to find out more from industry groups and finance professionals, and it is this more formal advice/information that leads to the actual complaint.

6.5. Likelihood of complaining in the future

In order to ascertain the likelihood of households which had not yet made a complaint doing so in the future, respondents in households that had not yet complained were asked whether or not they felt they had a case to complain. Those who felt they had a case to complain were then asked how likely they were to actually make a complaint.

Table 23 shows that 62% of all households with an endowment-linked mortgage either had complained (18%) or felt they had a case for complaining (44%). This proportion was slightly higher amongst those with a shortfall at the medium rate (68%). The size of the shortfall also had a significant impact, with households which had a shortfall of under £5,000 being slightly more likely to have either made a complaint or feel they have a case (71% compared with 65% for those with a shortfall of £5,000 or more). However, the key difference was that those with a higher shortfall were more likely to have already made a complaint (23% compared with 16% for those with a lower shortfall of under £5,000).

Table 23: Whether respondents have complained or felt they had a case for complaining

	Had already complained	Had not yet complained but felt they had a case	Total
	%	%	%
All households with an endowment-linked mortgage	18	44	62
Any shortfall at the medium rate	20	48	68
Shortfall £5K+	23	42	65
Shortfall <£5K	16	55	71
Base: All households with an endowment-linked mortgage			*1242*

The reasons (prompted and unprompted combined) respondents who had not yet complained felt they had a case for complaining were similar to those who had already made a complaint. Overall, 93% felt they had been mis-sold their policy, with only 7% stating that the only basis for their complaint was poor policy performance. Table 24 shows these reasons alongside the reasons why respondents had complained (from Table 21).

Table 24: Basis for respondents thinking they had a case for complaining

Basis	**Not yet complained** %	**Already complained** %
Expected to get surplus/lump sum	73	66
Not told about risks	66	62
Policy won't cover the mortgage	63	78
Policy not performing/poor	54	67
Thought it was guaranteed to meet the mortgage	47	55
Policy was not explained properly when it was taken out	35	58
Was misled/lied to	27	44
Would have been better off with a repayment mortgage	24	37
Sold wrong policy/mis-sold	23	35
Did not want an endowment policy/pressured to buy	13	11
Wanted a repayment mortgage	13	14
Policy never enough to cover the mortgage in the first place	5	1
Other	8	8
Any who felt they had a case for complaining based on being mis-sold a policy	**93**	**97**
Complaint based on poor policy performance only	**7**	**3**
Base:	*All who felt they had a case to make a complaint (508)*	*All who had already complained (226)*

Note:

Responses add to more than 100% as some respondents gave more than one reason

Amongst households which felt they had a case for complaining but had not yet complained, 72% said they were likely to complain in the future. However, when asked when they were likely to make this complaint, only a third (34%) were likely to make a complaint in the next six months. This is the group that might be most expected to make a complaint in the future.

Table 25: Whether had already complained or felt they had a case for complaining

	All households who had not yet made a complaint but felt they had a case	All households
	%	%
Made complaint	n/a	18
Likely to make a complaint in the next six months	34	15
Likely to make a complaint but not for at least six months	38	17
Not likely to complain although felt they had a case	28	12
Base: Households with an endowment-linked mortgage	*557*	*1242*

6.6. Why respondents had not complained

Those who said they had a case for complaining but had not yet complained were asked why they had not complained already. The most commonly mentioned reasons were not having got around to it (40%) or that they were waiting to see if the stock market improved (23%).

Almost a fifth (18%) said they had not yet made a complaint as they did not know who to complain to. This was most frequently mentioned by those who were older - 34% among respondents where the main income earner was aged 55 years or more. A further 5% had not complained because they did not feel confident enough to do so.

Table 26: Reasons for not having made a complaint

Reasons	%
Not yet got around to it	40
Waiting to see if the stock market improves	23
Didn't know who to complain to	18
Only a small amount of shortfall	8
Didn't feel confident enough	5
Not worth it/didn't bother	4
Wouldn't have done any good/made any difference	4
Time/would take too long	3
Other	6
Don't know	3
Base: All who felt they had a case to make a complaint	*226*

Note:

Responses add to more than 100% as some respondents gave more than one reason

6.7. Knowledge of complaint procedures

When all those who had not made a complaint yet were asked how aware they were of what to do if they wanted to make a complaint about a financial product or service, less than a fifth (18%) said they knew exactly how to make a complaint. Whilst over a quarter (28%) of those who had not complained had no idea of what to do in order to make a complaint about a financial product or service, about half (54%) said they only had a vague idea of how to complain. Even though there maybe some who were being 'modest' about their level of knowledge, it does suggest that many policyholders were not confident about the procedures.

Those who had no idea of how to complain were more likely to be older (36% where the main income earner was aged 55 years or more); in households with a lower income (35% with a total income of under £20,000) and where the main income earner was in a technical or semi-routine/routine occupation (46%).

Table 27: Do you know how to make a complaint about a financial product or service?

Comment	%
Know exactly	18
Vague idea	54
No idea	28
Base: All who had not complained	*1016*

Once a consumer has received the first re-projection letter, there is then a time limit of three years in which they must make a complaint if they wish to. Half (51%) of those who had not complained were unaware of the time limit on making a complaint, and only one in five (19%) definitely knew about the three-year time limit. A further 27% said they thought they had heard about it. Again, those in low-income households were more likely to be unaware of the time limit (64% among those with a household income of under £20,000), but there were no other significant differences by sub-groups.

Table 28: Do you know what the time frame is, in which you have to complain?

Comment	**%**
Definitely	19
Think so	27
No	51
Don't know	3
Base: All who had not complained	*1016*

These findings were supported by the qualitative research, where a few respondents reported that they had been unsure of how to complain and were unaware of the time limits.

"I don't know what to do and I'm suspicious about going to one of these companies advertising at the moment who say 'we'll help you make a complaint'."
Age 35-44 years, shortfall £5K+, household income £20-29K

"You weren't helped in complaining and understanding the grounds for complaint."
Age 35-44 years, shortfall £5K+, household income £20-29K

"I'd need someone to prompt me and guide me through it."
Age refused, shortfall <£5K, household income £10-19K

"I now understand there's a three-year limit to complain from the first letter, and now, like many people, I've missed the boat. I've never had anything that said you have three years – if I did I would have done that."
Age 35-44 years, shortfall £5K+, household income £20-29K

7. Impact of FSA activity

This chapter explores awareness, readership and the effectiveness of the re-projection letters and the FSA factsheet, helpline and website. It should be noted that the survey could only assess the impact of direct FSA activity (through the provision of the factsheet which accompanied the re-projection letter, and the FSA website and helpline). It is recognised that much of the FSA's activity has been indirect, in particular through gaining media coverage of the issue which, as discussed previously, has obviously played a role in prompting respondents to take action.

7.1. Awareness of the FSA and its factsheet

Respondents were asked whether or not they had heard of the FSA prior to being approached to participate in the research. Two-thirds (66%) claimed to have definitely heard of the FSA (before they took part in the survey), and just over one in ten (14%) thought they had heard of the FSA. A fifth (19%) of respondents either had not heard of the FSA (18%) or did not know (1%).

Table 29: Awareness of the FSA

Comment	%
Yes - definitely	66
Yes - I think so	14
No	18
Don't know	1
Base: All households with an endowment-linked mortgage	*1242*

Awareness of the FSA was higher among younger respondents; where the main income earner was under 35 years old, 92% reported that they had either definitely heard of the FSA or thought they had. Those more likely to not have heard of the FSA tended to be in older age groups (31% aged 55 years or more) and in lower socio-economic groups (29% of those in a technical or semi-routine/routine occupation).

7.1.1 Awareness of receiving the FSA factsheet

All respondents were then asked whether or not they recalled receiving the FSA factsheet with their re-projection letters. Half (50%) of all households with an endowment-linked mortgage definitely recalled receiving a factsheet and 16% thought they received one. Three in ten (30%), however, did not recall receiving a factsheet, and a further one in twenty (5%) did not know.

Table 30: Awareness of the FSA factsheet

Comment	%
Yes - definitely	50
Yes - I think so	16
No	29
Don't know	5
Base: All households with an endowment-linked mortgage	*1242*

Broadly in line with recall of the FSA generally, recall of the factsheet was higher among younger respondents (76% under 45 years old) and those with higher incomes (72% with an income of £30,000 or more). Others who recalled receiving a factsheet were commonly those who had either taken action (73%) or were intending to take action (54%) to address their situation. Also, there was a high incidence of those for whom any FSA activity was a prompt to take action (83% among this group).

7.1.2 Impact of the FSA factsheet

Those who recalled receiving the factsheet were then asked how much of the factsheet they had read. Over half (55%) had read either all (29%) or some (26%) of the factsheet. One-third (33%) just glanced at it and one in ten (9%) either did not look at the factsheet at all (9%) or could not remember (1%). Those more likely to have read at least some of the factsheet included households with a shortfall of £5,000 or more (62% read all or some of it), those with serious concerns about their situation (79%) and those for whom any FSA activity was a prompt to take action (66%).

Table 31: Readership of the FSA factsheet

Comment	%
Read all of it	29
Read some of it	26
Just glanced at it	33
Not looked at all	9
Don't know	1
Base: All who recalled receiving the factsheet	*430*

Reasons for not reading the factsheet were explored in the qualitative research. For some, a 'head in the sand' mentality prevailed, where respondents hoped that their situation would somehow rectify itself. For others, it was felt that the maturation date on their policies was still a number of years away and therefore the situation was not urgent, or that the literature was too complicated.

"I didn't read them because I didn't understand them – not so much that I didn't understand – I didn't know what to do – and I was thinking it would go away."
Age refused, shortfall <£5K, household income £30-39K

"I can't really relate to it. It's over twenty years away."
Age 25-34 years, shortfall <£5K, household income £20-29K

"It's written in a legal type of way and its meaning is lost on laymen."
Age 45-54 years, shortfall £5K+, household income £30-39K

"It's very long-winded and the real information you need is buried under a lot of words and hard to follow charts."
Age 35-44 years, shortfall £5K+, household income £20-29K

On a more positive note, most (82%) of those who had read at least some of the factsheet found it either very (23%) or fairly (59%) useful. Under two in ten (15%) of those who read the factsheet did not find it useful.

Younger respondents and, predictably, those for whom any FSA activity was a prompt to take action were more likely to have found the factsheet useful. Ninety four percent of households where the main income earner was under 45 years old and had read the factsheet found it useful, as did 95% of households where FSA activity had been a prompt to take action.

Table 32: Usefulness of the FSA factsheet

Comment	**%**
Very useful	23
Fairly useful	59
Not very useful	13
Not at all useful	2
Don't know	4
Base: All who recalled receiving the factsheet	*430*

7.1.3 Effectiveness of communications

Overall, just under a third (30%) of all endowment households said that the re-projection letter or FSA activity (including the factsheet, helpline or website) were prompts to take action (including making a complaint). This was more common among those who were in younger age groups (38% amongst those households where the main income earner was aged under 45 years old, and 54% where the main income earner was aged under 35 years), and also amongst those with serious or some concerns about their situation (37%). No real differences emerged in the impact of communications among those with any shortfall at the medium rate and those with a higher level of shortfall of £5,000 or more.

