

Undertaking

Introduction

As a qualifying body, the FSA can challenge firms using terms which it views as unfair under the Unfair Terms in Consumer Contracts Regulations 1999 (the Regulations). In 2002, the FSA was reviewing contract terms which had been referred to it by consumers, enforcement bodies and consumer organisations. This led to the following firm undertaking not to use terms which we considered to be unfair. After discussion with the FSA, Tunbridge Wells Equitable Friendly Society Ltd implemented the changes below in July 2002. We'd like to emphasise that the firm was completely cooperative at the time the initial undertaking was given, and the firm implemented the changes below in July 2002. In conjunction with our Statement of Good Practice, which was published in May 2005, the FSA began to publish undertakings it had received since it became a qualifying body. We are publishing these undertakings now to show how firms like Tunbridge Wells Equitable Friendly Society Ltd have cooperated with us in revising their policies.

We have a duty under the Regulations to notify the Office of Fair Trading (OFT) of the undertakings we receive. The OFT has a duty to publish details of these undertakings. The OFT does so on its Consumer Regulation Website. The FSA policy is to publish details of the undertakings and the undertakings on its website. Both publications will name the firms and identify the specific term and the part of the Regulations, which relate to the term's fairness.

In general, firms should regularly assess whether their terms and conditions in consumer contracts meet the standards of fairness set out in the Regulations and consider what steps they need to take to comply with the Regulations.

Please be aware that the publication of the undertakings may attract more consumer complaints both to the FSA and direct to firms, which will need to be addressed. We encourage firms to consider the undertakings that the FSA publishes in the review of their terms and conditions.

Tunbridge Wells Equitable Friendly Society Ltd Undertaking

Name of business	Tunbridge Wells Equitable Friendly Society Ltd	Lead organisation	FSA
Trading sector	Investment – With Profits	Contract identifier	With Profits Friendly Bond contract
Original term	Application of the Regulations (Schedule 2 paragraph or as indicated)	How changed	New term
Whole	The contract did not meet the	The firm amended the contract so	Whole

contract	<p>requirements of Regulation 7(1) which provides that any written term of a contract must be expressed in plain, intelligible language.</p> <p>For example:</p> <ul style="list-style-type: none"> • The front page entitled 'Life Policy' used words which the average consumer would find difficult to understand, e.g. endorsements, bona fide, holder of value. • On page 2 of the 'General Conditions', the firm set out conditions about when the contract will be cancelled. Some of these conditions were not written clearly. For example: <ul style="list-style-type: none"> ○ In Paragraph 3 it was not clear whether a late monthly payment will cause the contract to be cancelled. ○ In Paragraph 8, the meaning of 'discontinue' was unclear. A consumer reading this paragraph may be unsure how this term operates if the customer pays the premiums for more than two years and then the contract is cancelled because the customer then stops paying the premiums. 	<p>that the terms are now expressed in plain, intelligible language</p> <p>For example:</p> <ul style="list-style-type: none"> • Certain words are now defined in the contract, e.g. '...endorsements (being statements issued by the society to record any agreed alterations to the contract as originally completed).' ○ Paragraph 3 was replaced by a new term 2.1 which provides: 'If we do not receive any payment within one calendar month of its due date, we will suspend the life insurance cover. At this time: <ul style="list-style-type: none"> (a) if the plan has not acquired a cash-in value, it will lapse; or (b) if the plan has acquired a cash-in value, we will make it paid-up...' ○ Paragraph 8 was replaced by several new terms. These were: <ul style="list-style-type: none"> - New term 6.1 states: 'this plan... will acquire a cash-in value immediately after we have received two years' payments.' - New term 3.1 states: 'If we make a plan paid-up: <ul style="list-style-type: none"> (a) we will reduce the guaranteed minimum sum insured; and (b) we may reduce the value of any bonuses which have been allocated up to that time to amounts determined by a method of calculation... as described in Condition 6.3.' - New term 6.3 states: 	<p>contract amended with all new terms.</p>
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Other information	The firm was fully cooperative.		
Undertakings published	March 2006		