The qualitative research conducted explored in greater depth the effectiveness of communications in prompting respondents to take action to address their shortfall. The communications (the letter and factsheet) generally increased the level of concern for respondents. For some receiving the re-projection letter it was the first time they realised that they had a particular problem, even though some were aware that there were problems with endowment-linked mortgages more generally.

"I'd heard about the problems but I didn't think we would have a shortfall until the letter arrived."
Age 50-59 years, shortfall £5,000+, household income £40-49K

"I'd heard people with endowments could have a problem, but ours started in 1989 so I thought we would be alright – then the letter came with a projected shortfall."
Age 35-44 years, shortfall £5K+, household income £10-19K

The majority of those interviewed in the qualitative research who had taken action mentioned the letter and/or factsheet were a prompt to taking action. The main reasons given for this included the clarity of the information (particularly in the factsheet) and the different options presented.

"It [the factsheet] is good, easy to understand and the flowchart points you in the right way of what is of concern for you."
Age 35-44 years, shortfall £5,000+, household income £10-19K

"I found the factsheet in particular very clear and user friendly. It did explain the options available and gave you the indication that you should just give someone a call."
Age 35-44 years, shortfall <£5K, household income refused

"It's pretty explicit."
Age refused, shortfall <£5K, household income £10-19K

"I had thought about starting an additional savings scheme because that's the obvious way to make up the shortfall, but I didn't know about some of these other options."
Age 35-44, shortfall £5K+, household income £20-29K

However, some respondents did express reservations and offered some suggested improvements to the communications that would possibly increase their penetration and effectiveness. A number felt that the letter and factsheet were too long and that both documents, but particularly the factsheet, should be made shorter and more concise. As discussed earlier in this chapter, this was one of the reasons respondents gave for not having read the documents. It should be noted that the most recent version of the factsheet (as used in June 2004) is much shorter, and so it can be said to go some way towards the issues respondents raised. However most households received the previous version with their latest re-projection letter.

"You would need time to read and take in everything in [the factsheet] … you would not read everything, it's too long. You need to highlight the most important points – use points rather than sentences."
Age 50-59 years, shortfall <£5K, household income £20-29K

"It [the factsheet] should be two pages. It's too wordy … you get bored reading it. You need to go through this three to four times to digest it."
Age 60-64 years, shortfall <£5K, household income £10-29K

"It's very long-winded. It looks a lot to read. If I came home and found this on my doorstep I would think 'I cannot be bothered to read this now'. I would leave it for a day or two and might then forget about it."
Age 35-44 years, shortfall <£5K, household income £10-19K

A few felt that although the letter and/or factsheet described the different options available, this still did not help them in deciding what was the best course of action for their own situation. This is clearly a restriction for any communication providing generic information and beyond the remit of the FSA.

"It does tell me about my situation but it is not enough help for me in deciding what to do and how to complain … It needs to be clearer about how we can get out of the situation, who can help and that we have a time limit to complain."
Age 35-44, shortfall £5K+, household income £20-29K

"It [the flowchart] gives all sorts of different options but which is the best for me? I don't know."
Age refused, shortfall <£5K, household income £10-19K

A few expressed a lack of trust in the documents, reflecting a broader level of distrust of the industry which this and other issues have engendered. Others explained they felt that the communications were trying to persuade them to take a course of action which was best for the provider, rather than what was best for them.

Some were also not aware of the FSA and their independent status. They felt that the FSA should contact policyholders separately as this would establish their credibility and have more weight than being part of a communication from their (mistrusted) provider.

"I felt they were trying to persuade me to increase my monthly payments for their own interests – I don't trust insurance companies."
Age 35-44 years, shortfall £5K+, household income £50-74K

"People are very cynical and think that because the insurance company is highlighting a shortfall, they want to sell you another policy. I do not trust them. It needs to be a two-pronged attack. The FSA needs to do more … They need to contact us independently."
Age 35-44 years, shortfall £5K+, household income £50-74K

"I thought they [the FSA] were part of the insurer, that they are working together. Do the FSA know everyone who is in this problem? Could they not write to them directly?"
Age refused, shortfall <£5K, household income £10-19K

Another problem with the communications that emerged from the qualitative research was that the tone of the documents was not deemed urgent enough to prompt immediate action. Also, the fact that the letters contain projections rather than actual targets added to the impression for some that the situation was not urgent and that a 'wait and see' approach should be taken.

"I read it that we were ok – that we had no problem – the way it was they were just covering their backs."
Age 50-59 years, shortfall <£5K, household income refused

"I put it away thinking they will probably send another one nearer the time. I looked at the figures and I thought the rates would go up."
Age 25-34, shortfall £5K+, household income £10-19K

"Situations can change and this is what I am hoping for ... This is what I am relying on. I would like to know exactly what the shortfall will be, they are telling me what it will be at 4%, 6% and 8%."
Age refused, shortfall <£5K, household income £10-19K

To this end, a number mentioned that the most recent re-projection letters[21] with the words 'Red Alert highlighted at the top of the letter) would be more effective in making people read them.

"If I saw this 'Red Alert' I would think 'oh gosh I had better read this'."
Age 35-44 years, shortfall £5K+, income refused

"If the 'Red Alert' box was actually in red it would be good."
Age 35-44 years, shortfall £5K+, household income £50-74K

A few also felt the communications should make it clearer that there is a time limit for complaining, which the new version of the re-projection letter does, and explain what the consequences of not taking action now might be.

"It should have made it clear what the deadlines are for complaining."
Age 35-44 years, shortfall £5K+, household income £30-39K

"It should explain what could and what will happen if action is not taken."
Age 50-59 years, shortfall <£5K, household income £20-29K

[21] In May 2004, a new version of the standard re-projection letter was issued by the ABI. As the survey was conducted in September-November 2004, most respondents will not have received the new version of the letter. However, this was shown to respondents in the qualitative to obtain their reactions.

8. Households switching to a repayment mortgage

In conducting this study we were primarily concerned with conducting interviews amongst households with an endowment policy linked to their mortgage. However, in screening to find qualifying households we encountered households that had had endowment-linked mortgages in the past but had switched to a repayment mortgage, including some who had done so within the last four years before the survey; that is since 2000 when the industry first started sending out the re-projection letters and FSA factsheet. A number of additional interviews (104) were conducted with this group to examine their reasons for them having switched to a repayment mortgage.

8.1. Switchers profile

The screening data collected for this study indicates that around one in six households with a mortgage had switched from an endowment-linked mortgage to a repayment mortgage, and around one in twenty had switched in the last four years[22]. The majority of respondents (79%) interviewed for this part of the research had switched in the last two years (since 2002).

A breakdown of the key demographic characteristics of households that had switched their mortgage type in the last four years can be seen in Table 33. As noted above, because the results for this group were not weighted, comparison with those households in the main sample which still have endowment-linked mortgages needs to be treated with caution. The results suggest that switchers are slightly younger and have a higher household income than other endowment households. In over half (59%) of households that had switched, the main income earner was under 45 years of age compared with 42% among those who still had an endowment-linked mortgage. Similarly, in over half (55%) of households that had switched, the household income was £30,000 or more compared with 39% among those who still had an endowment-linked mortgage.

[22] As this information was collected at the screening stage but there are no national figures against which to weight the data, findings should be treated as indicative only.

Table 33: Respondents who had switched mortgage type in the last four years

Household type	%
Age of main income earner	
<45	59
45+	39
Occupation of main income earner	
Managerial/professional	41
Intermediate	24
Small employers/own account workers	11
Lower supervisory/technical	16
Semi-routine/routine	7
Unemployed/not otherwise classified	1
Household composition	
Single adult only	8
2+ adults only	35
Adults + children	57
Household income	
<£30K	44
£30K+	55
Refused	1
Other debt	
None	34
Total other debt	63
Savings	
None	6
Total other savings	93
Base: All who have switched (unweighted)	*104*

8.2. Reasons for switching

The main reason given for switching to a repayment mortgage from an endowment-linked mortgage was to ensure that the mortgage was paid off at the end of the term (mentioned by 63%). Just over a quarter (28%) also felt that the problem was only likely to get worse, and so it was better to act now. These reasons were in line with those given by those who still had endowment policies linked to their mortgage, who had also already taken some action to deal with the shortfall they face.

The other main reasons given for switching related to the advice received either from finance professionals or endowment providers (17%), or that it was an option noted in the re-projection letter (15%).

Less frequently mentioned reasons for switching by respondents included that they did not want the mortgage to run past their retirement age, they had moved or were planning to move house, and that they could afford to pay the extra monthly instalment costs which switching to a repayment mortgage involved (all at 6%).

Table 34: Reasons for switching to a repayment mortgage

Reasons	**%**
Ensure that the mortgage is paid off	63
Problem worsening – better to act now	28
Advised to	17
An option suggested in the re-projection letter	15
Did not want mortgage to run past retirement	6
Moved house/planning to move	6
Can afford to pay extra	6
Other	6
Base: All who have switched (unweighted)	*104*

Note:

Responses add to more than 100% as some respondents gave more than one reason

8.3. Impact of FSA activity and other sources of information on switching

The majority (84%) of those who switched to a repayment mortgage in the last four years were prompted to switch as a result of advice or information they had received from a number of different sources.

The receipt of the re-projection letter was a major prompt to action for those who acted as a result of advice or information - 42% indicated this was a prompt. Information from the media, friends or colleagues, and IFAs played less of a part (25%, 23% and 22% respectively).

Just under half (47%) of those switching as a result of advice or information received were prompted to do so by either the re-projection letter and/or by the FSA factsheet, website and helpline. The re-projection letter appeared to have played the key role, with fewer than one in ten (8%) citing FSA activity only as a prompt. However, as discussed in previous chapters, in many cases the re-projection letter and the FSA factsheet were seen as one communication pack. Just over two-thirds (68%) were prompted to switch to a repayment mortgage as a result of advice or information from a formal source (including IFAs and providers). Fewer than one in ten (8%) were prompted by informal sources only.

It is also interesting to compare the proportions of switchers who were prompted to take action as a result of advice or information received with those who still have an endowment linked to their mortgage but have also taken some action to address the projected shortfall. A higher proportion of switchers were prompted to take action as a result of advice or information received than those who have taken action but still have an endowment linked to their mortgage (84% compared with 68%). The re-projection letter had the greatest impact among switchers, while media information had the greatest impact among those who still had an endowment-linked mortgage. The impact of formal sources of information was thus significantly greater among switchers - 68% compared with 54% among those with endowment-linked mortgages.

Table 35: What prompted households to switch to a repayment mortgage

Reasons	**%**
Re-projection letter	42
Any media	28
Information from the media	25
Friend/colleague	23
IFA	22
Mortgage provider	13
Relative	12
Joint holder of policy	9
FSA factsheet	5
Endowment company – helpline/adviser	5
Information from internet	4
Other professional	3
FSA website	2
FSA helpline	1
Consumer organisation	1
Other	1
Summary	
Letter and/or FSA	47
Letter only	39
FSA only	8
Any formal	68
Informal only	8
Base: All who have switched (unweighted)	*104*

Note:

Responses add to more than 100% as some respondents gave more than one reason

9. Technical appendix

9.1. Overall research approach

The research consisted of three discrete elements:

- The main element was 1,242 interviews conducted amongst households in Great Britain with an endowment-linked mortgage.
- Interviews were conducted with 104 households where an endowment-linked mortgage had been taken out but where there had been a switch to a repayment mortgage within the last four years.
- Thirty in-depth follow-up interviews were conducted to understand in more detail the reasons for particular courses of (in)action.

9.2. Main survey

9.2.1 Sampling approach

A representative postcode sector sampling frame was adopted to provide a representative sample of endowment households. This was initially drawn as follows:

- 164 postcode sampling points were selected with probability proportionate to size (measured by the number of residential addresses in the sampling point).
- A random selection of addresses were selected in each area.
- Interviewers attempted interviews at these pre-selected addresses screening to identify those with endowment-linked mortgages. Each household was contacted on up to three occasions, on different days and at different times.

9.2.2 Screening

A total of 32,248 households were screened to identify those with an endowment-linked mortgage. In half of these cases the households are known not to have an endowment-linked mortgage. The number of refusals who did not have an endowment-linked mortgage is unknown.

Only those households that could find their most recent re-projection letter or were able to provide accurate figures were included in the survey, which will have contributed to the high refusal rate. In cases of multiple policies, then more than one set of documentation/information was required. In total, 79% of interviews were conducted using figures from actual re-projection letters, which ensured a reliable dataset. In order to maximise the number of interviews where the documentation was available, a number of steps were taken:

- Interviewers had copies of re-projection letters with which to prompt respondents.
- After screening had established that a household qualified, appointments were often set up to conduct the actual interview at a later date to allow respondents time to find the necessary information.
- A call-back system was set up (a freephone number for respondents and interviewers telephoning after the interview) to check key figures against actual documentation where respondent memory was relied upon during the interview.

The status of the screened households is shown below.

Number that qualified for an interview	
1,242	Endowment-linked mortgage holders
104	Switched from endowment to repayment mortgage
96	Endowment but can't/won't find letter
Non-qualifiers	
11,203	No mortgage on property
5,387	Mortgage but not endowment
Not interviewed/screened	
6,270	Refusals
5,136	No contact after three attempts
2,810	No definite outcome

Thus the response rate achieved was 74%. This is calculated as the number of households which provided information (i.e. those who were known to qualify or not qualify for the interview) divided by the number who were contacted and who had a definite outcome (i.e. qualifiers, non-qualifiers and refusals).

9.2.3 Piloting

Before the mainstage of interviewing was conducted, two pilot exercises were carried out. The questionnaire worked well, and only relatively minor amendments were required where questions had proved to be ambiguous or leading to respondents.

However, the initial sampling approach proved very inefficient. This was primarily due to the distances which interviewers had to travel between sampled households, in combination with the low incidence rates of endowment-linked mortgages. Thus a different approach was adopted (commonly employed by other government surveys) using a three-stage rather than a two-stage process. This had the effect of clustering the sampled addresses to make the sample more productive from a fieldwork point of view, with a minimal trade-off against statistical rigour.

This sample design worked as follows:

- Selection of postcode sectors with probability proportionate to size (size of postcode sector is measured by the number of residential addresses).
- Within each postcode sector, addresses were sorted by the north coordinate of a postcode.
- Postcode sectors were then split into two equal-size halves (north and south) creating two clusters within each sector.
- One of these halves was then selected, and within each half-sector, 444 residential addresses were selected.

In addition to this, in each of our sampling points we provided (using census data) an incidence of mortgage ownership. This incidence was used to determine how many interviews were to be achieved in each area. This ensured, as far as possible, that we were sampling in natural proportions to the likely incidence of endowment-linked mortgages.

9.2.4 Booster interviews

The survey was designed to ensure that the FSA could properly understand the situation of groups of particular interest within the population. These three groups were households:

- which have one or more policies taken out before 1988, as they may not be covered by the existing regulations;
- which have one or more policies which were expected to mature in retirement, when the household might be less able to take action to deal with any shortfall; and
- which have bought ex-Local Authority properties, for whom endowments may not be ideal.

However, the size of these groups was not known in advance.

The procedure we followed was to conduct a random-based approach, rather than over-sampling particular groups from the start. Interim analysis was then conducted once half of the fieldwork had been completed, which allowed us to estimate if there was a vulnerable group of significant enough size for the FSA to believe they need further attention, but for which insufficient interviews would be available for proper analysis. Where this was the case, additional booster interviews were to be conducted. In total, 25 booster interviews were conducted with ex-Local Authority households only.

9.2.5 Achieved sample

The profile of the achieved sample is shown below.

Household type	**Number of interviews**
Age of main income earner	
<35	167
35-44	461
45-54	370
55+	218
Refused to state	26
Occupation of main earner	
Manager/professional	549
Intermediate occupations	286
Small employers and own account workers	106
Lower supervisory/technical	149
Semi-routine/routine	122
Never worked/unemployed/not otherwise classified	15
Not stated	15
Household composition	
Single adult only	73
2+ adults only	531
Adults plus children	600
Not stated	38
Total interviews	1242

Interviews lasted an average of 40 minutes and fieldwork was conducted between 9 September and 15 November 2004.

9.3. Weighting

Data was then weighted to the known population profile of endowment-linked mortgage households (Survey of English Housing, ONS) using social and economic grading, and age of head of household.

The source of the population data had to take into account both the relevant endowment-linked mortgage information and the timeframe in which it was collected, as this is a relatively fast-changing situation with households switching from endowment to repayment mortgages.

A number of options were considered but rejected due to the age of the data or the use of different social classificatory systems. Whilst the ONS data is based on English households and the survey included Wales and Scotland, the Survey of English Housing provided the most up-to-date information, and other national population data suggested that incidence rates are not significantly different in Wales and Scotland to those in England. The weighting matrix is shown below.

<table>
<tr><th rowspan="2"></th><th colspan="8">Age</th><th colspan="2" rowspan="2">Total</th></tr>
<tr><th colspan="2">Under 35</th><th colspan="2">35-44</th><th colspan="2">45-54</th><th colspan="2">55 and over</th></tr>
<tr><th>Social classification</th><th>W</th><th>A</th><th>W</th><th>A</th><th>W</th><th>A</th><th>W</th><th>A</th><th>W</th><th>A</th></tr>
<tr><td>Managerial/ professional occupations</td><td>5%</td><td>7%</td><td>15%</td><td>15%</td><td>15%</td><td>17%</td><td>9%</td><td>6%</td><td>44%</td><td>45%</td></tr>
<tr><td>Intermediate occupations</td><td>1%</td><td>2%</td><td>5%</td><td>11%</td><td>4%</td><td>4%</td><td>3%</td><td>5%</td><td>13%</td><td>23%</td></tr>
<tr><td>Small employers/ own account workers</td><td colspan="2">Weight*
4%</td><td colspan="2">Achieved*
4%</td><td>4%</td><td>2%</td><td>3%</td><td>2%</td><td>11%</td><td>8%</td></tr>
<tr><td>Lower supervisory/ technical occupations</td><td>1%</td><td>2%</td><td>4%</td><td>5%</td><td>5%</td><td>3%</td><td>2%</td><td>2%</td><td>12%</td><td>12%</td></tr>
<tr><td>Semi-routine/ routine occupations</td><td>1%</td><td>2%</td><td>5%</td><td>3%</td><td>5%</td><td>2%</td><td>3%</td><td>2%</td><td>14%</td><td>10%</td></tr>
<tr><td>Unemployed/ not working/ not otherwise classified</td><td colspan="2">Weight*
2%</td><td colspan="2">Achieved*
1%</td><td colspan="2">Weight*
2%</td><td colspan="2">Achieved*
1%</td><td>4%</td><td>2%</td></tr>
<tr><td>Total</td><td>8%</td><td>14%</td><td>35%</td><td>37%</td><td>34%</td><td>30%</td><td>21%</td><td>17%</td><td>98%</td><td>100%</td></tr>
</table>

W=Weight
A=Achieved
**=These have had to be merged for weighting purposes due to low base sizes*

9.4. Switcher interviews

One hundred and four interviews were conducted with households identified by the screening process as having switched from an endowment-linked to a repayment mortgage within the past four years. These were conducted across the sampling points where the first households of this nature were encountered. Once the allocated number of switcher interviews had been achieved, further such households were screened out.

This data was not weighted as the size and nature of the total population of such households is unknown, but the nature of the sampling approach means that these interviews will be representative of households of this type.

These interviews lasted an average of 20 minutes and were conducted during the mainstage fieldwork period.

9.5. Follow-up interviews

Thirty in-depth, qualitative interviews were conducted with respondents who had taken part in the first stage. The purpose of conducting this element of the work was to further understand the barriers to households taking action to mitigate their shortfall, and to explore what might encourage greater action.

Nineteen interviews were carried out with respondents who had not taken any action and had no clear reason for not doing so. To provide some comparisons, eleven interviews were conducted with respondents who had taken action.

Interviews lasted an average of one hour and were conducted between 22 November and 5 December 2004.

9.6. Screening questionnaire

PRIVATE & CONFIDENTIAL **Mortgage Endowment Project**
Screening Sheet v5 -
MAINSTAGE

Office Use only:

SERIAL				CARD
(101)			(104)	(105)

REF NO				
(106)				(110)

REGION	Country	
(111)	(112)	(113)

Address label or written details	**FINAL OUTCOME** (CODE ONE ONLY)	
	Respondent interviewed – endowment/main survey recruited	01
	Respondent interviewed – switcher	02
	Breakdown during interview	03
	Out of quota (endowment/main survey) Q4/1	04
	Out of quota (switcher) Q6/1	05
	Non-qualifier (household without mortgage) Q1/1-2	
	Rented property Q1/1	06
	Owned property - no mortgage 5+ yrs Q2/2	07
	Own property - was endowment Q3/1	08
	Own property – never endowment Q3/2-3 endowment Q3/1	09
	Non-qualifier (household with mortgage) Q1/3	
	Other interest only mortgage Q4/3	10
	Always repayment mortgage Q5/2	11
	Switched to repayment mortgage 5+yrs Q6/2 Q5/2	12
	Can't won't find letter (main questionnaire) Q20/X Q6/2	13
	Refusal	
	Refusal – but endowment-linked mortgage	15
	Refusal – but switched	16
	Refusal – other (specify)	17
	Not available in deadline	18
	No contact with respondent after 3 tries	19
	Other (DESCRIBE)	00

No.	Date	Time	Spoke to	Outcome
1				
2				
3				
4				

Please use:	NDC=No Direct Contact	DC=Direct Contact
NR=No Reply	C/B=Call Back	Eng=Engaged

INTRODUCTION

Good morning / afternoon / evening. We are carrying out interviews on behalf of the Financial Services Authority (FSA) about endowment-linked mortgages. Now, the Government is concerned that some people might not be able to pay off their mortgages because their endowment policies will not provide enough money, and so we are interviewing over 1,000 people to find out what the situation really is.

Reassurances to use if necessary:

- **If they have not got an endowment-linked mortgage or they have not got a shortfall**
  We are interested in talking to you even if you do not have an endowment-linked mortgage or a shortfall as we need to speak to a cross-section of all household so we can find out what the situation actually is.

- **If they have an endowment but are hesitant to take part**
  Some respondents in the past have found the survey has helped them in thinking about what to do in their situation.

- **If they have an endowment and have already dealt with their situation**
  We are particularly interested in talking to you because we are looking to find out what actions people have considered taking or have taken in response to their situation.

- We are not trying to sell you any financial products or services, and no sales call will result from this.

- IFF Research is an independent market research company. All of our work is carried out according to the strict Code of Conduct of the Market Research Society, which means that everything you tell us will be treated in the strictest confidence and that we will not pass your name on to any third party. If you would like more information about the research we are conducting, please call Jane Barlow or Courtney Leo at IFF on 020 7250 3035. If you would like to check IFF Research's credentials, you can call the Market Research Society on 0500 396999.

- The Financial Services Authority is the independent watchdog or body that regulates the financial services industry in the UK. One of its main aims is to promote public understanding of personal finance. You can call Errol Walker at the FSA on 020 7066 0814 if you have any queries regarding this work.

- Show letter from FSA.

1) Can I ask you is this home …

READ OUT CODE ONE ONLY

	( )	
a rented property?	1	Thank and close - OUTCOME CODE 06 (rented property)
your own property with no mortgage (any more)?	2	Ask q2
your own property with a mortgage?	3	Go to q4

IF OWN OUTRIGHT (CODE 2 AT Q1). OTHERS GO TO Q4

2) Was the mortgage paid off in the last 4 years?

	( )	
Yes	1	Ask q3
No	2	Thank and close - OUTCOME CODE 07 (own property 5+yrs)
Don't know	30	Ask q3

3) And did you have an endowment policy attached to the mortgage?

PROMPT IF NECESSARY: An endowment-linked mortgage is an interest-only mortgage where your monthly payments to the lender cover only the interest on the loan and do **not** repay any of the amount you have borrowed. It is therefore necessary to make separate payments into a savings scheme - an endowment policy - to build up a lump sum which you can then use at the end of the mortgage term to repay the amount you borrowed.

	( )	
Yes	1	Thank and close - OUTCOME CODE 08 (own property and had an endowment-linked mortgage)
No	2	Thank and close – OUTCOME CODE 09 (own property but never had an endowment)
Don't know	30	

IF HOUSEHOLD HAS MORTGAGE (CODE 3 AT Q1)

4) And is the mortgage a repayment mortgage or an endowment-linked mortgage?

PROMPT IF NECESSARY: An endowment-linked mortgage is an interest-only mortgage where your monthly payments to the lender cover only the interest on the loan and do **not** repay any of the amount you have borrowed. It is therefore necessary to make separate payments into a savings scheme - an endowment policy - to build up a lump sum which you can then use at the end of the mortgage term to repay the amount you borrowed.

INTERVIEWER NOTE: If is part repayment/other interest only and part endowment, code both – **but follow instructions for endowment.**

	( )	
Endowment	1	Ask q4a below and explain in more detail about survey (30-40 minutes, the need for letter) and get agreement to participate (now or call back). Show example letter. Check if one or more endowment policies are linked to mortgage and explain we will want information on each policy
Repayment	2	Ask q5
Other interest-only mortgage not linked to an endowment (SPECIFY)	3	Thank and close - OUTCOME CODE 10 (other interest-only mortgage)

IF ENDOWMENT

4a) Can I just check, are you aware of receiving any letters from your endowment company about the amount of money which your policy is likely to pay out?

	( )	
Yes	1	Explain interview as above and go to demographic questions
No	2	Ask q4b
Don't know	30	

IF NOT AWARE OF RECEIVING LETTER (Q4a/2-3)

4b) SHOW RESPONDENT EXAMPLE OF ENDOWMENT LETTER. Do you remember receiving any letters like this one from your endowment company about the amount of money which your policy is likely to pay out?

	( )	
Yes	1	Explain interview as above and go to demographic questions
No	2	
Don't know	30	

ASK IF REPAYMENT. IF ENDOWMENT, GO TO QUOTA DEMOGRAPHIC QUESTIONS

5) Has this always been a repayment mortgage or did you previously have an endowment-linked mortgage?

PROMPT IF NECESSARY: An endowment-linked mortgage is an interest only mortgage where your monthly payments to the lender cover only the interest on the loan and do **not** repay any of the amount you have borrowed. It is therefore necessary to make separate payments into a savings scheme - an endowment policy - to build up a lump sum which you can then use at the end of the mortgage term to repay the amount you borrowed.

	( )	
Previously endowment (switched)	1	Continue
Always repayment (not switched)	2	Thank and close - OUTCOME CODE 11 (always repayment mortgage)

IF SWITCHED (CODE 1 AT Q5). OTHERS ASK QUOTA DEMOGRAPHIC QUESTIONS AND CLOSE

6) Have you switched to a repayment mortgage in the last four years (since 2000)?

	( )	
Yes	1	Ask quota demographics and recruit for short (switcher) interview
No	2	Thank and close - OUTCOME CODE 12 (switched to repayment 5+yrs ago)

QUOTA DEMOGRAPHICS – ASK OF ALL WITH AN ENDOWMENT-LINKED MORTGAGE OR SWITCHED IN THE LAST 4 YEARS

7) I have now got a few questions about the main income earner in the household. The reason for these is so that we can classify your answers with those from households of a similar nature to your own.

INTERVIEWER NOTE: If no main income earner, ask about the person with the highest income.

Which of the following age ranges does the main income earner fall into?

SHOWCARD Q7

	( )
<25	1
25 – 34	2
35 – 44	3
45 – 54	4
55-59	5

	( )
60-64	6
65-69	7
70-74	8
75+	9
Refused	31

ASK OR RECORD

8) And are they male or female?

	( )
Female	1
Male	2

9) And what is their occupation please?

Classify occupation according to following occupational groupings. See interviewer briefing notes for more information on the categories.

	( )
Higher managerial and professional occupations	7
Lower managerial and professional occupations	1
Intermediate occupations	2
Small employers and own account workers	3
Lower supervisory and technical occupations	4
Semi-routine and routine occupations	5
Never worked, unemployed, not otherwise classified	6

10) Including yourself, how many adults live in the household?

WRITE IN AND CODE

Adults:	
1	
2	
3	
4	
5+	
Refused	

11) And how many children (aged under 16) live in the household?

WRITE IN AND CODE

Children:	
0	
1	
2	
3	
4	
5+	
Refused	

	( )	
If Endowment and meet quotas	1	Go to main interview. Check respondent is the main income earner (head of household) and/or the person responsible for paying the mortgage
If Switcher	2	Recruit to (short) switcher interview

9.7. Mainstage questionnaire

PRIVATE& CONFIDENTIAL	**Mortgage Endowment Project Main Questionnaire V7 MAINSTAGE**	7 September 2004

Start Time:	
End Time:	
Respondent name:	
Address:	
Tel. no:	
Sample point no:	
Interviewer no:	

Mortgage on house

ASK ALL

1) I'd like to start by asking you a few questions about your home and mortgage. In what year did you buy this home?

WRITE IN YEAR

PROMPT WITH RANGE IF NECESSARY. SHOWCARD 1

1970 or before	1
1971 – 75	2
1976 – 80	3
1981 – 85	4
1986 – 88	5
1989 – 90	6
1991 – 95	7
1996 - 99	8
2000 – 2004	9
Don't know	30

2) And did you take out a mortgage at the same time?

NOTE: WE WANT TO KNOW ABOUT THE *ORIGINAL* MORTGAGE TAKEN OUT ON THE HOME. IF WITHIN SAME YEAR, ASSUME SAME

Yes	1	Go to q4
No	2	Ask q3
Don't know	30	Go to q4

IF NO (Q2/2). OTHERS GO TO Q4

3) When did you take out the mortgage?

NOTE: WE WANT TO KNOW ABOUT THE *ORIGINAL* MORTGAGE TAKEN OUT ON THE HOME

WRITE IN YEAR

PROMPT WITH RANGE IF NECESSARY. SHOWCARD 3

1970 or before	1
1971–75	2
1976–80	3
1981-85	4
1986–88	5
1989–90	6
1991–95	7
1996-99	8
2000–2004	9
Don't know	30

ASK ALL

4) And how much was that (original) mortgage for?

WRITE IN EXACT AMOUNT

IF DON'T KNOW OR REFUSE: Which of the following ranges most closely matches the original size of your mortgage?

SHOWCARD 4

Under £10,000	1
£10,000 - £19,999	2
£20,000 - £29,999	3
£30,000 - £39,999	4
£40,000 - £49,999	5
£50,000 - £74,999	6
£75,000 - £99,999	7
£100,000 - £149,999	8
£150,000 - £199,999	9
£200,000 - £299,999	10
£300,000 - £399,999	11
£400,000 - £499,999	12
£500,000 +	13
Don't know	30
Refused	31

5) Is the mortgage for a standard 25-year term or for some other length, perhaps because you have increased or reduced the length of the mortgage?

25-year term	1	Go to q8
Other	2	Ask q6
Don't know	30	Go to q7

IF OTHER (CODE 2) AT Q5

6) How long is the term of your mortgage?

WRITE IN NUMBER OF YEARS. ALLOW DON'T KNOW

IF DON'T KNOW AT Q5 OR Q6

7) What year does your mortgage run to?

WRITE IN YEAR. ALLOW DON'T KNOW

ASK ALL

8) Have you increased your mortgage (i.e. the amount you have borrowed) since you originally took out the mortgage?

Yes	1	Ask q9
No	2	Go to q10
Don't know	30	Go to q10

IF YES (CODE 1) AT Q8

9) How much have you increased it by?

NOTE: IF INCREASED MORE THAN ONCE, ASK THEM TO ADD AMOUNT TOGETHER

WRITE IN EXACT AMOUNT

IF DON'T KNOW OR REFUSE, PROMPT WITH THE FOLLOWING BANDS

SHOWCARD 9

Under £10,000	1
£10,000 - £14,999	2
£15,000 - £19,999	3
£20,000 - £24,999	4
£25,000 - £29,999	5
£30,000 - £49,999	6
£50,000 - £74,999	7
£75,000 - £99,999	8

£100,000 - £199,999	9
£200,000 - £299,999	10
£300,000 - £399,999	11
£400,000 - £499,999	12
£500,000 +	13
Don't know	30
Refused	31

ASK ALL

10) Did you buy your current property directly from a Local Authority, for example under the 'Right to Buy' scheme?

Yes	1
No	2
Don't know	30

Endowment policies

ASK ALL

11) Moving on now to talk about your endowment policies, could I just check, how many endowment policies do you have linked to your mortgage?

One	1
Two	2
Three	3
Four	4
Five	5
Six	6
Seven	7
Don't know	30

FOR Q15–19 AND 23, RECORD ANSWERS FOR EACH POLICY. MAKE SURE 'POLICY ONE' REFERS TO THE SAME POLICY THROUGHOUT. IF THEY HAVE MORE THAN THREE POLICIES, ASK THEM FOR THE MAIN THREE POLICIES ONLY.

12) There is no q12

13) There is no q13

ASK ALL

14) Can we look at the letter which the endowment companies have sent to you regarding the likely value of your policies when they mature?

ALLOW RESPONDENT TIME TO FIND LETTER IF NOT ALREADY DONE SO

Yes	1	Continue
No	2	Go to q20
Don't remember letter	3	Go to q20

IF THEY CAN FIND A LETTER (CODE 1 AT Q14)
CHECK THE DATE ON THE LETTER. IF OVER 12 MONTHS OLD, ASK IF THEY HAVE A MORE RECENT ONE. IF OVER 24 MONTHS OLD, THEY SHOULD DEFINITELY HAVE RECEIVED ONE MORE RECENTLY.

15) What is the name of the endowment policy provider?

DO NOT READ OUT.

	Policy One	Policy Two	Policy Three
Abbey	1	1	1
Allied Dunbar	2	2	2
AXA	3	3	3
Aviva	4	4	4
CIS	5	5	5
Clerical Medical	6	6	6
Commercial Union	7	7	7
Countrywide	8	8	8
Eagle Star	9	9	9
Friends Provident	10	10	10
General Accident	11	11	11
Guardian/GRE	12	12	12
Legal & General	13	13	13
Lloyds TSB/Black Horse	14	14	14
Norwich Union	15	15	15
Pearl Assurance	16	16	16
Prudential	17	17	17
Royal and Sun Alliance	18	18	18
Scottish Amicable	19	19	19
Scottish Life	20	20	20
Scottish Provident	21	21	21
Scottish Widows	22	22	22
Standard Life	23	23	23
Sun Life of Canada	24	24	24
Zurich	25	25	25
Other (WRITE IN)	29	29	29
Don't Know	30	30	30

16) What are the 3 re-projection figures on the letter?

CODE 1 FOR SURPLUS. CODE 2 FOR SHORTFALL

	Policy One		Policy Two		Policy Three	
	Surplus/ shortfall	Amount	Surplus/ shortfall	Amount	Surplus/ shortfall	Amount
Low		£		£		£
Medium		£		£		£
High		£		£		£

IF SHORTFALL ON **ANY** POLICY, TREAT AS SHORTFALL FOR ROUTING. ALL OTHERS TREAT AS SURPLUS FOR ROUTING

17) And what are the three rates at which the re-projection is calculated?

	Policy One	Policy Two	Policy Three
Low	%	%	%
Medium	%	%	%
High	%	%	%

18) What is the target sum (for each policy)?

Policy One	Policy Two	Policy Three	Target sum total
£	£	£	£

INTERVIEWER: CHECK IF TARGET SUMS ADD TO LESS THAN THE MORTGAGE AT Q4. IF YES ASK Q18a. OTHERS GO TO Q19

18a) The value of this/these policy/ies is less than the value of your mortgage.

READ OUT

Do you have another endowment policy?	1	Ask respondent to get letter for this policy and complete q15-17
Do you also have a repayment mortgage for part of the mortgage?	2	
Have you paid off a lump sum off of the mortgage?	3	
Is there some other reason (SPECIFY)?	4	
You don't know why the value is less	30	

19) And what is/are the policy maturity date(s) on your policy/ies?

Policy One	Policy Two	Policy Three	All to q23

NOW GO TO Q23

IF THEY CAN'T FIND THE LETTER OR THEY DON'T RECALL RECEIVING A LETTER AFTER PROMPTING (CODES 2 OR 3 AT Q14)

20) As best as you remember/know, are you on target to pay off your mortgage or is there likely to be a shortfall?

INTERVIEWER: REMIND RESPONDENT TO CONSIDER ALL POLICIES IF THEY HAVE MORE THAN ONE

On target	1	Treat as surplus for routing. Go to q23
Shortfall	2	Treat as shortfall for routing. Go to q22
Surplus or shortfall depending on rate of return	3	Treat as shortfall for routing. Ask q21
Don't know	30	Thank and close - OUTCOME CODE 13

IF CODE 3 AT Q20

21) The letter will have shown whether the endowment was on target to pay off the mortgage at three different rates of return. SHOW EXAMPLE RE-PROJECTION LETTER. As best you remember, did the letter show there would be a shortfall only at the lowest rate of return, or also at the middle rate of return?

Shortfall at lowest rate of return only	1
Shortfall at lowest and middle rate of return	2
Can't remember	30

IF SHORTFALL (CODES 2 OR 3 AT Q20)

22) And as best you remember, roughly how much was the shortfall likely to be?

SHOWCARD 22

Under £1,000	1	£8,000 - £9,999	6	£30,000 - £39,999	11
£1,000 - £1,999	2	£10,000 - £14,999	7	£40,000 - £49,999	12
£2,000 - £2,999	3	£15,000 - £19,999	8	£50,000+	13
£3,000 - £4,999	4	£20,000 - £24,999	9	Don't know	30
£5,000 - £7,999	5	£25,000 - £29,999	10	Refused	31

CALL THEM OR ARRANGE TO RETURN AND PICK UP THE INFORMATION AND/OR GIVE THE RESPONDENT THE FREEPHONE NUMBER (**0800 0186751**) WITH REFERENCE CODE AND EXAMPLE LETTER AND ASK THEM TO CALL IN WITH THE MEDIUM SHORTFALL FIGURE (CIRCLE ON EXAMPLE LETTER)

ASK ALL

23) Did you take out this policy/any of these policies before 1988?

	Policy One	Policy Two	Policy Three
Yes	1	1	1
No	2	2	2
Don't know	30	30	30

INTERVIEWER: CHECK AGAINST Q1-3 (WHEN BOUGHT PROPERTY/TOOK OUT MORTGAGE). IF THIS WAS BEFORE 1988, RECHECK IF ANY POLICIES WERE TAKEN OUT BEFORE 1988

Concern about endowment situation/shortfall aspect

IF SHORTFALL ON ANY POLICY (SEE Q16 AND Q20). OTHERS GO TO Q26

24) Does the potential shortfall in endowment values present you with …

READ OUT. SINGLE CODE

serious concerns about your situation?	1	Ask q24a
some concerns about your situation?	2	Ask q24a
little or no concerns?	3	Ask q25a
It's too early to say	4	Go to q26
Still have not worked it out/don't know (DO NOT READ OUT)	30	

IF SERIOUS/SOME CONCERNS (Q24 = 1 or 2)

24a) Are these concerns mainly…?

READ OUT. SINGLE CODE.

financial (that is, you are concerned in some way about finding the additional money)?	1
about the fact that the situation has been allowed to arise?	2
A bit of both (DO NOT READ OUT)	3
Don't know	30

IF FINANCIAL CONCERNS (CODE 1 or 3 AT Q24a), OTHERS GO TO Q26

25) You said that a shortfall in your endowment policy represents a financial problem. Why is that?

DO NOT READ OUT. MULTI CODE

Will have to use money was planning to use for retirement e.g. lump sum from pension	1	Go to q26
Will have to use money was saving for another purpose	2	
Will have to start making additional savings	3	
Will have to retire later	4	
Will have to sell home and move to cheaper property	5	
Can't afford to take action	6	
Other (SPECIFY)	29	
Don't know	30	
Refused	31	

IF LITTLE OR NO CONCERN(S) (CODE 3 AT Q24). OTHERS GO TO Q26

25a) You said that a shortfall in your endowment policy presents you with little or no concerns. Why is that?

DO NOT READ OUT. MULTI CODE

Shortfall is only a small amount	1	Go to q26
Have enough saved/invested elsewhere to cover shortfall	2	
Endowment not needed to pay off mortgage	3	
Change in family circumstances	4	
Paying into another policy	5	
Have increased premiums	6	
Have taken other action (SPECIFY)	7	
Other (SPECIFY)	29	
Don't know	30	
Refused	31	

ASK ALL

26) Since you first became aware of the potential problem that your endowment policy/ies may not pay off your mortgage in full, how has your concern about your situation changed over time. Have you become…

READ OUT. SINGLE CODE ONLY

more concerned?	1
less concerned?	2
There has been no change in your level of concern	3
Don't know (DO NOT READ OUT)	30

IF HAVE SURPLUS. OTHERS GO TO Q29

27) And overall how concerned would you say you are about the situation regarding your mortgage. Are you …

READ OUT. CODE ONE ONLY

very concerned?	1	Go to q28
fairly concerned?	2	
not very concerned?	3	
not at all concerned?	4	
Don't know (DO NOT READ OUT)	30	

IF HAVE SURPLUS. OTHERS GO TO Q29

28) You said that your policy/ies is/are on target to pay off your mortgage in full at the moment, but are you concerned at all that the situation might change in the future and you might face a shortfall? Which of the three statements on the showcard best describes how you feel?

SINGLE CODE ONLY

SHOWCARD 28

I am very concerned that the situation may change and I might face a shortfall in the future. It is something that is worrying me	1
I am slightly concerned that my situation might change, but it's not something that I am worrying about at present	2
I am not concerned at all	3
Don't know	30

Awareness of existence/nature of any guarantees offered by providers

ASK ALL

29) As far as you are aware, has your policy provider (the company your endowment policy is with) offered any sort of guarantee or promise about the final amount it will pay out? By this I mean a specific guarantee from your provider which has been made more recently rather than the amount expected when you took out the policy.

IF MORE THAN ONE POLICY – but guarantee on only one, still code 'yes'

Yes	1	Ask q30
No	2	Go to q31
Don't know	30	Go to q31

IF YES (CODE 1 AT Q29)

30) What is the nature of this guarantee from the policy provider (i.e. under what conditions will they pay out)?

PROMPT AS NECESSARY. MULTI-CODE

Will pay the target sum no matter what	1
Will pay the target sum if the top growth rate is reached	2
Will pay the target sum if the middle growth rate is reached	3
Will pay the target sum if the lowest growth rate is reached	4
Other (SPECIFY)	29
Don't know	30

Actions taken (to address shortfall)

ASK ALL WHO HAVE A SHORTFALL. OTHERS GO TO Q52

31) Thinking about your current position, what action, if any, have you already taken regarding your endowment-linked mortgage?

ADD IF NECESSARY: I'm interested here in anything you have already done or are currently in the process of doing. I'll go on to talk about anything you are planning to do in a moment.

DO NOT READ OUT, CODE ALL MENTIONED

31a) And, looking at showcard 31a, have you taken any of the following actions?

PROMPT FOR ALL THOSE NOT CODED AT Q31. CODE ALL MENTIONED

32) And before I showed you this list, were you aware of any of these other actions you could have taken?

IF YES: Which ones were you aware of? SHOWCARD 32. CODE ALL MENTIONED

IF NO: CODE 13

	Q31	Q31a	Q32
Cashed in policy	1	1	1
Mad endowment 'paid up'/kept policy but stopped making payments into it	2	2	2
Sold the endowment to a third party/traded the endowment	3	3	3
Increased monthly payments into existing policy	4	4	4
Arranged for mortgage term to be extended	5	5	5
Took out an additional top-up endowment policy	6	6	6
Changed *part* of mortgage to a repayment loan	7	7	7
Changed *all* of mortgage to a repayment loan	8	8	8
Started an additional savings scheme, such as an ISA, to build up a further lump sum to put towards paying off mortgage	9	9	9
Made extra capital payments to lender to reduce the amount owed on the mortgage loan	10	10	10
Made a complaint	11	11	11
Talked to financial adviser/other professional or provider about what action to take	12	12	12
Nothing	13	13	13
Still thinking about what to do	14	14	14
All of them	N/A	N/A	15
Other (WRITE IN)	29	29	29
Don't know	30	30	30

IF TAKEN ACTIONS (ALL EXCEPT CODES 13, 14 OR 30 AT Q31 OR Q31a). OTHERS GO TO Q42

33) Why did you decide to take this action?

PROBE FULLY. DO NOT READ OUT. MULTI-CODE

Want to ensure that pay off mortgage/to cover shortfall	1
Did not want mortgage going past retirement age	2
Can afford to pay extra/don't mind paying/comfortable at the moment	3
Planning to move house/have moved house	4
Only have a short time to run	5
Was one of the options suggested in the letter from (endowment) provider	6
Was one of the options suggested in the FSA factsheet	7
Advised to/told it was the best option	8
Felt problem with endowments will only get worse, so better to take action now	9
Wanted to understand where I stood	10
Other (WRITE IN)	29
Don't know	30

34) Are you taking any of these courses of action as a result of anything you have read or heard, or any advice or information that you have received? This could include discussions that you may have had with your provider, professional advisers, friends and family, information obtained from newspapers, television etc.

Yes	1	Ask q35
No	2	Go to q36

ASK IF TAKEN ACTION AS RESULT OF ADVICE OR INFORMATION RECEIVED (CODE 1 AT Q34)

35) What sources of advice or information prompted you to take this action? What other sources shown on this card did you consult? PROBE: Anything else?

SHOWCARD 35. CODE ALL MENTIONED

Joint holder of policy	1
Friend/colleague	2
Relative	3
Mortgage provider	4
Endowment policy company/life insurance company – re-projection letter	5
Endowment policy company/life insurance company – spoke to helpline/adviser	6
Independent financial adviser	7
Other professional i.e. accountant/solicitor	8
FSA factsheet	9
FSA helpline	10
FSA website	11
Financial Ombudsman Service (FOS)	12
Information from press/radio or other media	13
Information from Internet	14
Consumer organisation e.g. Consumers Association, Citizens Advice Bureau	16
Other (WRITE IN)	29
Don't know	30

ASK ALL WHO HAVE A SHORTFALL

36) What (further) action, if any, are you likely to take in the future?

DO NOT READ OUT. CODE ALL MENTIONED

Cash in policy	1	
Make endowment paid up/keep policy but stop making payments into it	2	
Sell the endowment to a third party/trade the endowment	3	
Increase monthly payments into existing policy	4	
Arrange for mortgage term to be extended	5	
Take out an additional top-up endowment policy	6	
Change *part* of my mortgage to a repayment loan	7	
Change *all* of my mortgage to a repayment loan	8	
Start an additional savings scheme, such as an ISA to build up a further lump sum that I can put towards paying off my mortgage	9	
Make extra capital payments to my lender to reduce the amount I owe on the mortgage loan	10	
Make a complaint to the mortgage provider	11	
Talk to financial adviser/other professional or provider about what action to take	12	
Complain to the FSA	13	
Complain to the Ombudsman (FOS)	14	
Nothing	15	Go to q60
Still thinking about what to do	16	Go to q60
Other (WRITE IN)	29	
Don't know	30	Go to q60

IF FURTHER ACTION LIKELY (ALL EXCEPT CODES 15, 16 OR 30 AT Q36)

37) You said you might take (further) action in the future. How likely is it that you will take this action?

READ OUT

Very likely	1	Ask q38
Quite likely	2	Ask q38
Not very likely	3	Go to q43
Don't know (DO NOT READ OUT)	30	Go to q43

IF FURTHER ACTION VERY OR QUITE LIKELY (CODE 1 OR 2 AT Q37)

38) When are you most likely to take this action?

READ OUT

In next month or so	1
Next 2-3 months	2
Next 4-6 months	3
In 6 months to 1 year	4
In next 1-2 years	5
More than 2 years from now	6
Not sure when	7

IF FURTHER ACTION VERY OR QUITE LIKELY (CODE 1 OR 2 AT Q37)

39) And why are you planning to take this (further) action?

PROBE FULLY. DO NOT READ OUT. MULTI-CODE

Want to ensure that pay off mortgage/to cover shortfall	1
Did not want mortgage going past retirement age	2
Can afford to pay extra/don't mind paying/comfortable at the moment	3
Planning to move house/have moved	4
Only have a short time to run	5
Was one of options suggested in letter from (endowment) provider	6
Was one of the options suggested in the FSA factsheet	7
Advised to/told it was the best option	8
Felt problem with endowments will only get worse- so better to take action now	9
Actions taken already will not be sufficient	10
Received another re-projection letter	11
Other (WRITE IN)	29
Don't know	30

IF FURTHER ACTION VERY OR QUITE LIKELY (CODE 1 OR 2 AT Q37)

40) Are you planning to take this further action as a result of anything you read or heard about, or any advice or information that you have received? This could include discussions that you may have had with your provider, professional advisers, friends and family, or information obtained from newspapers, television etc.

Yes	1	Ask q41
No	2	Go to q42

ASK IF LIKELY TO TAKE ACTION AS A RESULT OF ADVICE OR INFORMATION RECEIVED (CODE 1 AT Q40)

41) What sources of advice or information prompted you to plan taking this (further) action? What other sources shown on this card did you consult?

PROBE: Anything else? SHOWCARD 41. CODE ALL MENTIONED

Joint holder of policy	1
Friend/colleague	2
Relative	3
Mortgage provider	4
Endowment policy company/life insurance company – second/updated re-projection letter	5
Endowment policy company/life insurance company – spoke to helpline/adviser	6
Independent financial adviser	7
Other professional i.e. accountant/solicitor	8
FSA factsheet	9
FSA helpline	10
FSA website	11
Financial Ombudsman Service (FOS)	12
Information from press/radio or other media	13
Information from internet	14
Consumer organisation e.g. Consumers Association, Citizens Advice Bureau	15
Other (WRITE IN)	29
Don't know	30

IF NOT TAKEN ACTION (CODE 13, 14 OR 30 AT Q31 OR Q31a). OTHERS GO TO Q60

42) Can I ask why you haven't taken any action?

DO NOT READ OUT. CODE ALL MENTIONED. IF SAY "shortfall not a (serious) problem" (CODE 1) OR "don't feel it's necessary to take action" (CODE 6), PROBE: Why do you feel it will not be a problem/necessary to take action?

The shortfall is not a serious financial problem	1
Can cover the expected shortfall from my own savings	2
Can cover the expected shortfall from the money I will get when I retire (e.g. lump sum from pension)	3
No longer have original mortgage which I took out the endowment policy to cover. Have switched endowment to cover a new mortgage	4
No longer have original mortgage which I took out the endowment policy to cover. I now have a repayment mortgage	5
Didn't feel it necessary to take action	6
Didn't want to go to the trouble	7
Waiting to see what happens	8
The letter showed the shortfall will only be very small	9
Need to take further advice	10
Only a short time left on the policy	11
Already paid off part of the mortgage	12
Expect to move to a cheaper property/pay off part of mortgage	13
Can't afford to take action	14
Know I should take action but am unable to (SPECIFY REASON)	15
Other (WRITE IN)	29
Don't know	30

43) Do you think that anything could be done to encourage people who have a shortfall to take action?

Yes	1	Ask q44
No	2	Go to q45
Don't know	30	Go to q45

ASK IF YES (CODE 1) AT Q43. OTHERS GO TO Q45

44) And how do you think people could be encouraged to take action?

45) Are you likely to take action in the future?

Yes	1	Go to q46
No	2	Go to q52
Don't know	30	Go to q60

IF FURTHER ACTION LIKELY (CODE 1 AT Q45)

46) Which of the following actions, if any, are you likely to take?

SHOWCARD 46

Cash in policy	1
Make endowment paid up/keep policy but stop making payments into it	2
Sell the endowment to a third party/trade the endowment	3
Increase monthly payments into existing policy	4
Arrange for mortgage term to be extended	5
Take out an additional top-up endowment policy	6
Change *part* of mortgage to a repayment loan	7
Change *all* of mortgage to a repayment loan	8
Start an additional savings scheme, such as an ISA, to build up a further lump sum that can be put towards paying off mortgage	9
Make extra capital payments to lender to reduce the amount owed on mortgage	10
Make a complaint to the mortgage provider	11
Talk to financial adviser/other professional or provider about what action to take	12
Complain to the FSA	13
Complain to the Ombudsman/FOS	14
Nothing	15
Still thinking about what to do	16
Other (WRITE IN)	29
Don't know	30

IF FURTHER ACTION LIKELY (MUST BE CODE 1 AT Q45 AND NOT BE CODES 15, 16 OR 30 AT Q46)

47) How likely is it that you will take this action/at least one of these actions?

READ OUT

Very likely	1	Ask q48
Quite likely	2	Ask q48
Not very likely	3	Go to q60
Don't know	30	Go to q60

IF FURTHER ACTION QUITE OR VERY LIKELY (CODE 1 OR 2 AT Q47)

48) When are you most likely to take this action/at least one of these actions?

READ OUT

In next month or so	1
Next 2-3 months	2
Next 4-6 months	3
In 6 months to 1 year	4
In next 1-2 years	5
More than 2 years from now	6
Not sure when	7

IF FURTHER ACTION QUITE OR VERY LIKELY (CODE 1 OR 2 AT Q47)

49) Are you likely to take this course of action as a result of anything you have read or heard about, or any advice or information that you have received? This could include discussions that you may have had with your provider, professional advisers, friends and family, or information obtained from newspapers, television etc.

Yes	1	Ask q50
No	2	Go to q60

IF FURTHER ACTION QUITE OR VERY LIKELY (CODE 1 OR 2 AT Q47)

50) And what sources of advice or information prompted you to consider taking this action? What other sources shown on this card have you consulted?

SHOWCARD 50. CODE ALL MENTIONED

Joint holder of policy	1
Friend/colleague	2
Relative	3
Mortgage provider	4
Endowment policy company/life insurance company – re-projection letter	5
Endowment policy company/life insurance company – spoke to helpline/adviser	6
Independent financial adviser	7
Other professional i.e. accountant/solicitor	8
FSA factsheet	9
FSA helpline	10
FSA website	11
Financial Ombudsman Service (FOS)	12
Information from press/radio or other media	13
Information from internet	14
Consumer organisation e.g. Consumers Association, Citizens Advice Bureau	15
Other (WRITE IN)	29
Don't know	30

51) There is no q51

IF HAVE SURPLUS. OTHERS GO TO Q60

52) Thinking about your current position, have you taken any action regarding your endowment-linked mortgage?

Yes	1	Ask q53
No	2	Go to q54

IF YES (CODE 1 AT Q52)

53) What have you done?

DO NOT PROMPT. CODE ALL MENTIONED

54) If you were ever to have a shortfall in future, which actions would you be likely to take?

DO NOT READ OUT. CODE ALL MENTIONED

55) And looking at showcard 55, which of these actions would you be likely to take?

SHOWCARD 55. ALL MENTIONED

56) And before I showed you this list, were you aware of any of these other actions you could have taken?

IF YES: Which ones were you aware of? SHOWCARD 56. CODE ALL MENTIONED

IF NO: CODE 13

	Q53	Q54	Q55	Q56
Cash in policy	1	1	1	1
Make endowment ‘paid up’ / keep policy but stop making payments into it	2	2	2	2
Sell the endowment to a third Party / trade the endowment	3	3	3	3
Increase monthly payments into existing policy	4	4	4	4
Arrange for mortgage term to be extended	5	5	5	5
Take out an additional top-up endowment policy	6	6	6	6
Change *part* of my mortgage to a repayment loan	7	7	7	7
Change *all* of my mortgage to a repayment loan	8	8	8	8
Start an additional savings scheme, such as an ISA, to build up a further lump sum that I can put towards paying off mortgage	9	9	9	9
Make extra capital payments to my lender to reduce the amount I owe on the mortgage loan	10	10	10	10
Make a complaint to the mortgage provider	11	11	11	11
Talk to financial adviser/other professional or provider about what action to take	12	12	12	12
Complain to the FSA	13	13	13	13
Complain to the Ombudsman/FOS	14	14	14	14
Nothing	15	15	15	15
Still thinking about what to do	16	16	16	16
All of these	N/A	N/A	17	17
Other (WRITE IN)	29	29	29	29
Don’t know	30	30	30	30

ALL EXCEPT CODES 15, 16 OR 30 AT Q54 OR Q55. OTHERS GO TO Q60

57) Why might you decide to take this action?

PROBE FULLY. DO NOT READ OUT. MULTI-CODE

Didn't want to run risk of having shortfall in future	1
No longer trusted endowment policy to reach target sum	2
Do not want mortgage going past retirement age	3
Can afford to pay extra/don't mind paying/comfortable at the moment	4
Planning to move house/have moved	5
Only have a short time to run on the mortgage	6
Advised to/told it was the best option	7
Other (WRITE IN)	29
Don't know	30

58) And would you take this course of action as a result of anything you have seen or heard, or any advice or information that you have received? This could include discussions that you may have had with your provider, professional advisers, friends and family, or information obtained from newspapers, television etc.

Yes	1	Ask q59
No	2	Go to q60

ASK IF TAKEN ACTION AS RESULT OF ADVICE OR INFORMATION RECEIVED (CODE 1 AT Q58)

59) What sources of advice or information would have prompted you to take this action? What other sources shown on this card did you consult?

SHOWCARD 59. CODE ALL MENTIONED

Joint holder of policy	1
Friend/colleague	2
Relative	3
Mortgage provider	4
Endowment policy company/life insurance company – re-projection letter	5
Endowment policy company/life insurance company – spoke to helpline/adviser	6
Independent financial adviser	7
Other professional i.e. accountant/solicitor	8
FSA factsheet	9
FSA helpline	10
FSA website	11
Financial Ombudsman Service (FOS)	12
Information from press/radio or other media	13
Information from internet	14
Consumer organisation e.g. Consumers Association, Citizens Advice Bureau	15
Other (WRITE IN)	29
Don't know	30

Complaints

I'd now like to ask you a few questions about whether or not you have made any complaints about an endowment-linked mortgage policy, and if you did, the nature of these complaints and how you went about complaining. We are trying to find out how easy it is to make a complaint and any concerns you might have about doing so.

ASK ALL

60) Have you made a complaint, or sought compensation, regarding a mortgage endowment policy? It does not matter if the policy is no longer linked to a mortgage.

Yes	1	Ask q61
No	2	Go to q68

IF HAVE COMPLAINED AND HAVE MORE THAN ONE POLICY (CODE 1 AT Q60 AND CODES 2-7 AT Q11)

61) Have you complained about more than one policy?

Yes	1
No	2

ASK ALL WHO HAVE COMPLAINED (CODE 1 AT Q60)

62) What was the complaint about? PROBE: What was the particular issue you were concerned about?

DO NOT PROMPT. CODE ALL MENTIONED. IF MORE THAN ONE COMPLAINT, CODE FOR ALL. IF SAY "sold wrong policy/mis-sold" (CODE 8), PROBE: Why do you feel you were sold the wrong policy?

62a)Was your complaint motivated by any of the following?

SHOWCARD 62a. CODE ALL MENTIONED

	Q62	Q62a
Policy not performing/poor	1	1
Policy won't cover mortgage	2	2
Policy never enough to cover mortgage in first place	3	3
Expected to get surplus/lump sum	4	4
Thought guaranteed to meet mortgage	5	5
Policy was not explained properly when taken out	6	6
Not told about risks	7	7
Sold wrong policy/mis-sold	8	8
I was mis-led/lied to	9	9
Told to cancel other policy	10	10
Maturity date wrong	11	11
Did not want an endowment policy/pressured to buy	12	12
Wanted a repayment mortgage	13	13
Would have been better off with repayment mortgage	14	14
Policy due to mature after my retirement date	15	15
Other (WRITE IN)	29	29
Don't know	30	30

63) Were you prompted to complain as a result of anything you read or heard about, or any advice or information that you have received? This could include discussions that you may have had with your provider, professional advisers, friends and family, or information obtained from the newspapers/television etc.

Yes	1	Ask q64
No	2	Go to q65

IF YES (CODE 1 AT Q63)

64) And what source of advice or information prompted you to complain? What other sources shown on this card have you consulted? PROBE: Anything else?

SHOWCARD 64. CODE ALL MENTIONED

Joint holder of policy	1
Friend/colleague	2
Relative	3
Mortgage provider	4
Endowment policy company/life insurance company – re-projection letter	5
Endowment policy company/life insurance company – spoke to helpline/adviser	6
Independent financial adviser	7
Other professional i.e. accountant/solicitor	8
FSA factsheet	9
FSA helpline	10
FSA website	11
Financial Ombudsman Service (FOS)	12
Information from press/radio or other media	13
Information from internet	14
Consumer organisation e.g. Consumers Association, Citizens Advice Bureau	15
Other (WRITE IN)	29
Don't know	30

IF HAVE COMPLAINED (CODE 1 AT Q60)

65) Did you encounter any problems or difficulties in making your complaint?

Yes	1	Go to q65a
No	2	Go to q66
Don't know	3	Go to q66

IF ENCOUNTERED PROBLEMS/DIFFICULTIES (CODE 1 AT Q65)

65a) What problems or difficulties did you have in making your complaint?

INTERVIEWER NOTE: latest complaint. PROBE FULLY

66) And overall, how satisfied or dissatisfied were you with the ease of making the complaint? By this I mean, the process you went through in order to make a complaint.

READ OUT. SINGLE CODE

Very satisfied	1
Quite satisfied	2
Neither satisfied nor dissatisfied	3
Quite dissatisfied	4
Very dissatisfied	5

67) And overall, how satisfied or dissatisfied were you with the outcome of making the complaint? By this I mean, how your complaint was dealt with.

READ OUT. SINGLE CODE

Very satisfied	1
Quite satisfied	2
Neither satisfied nor dissatisfied	3
Quite dissatisfied	4
Very dissatisfied	5
Not yet resolved	6

IF HAVE NOT COMPLAINED (CODE 2 AT Q60)

68) Do you feel you have got a case to make a complaint?

Yes	1	Ask q69
No	2	Go to q74
Don't know	30	Go to q74

IF YES (CODE 1 at Q68)

69) On what basis do you feel you have a case to make a complaint?

DO NOT READ OUT. CODE ALL MENTIONED

69a)Do you feel you have a case to make a complaint on any of the following grounds?

SHOWCARD 69a. CODE ALL MENTIONED

	Q69	Q69a
Policy not performing / poor	1	1
Policy won't cover mortgage	2	2
Policy never enough to cover mortgage in first place	3	3
Expected to get surplus / lump sum	4	4
Told it was guaranteed or would meet mortgage	5	5
Policy was not explained properly when taken out	6	6
Not told about risks	7	7
Sold wrong policy / Mis-sold	8	8
I was mis-led / lied to	9	9
Told to cancel other policy	10	10
Maturity date wrong	11	11
Did not want an endowment-linked mortgage / pressured to buy	12	12
Wanted a repayment mortgage	13	13
Would have been better off with repayment mortgage	14	14
Policy due to mature after my retirement date	15	15
Other (WRITE IN)	29	29
Don't know	30	30

IF YES (CODE 1 at Q68)

70) How likely are you to actually make a complaint?

Very likely	1	Ask q70
Quite likely	2	

Not very likely	3	Go to q72
Don't know	30	

IF QUITE OR VERY LIKELY TO COMPLAIN (CODES 1 OR 2 AT Q70)

71) And when are you most likely to make this complaint?

READ OUT

In next month or so	1
Next 2-3 months	2
Next 4-6 months	3
In 6 months to 1 year	4

In next 1-2 years	5
More than 2 years from now	6
Not sure when	7

IF FEEL HAVE CASE FOR COMPLAINING (CODE 1 AT Q68)

72) Why have you not complained already?

DO NOT READ OUT. CODE ALL MENTIONED

Not worth it/didn't bother	1
Wouldn't have done any good, made any difference	2
The regulators are on the side of the firms	3
Not got round to it	4
Time/would take too long	5
Time/thought time had run out	6
Waiting to see if the stock market improved	7
Only a small amount of shortfall	8
I will not lose out financially	9
I have since changed my endowment-linked mortgage to a repayment mortgage	10
Didn't feel confident enough	11
Didn't know who to complain to	12
Other (WRITE IN)	29
Don't know	30

ASK IF NOT COMPLAINED AS NOT WORTH IT/DIDN'T BOTHER (CODE 1 AT Q72)

72a) Why do you think that it was not worth the bother?

PROBE FULLY

ASK IF NOT COMPLAINED AS WOULDN'T HAVE DONE ANY GOOD, MADE ANY DIFFERENCE (CODE 2 AT Q72)

72b) Why do you think it would not have made any difference?

PROBE FULLY

ASK IF NOT COMPLAINED AS THE REGULATORS ARE ON THE SIDE OF THE FIRMS (CODE 3 AT Q72)

72c) Why do you feel the regulators are on the side of firms?

PROBE FULLY

73) There is no q73

ASK ALL WHO HAVE NOT COMPLAINED (CODE 2 AT Q60)

74) So that we can understand how effective the public awareness campaign has been, can you tell me how aware are you of what to do, if you wanted to make a complaint about a financial product or service? Would you say that you …

READ OUT

know exactly how to make a complaint?	1
have a vague idea how to make a complaint?	2
have no idea about how to make a complaint?	3

75) There is no q75

76) There is no q76

77) And are you aware that there is a time limit on how long you have before you can complain? ADD IF NECESSARY: You have to complain within three years of getting the letter from your endowment company about the amount of money your policy is likely to pay out.

Yes – definitely	1
Yes – I think I have heard about this	2
No	3
Don't know	30

78) There is no q78

Awareness of FSA/factsheet

ASK ALL

79) Can I just check, before we approached you to take part in this research, had you heard of the Financial Services Authority or the FSA?

Yes – definitely	1
Yes – I think I have heard about this	2
No	3
Don't know	30

IF Q79 = 2, 3 OR 30, READ OUT: The Financial Services Authority is the independent watchdog or body that regulates the financial services industry in the UK and its purpose is to protect the rights of people buying financial products such as pensions, savings and investments.

ASK ALL

80) The Financial Services Authority has been running a publicity campaign to encourage people to decide what to do about their endowment-linked mortgage. This has included producing a factsheet like this one (SHOW EXAMPLE) which will have been sent to you with the letter from your endowment provider. Do you recall receiving this factsheet (or a similar one)?

Yes – definitely	1	Ask q81
Yes – I think I have	2	Ask q81
No	3	Go to q82
Don't know	30	Go to q82

IF RECALL RECEIVING (CODES 1 AND 2 AT Q80)

81) And as best as you can remember did you …

<table>
<tr><td>read all of it?</td><td>1</td><td rowspan="2">Go to q81a</td></tr>
<tr><td>read some of it?</td><td>2</td></tr>
<tr><td>just glance at it?</td><td>3</td><td rowspan="3">Go to q82</td></tr>
<tr><td>not look at it at all?</td><td>4</td></tr>
<tr><td>Don't know</td><td>30</td></tr>
</table>

IF RECALL READING (CODES 1 AND 2 AT Q81)

81a) And did you find it …

very useful?	1
fairly useful?	2
not very useful?	3
not at all useful?	4
Don't know	30

Demographics - respondent work status

ASK ALL

I'd now like to ask a few questions about you and your household. The reason we are asking these is so that we can calculate how big or small the endowment problem is on a national basis, when people's wider financial situation is taken into account.

82) What is your current work status? Are you …

READ OUT

employed?	1	Go to q85
self–employed?	2	Go to q85
retired?	3	Ask q83
not working?	4	Ask q83

IF RETIRED OR NOT WORKING (CODES 3 OR 4 AT Q82)

83) From which of the sources listed on this showcard, if any, did you obtain income in the last twelve months?

SHOWCARD 83

Pension	1
Disability benefit e.g. Incapacity benefit, Disability living allowance, Carers allowance, attendance allowance	2
Other benefits e.g. housing, unemployment	3
Savings and investments	4
Part time work (INTERVIEWER: Check if more than 10 hours per week on average. If yes, recode Q82 - employed, self employed)	5
Other (SPECIFY)	29
None	6

ASK IF RETIRED (CODE 3 AT Q82)

84) At what age did you retire?

WRITE IN

IF NECESSARY PROMPT WITH BANDS. SHOWCARD 84

Under 45	1
45 – 49	2
50 – 54	3
55 – 59	4
60 – 64	5

65 – 69	6
70 – 74	7
75+	8
Don't know/Can't say	30
Refused	31

IF EMPLOYED OR SELF- EMPLOYED (CODE 1 OR 2 AT Q82)

85) Are you likely to retire before the age of 65 or are seriously considering doing so?

Yes	1	Ask q86
No	2	Go to q87
Don't know	30	Go to q87

IF YES AT Q85

86) At what age are you likely to retire?

WRITE IN AGE. APPROXIMATION ACCEPTABLE

87) There is no q87

88) There is no q88

IF OTHER ADULTS IN HOUSEHOLD (SEE Q10 ON SCREENER). IF NO OTHER ADULTS, GO TO Q97

89) Is there someone else in your household, such as a spouse or partner who contributes to the household income?

Yes	1	Ask q90	No	2	Go to q97

90) Which of the following bands do they fall into in terms of age?

SHOWCARD 90

Under 25	1	65 – 69	7
25 – 34	2	70 – 74	8
35 – 44	3	75+	9
45 – 54	4	Don't know	30
55 – 59	5	Refused	31
60 – 64	6		

91) What is their current work status? Are they …

READ OUT

employed?	1	Go to q94	retired?	3	Ask q92
self–employed?	2	Go to q94	not working?	4	Ask q92

IF RETIRED OR NOT WORKING (CODES 3 OR 4 AT Q91)

92) What is their source of income (if any)? ADD IF NECESSARY: Please exclude any joint sources of income you have already mentioned yourself.

SHOWCARD 92

Pension	1
Disability benefit e.g. Incapacity benefit, Disability living allowance, Carers allowance, attendance allowance	2
Other benefits e.g. housing, unemployment	3
Savings and investments	4
Part time work (INTERVIEWER: Check if more than 10 hours per week on average. If yes, recode Q82 - employed, self employed)	5
Other (SPECIFY)	29
None	6

ASK IF RETIRED (CODE 3 AT Q91)

93) At what age did they retire?

WRITE IN

IF NECESSARY PROMPT WITH BANDS. SHOWCARD 93

Under 45	1		65 – 69	6
45 – 49	2		70 – 74	7
50 – 54	3		75+	8
55 – 59	4		Don't know/Can't say	30
60 – 64	5		Refused	31

IF EMPLOYED OR SELF- EMPLOYED (CODE 1 OR 2 AT Q91)

94) Are they likely to retire before the age of 65 or seriously considering doing so?

Yes	1	Ask q95
No	2	Go to q96
Don't know	30	Go to q96

IF YES AT Q94

95) At what age are they likely to retire?

WRITE IN AGE. APPROXIMATION ACCEPTABLE

ASK ALL

96) Thinking now about *total* household income, could you please tell me which of the bands on this card your household falls into, in terms of income from all sources, before tax and other deductions? Again, you can give me either an annual, monthly or weekly figure as best suits you.

SHOWCARD 96. INTERVIEWER NOTE: all sources includes any benefits, investment income etc.

Up to £4,999 a year	Up to £400 a month	Up to £100 a week	1
£5,000 - £9,999 a year	£401 - £800 a month	£100 - £189 a week	2
£10,000 - £19,999 a year	£801 - £1,600 a month	£190 - £390 a week	3
£20,000 - £29,999 a year	£1,601 - £2,500 a month	£391 - £580 a week	4
£30,000 - £39,999 a year	£2,501 - £3,300 a month	£581 - £770 a week	5
£40,000 - £49,999 a year	£3,331 - £4,200 a month	£771 - £960 a week	6
£50,000 - £74,999 a year	£4,201 - £6,250 a month	£961 - £1,440 a week	7
£75,000 - £99,999 a year	£6,251 - £8,330 a month	£1,441 - £1,920 a week	8
£100,000 or more a year	£8,333 or more a month	£1,921 or more a week	9
Other (WRITE IN)			29
Don't know			30
Refused			31

Debts

97) Apart from your mortgage, do you have any borrowings from any other sources such as personal loans, credit or store cards or financial agreements such as for a car or furniture?

Yes	1	Ask q98
No	2	Go to q99
Don't know	30	Go to q99
Refused	31	Go to q99

98) Approximately what is the total value of the loans (approximately how much do you owe in total)?

STRESS APROXIMATE AMOUNT IS FINE. PROMPT WITH SHOWCARD 98

Less than £500	1
£500 – £999	2
£1,000 – £1,999	3
£2,000 – £4,999	4
£5,000 - £9,999	5

£10,000 – £19,999	6
£20,000 – £29,999	7
£30,000+	8
Don't know	30
Refused	31

Savings

ASK ALL

Now I'd like to turn to any savings or investments that you may have.

ADD IF NECESSARY: The reason we are asking these questions is to see how big or small the endowment problem is when people's wider financial situation is taken into account – including any impact on savings.

99) Do you (or your spouse/partner) currently have any of the types of savings or investment shown on this showcard?

SHOWCARD 99. MULTI-CODE

Savings/deposit accounts at a bank or building society	1	Ask q100
Cash ISA	2	
ISA invested in equities/stocks and shares	3	
Investment or growth bond	4	
Premium Bonds	5	
Unit trust	6	
Shares	7	
Other(s) (SPECIFY)	29	
None	8	Go to q105
Don't know	30	

100) And in total what is the approximate amount or value of your savings and investments?

STRESS APROXIMATE AMOUNT IS FINE. PROMPT WITH SHOWCARD 100

Less than £200	1
£200 – £499	2
£500 – £999	3
£1,000 – £2,499	4
£2,500 - £4,999	5
£5,000 – £9,999	6
£10,000 – £14,999	7
£15,000 - £19,999	8
£20,000 – £29,999	9
£30,000 - £39,999	10
£40,000 - £49,999	11
£50,000+	12

IF FINDING IT DIFFICULT TO ESTIMATE TOTAL AMOUNT OF SAVINGS, RECORD AMOUNT FOR EACH TYPE OF SAVINGS / INVESTMENT AT Q99 STRESS APPROXIMATE AMOUNT IS FINE.

Savings/deposit accounts at a bank or building society	£
Cash ISA	£
ISA invested in equities/stocks and shares	£
Investment or growth bond	£
Premium Bonds	£
Unit trust	£
Shares	£
Other(s) (SPECIFY)	£
IF CAN'T BREAK DOWN: Total value of savings/investments	£

PROMPT WITH SHOWCARD 100

INTERVIEWER: ADD UP AMOUNTS AND AGREE TOTAL 'ABOUT RIGHT' WITH RESPONDENT. IF TOO HIGH OR LOW, CHECK EACH TYPE AGAIN

ASK ALL WITH SAVINGS

101) Looking at this next showcard. What would you say are the main reason or reasons for your saving?

SHOWCARD 101. MULTI-CODE.

Rainy day	1
Specific occasion e.g. wedding, holiday	2
A major purchase e.g. car	3
Retirement/pension	4
On behalf of children e.g. education	5
Spare monies (no specific purpose)	6
Other (SPECIFY)	29
Don't know	30

102) There is no q102

IF SHORTFALL

103) And are you intending or likely to use any (more) of these savings or investments to meet the shortfall in your mortgage?

Yes	1
No	2

IF SHORTFALL AND TAKEN ACTION (ALL EXCEPT CODES 13, 14 OR 30 AT Q31 OR Q31a)

104) You told me earlier that you have taken action on your mortgage endowment. Has the amount you are currently saving or have saved been reduced by the need to take this action?

Yes	1
No	2

Pension

Finally, I'd just like to ask you about any pension arrangements you might have.

ASK ALL EXCEPT THOSE ALREADY RETIRED (CODE 3 AT Q82). IF RETIRED GO TO Q110

105) Are you [if other adult in household] or your partner currently contributing to a pension?

Yes	1	Ask q106
No	2	Go to q110
Don't know	30	Go to q110

IF YES (CODE 1 AT Q105)

106) Is that a private or an occupational pension? By a private pension I mean one that you set up by yourself, whereas an occupational pension is one that your employer has set up and makes contributions to you on your behalf.

Private	1
Occupational	2
Both	3
Don't know	30

IF TAKEN ACTION

107) Has the action you have taken on your mortgage endowment had any impact on the amount you are saving towards your pension(s)?

Yes	1	Ask q108
No	2	Go to q109
Don't know	30	Go to q109

IF YES (CODE 1 AT Q107)

108) What impact has it had?

READ OUT

Reduced the amount I'm putting towards my pension	1
Increased the amount I'm putting towards my pension	2
Other(s) (SPECIFY)	29
Don't know	30

IF TAKEN ACTION

109) And has the action you have taken on your mortgage endowment meant that you have delayed (either of) your planned retirement date(s)?

Yes	1
No	2
Don't know	30

IF NOT CURRENTLY CONTRIBUTING TO PENSION (CODE 2 AT Q105)

110) Have you done so in the past (either through an employer or privately)?

Yes – through an employer	1
Yes – privately	2
Yes – both	3
No, never	4
Don't know	30

ASK ALL WITH SHORTFALL, AND PENSION (CODE 1 AT Q105 OR CODES 1-3 AT Q110)

111) Are you planning or likely to use all or part of your pension, either in the form of regular income or a lump sum, towards meeting the shortfall of your mortgage?

Yes	1
No	2
Don't know	30

ASK ALL

112) We may be carrying out further research on endowment-linked mortgages to discuss in more detail how people feel and are dealing with the situation. Would you be willing to help us with this next stage of the research?

SHOULD IT BE NEEDED, MENTION INCENTIVE OF £15

Yes	1
No	2

IF YES

This follow-up work is being conducted by another research agency - IFF Research – so it may be them and not us who contacts you.

RECONFIRM ARRANGEMENT AS NECESSARY TO CALLBACK/RESPONDENT TO RING FREEPHONE NUMBER (**0800 0186751**) WITH RE-PROJECTION FIGURE. GIVE RESPONDENT COPY OF EXAMPLE RE-PROJECTION LETTER AND REFERENCE CODE.

CALL BACK: DATE…………………………………………

TIME………………………………………….

RESPONDENT WILL CALL FREEPHONE NUMBER?

Yes	1
No	2

THANK AND CLOSE

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