



## FCA fines The Carphone Warehouse over £29m for insurance mis-selling

Press Releases | Published: 13/03/2019 | Last updated: 13/03/2019

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The Financial Conduct Authority (FCA) has fined The Carphone Warehouse £29,107,600 for failings that led to the mis-selling of 'Geek Squad', a mobile phone insurance and technical support product. This follows an FCA investigation which stemmed from whistleblowing reports.

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The FCA found The Carphone Warehouse failed to give its sales consultants the right training to give suitable advice to customers purchasing Geek Squad. In particular, sales consultants were not trained adequately to assess a customer's needs to determine whether Geek Squad was suitable. They were trained to recommend Geek Squad to customers who already had cover, for example through their home insurance or bank accounts.

During the period under investigation (1 December 2008 to 30 June 2015), The Carphone Warehouse made regulated sales of Geek Squad policies worth over £444.7 million. A high proportion of these policies were subsequently cancelled early. For example, in January 2014, 35% of policies were cancelled within the first 3 months from inception. High cancellation rates are an indicator of a risk of mis-selling which The Carphone Warehouse failed to properly consider.

Mark Steward, executive director of Enforcement and Market Oversight at the FCA, said:

'The Carphone Warehouse and its staff persuaded customers to purchase the Geek Squad product which in some cases had little to no value because the customer already had insurance cover. The high-level of cancellations should have been a clear indicator to the management of mis-selling.'

'Without whistleblowers coming forward these practices may never have come to light. In the past few years, whistleblowers have contributed critical intelligence to the enforcement actions we have taken against firms and individuals.'

The Carphone Warehouse sales staff were trained in 'spin selling', where the focus was on persuading customers to purchase Geek Squad and on selling the features of the product. No training was provided on how to respond when customers gave answers indicating the policy may not be appropriate. Sales staff were trained in 'objection handling', with the focus being on overcoming customer objections rather than assessing whether the product was suitable for the customer. Customers who said they might have a similar product or wanted to think about it were advised to purchase Geek Squad and cancel in 14 days. This created a risk that customers would purchase insurance that they did not need and would be exposed to the risk of paying for it if they did not cancel in time.

When customers complained about the sale of Geek Squad, The Carphone Warehouse failed to properly investigate and fairly consider their complaints. This resulted in valid complaints not being upheld in circumstances where the product had been mis-sold. As a result, management did not have an accurate impression of indicators of mis-selling.

The FCA therefore found that The Carphone Warehouse breached Principle 3, Principle 6 and Principle 9 of the FCA's Principles for Businesses between 1 December 2008 and 30 June 2015.

The firm did not dispute the FCA's findings and exercised its right, under the FCA's partly contested case process, to ask the FCA's Regulatory Decisions Committee to assess the appropriate level of sanction. The firm's agreement to accept the FCA's findings meant it qualified for a 30% discount. Otherwise, the FCA would have imposed a financial penalty of £41,582,300.

Customers of The Carphone Warehouse who think that they may have been mis-sold Geek Squad should contact the firm directly:

- by telephone: 0800 049 6190
- by post: Geek Squad, PO Box 358, Southampton, SO30 2PJ
- online at: [www.geeksquad.co.uk/contact/complaints](http://www.geeksquad.co.uk/contact/complaints)

If customers are not content with the firm's response, they may then refer the matter to the Financial Ombudsman Service.

## Notes to editors

1. [Final Notice: The Carphone Warehouse Limited](#)
2. The firm has been part of the listed Dixons Carphone group since August 2014.
3. The FCA's Regulatory Decisions Committee (RDC) is an FCA Board Committee that is operationally separate from the rest of the FCA. The FCA Board appoints the RDC Chair and members, who are drawn from across a spectrum of business, consumer and industry backgrounds.
4. On 1 April 2013, the FCA became responsible for the conduct supervision of all regulated financial firms and the prudential supervision of those not supervised by the Prudential Regulation Authority (PRA).
5. On 1 October 2018, new rules came in to implement the Insurance Distribution Directive. The new rules state that where an insurance firm is using a retailer to sell their products, the firm will need to make sure that that retailer complies with certain standards (such as always acting in the customer's best interests and making sure the product meets the customer's needs). The firm will need to continually monitor the retailer's distribution activities to ensure that they remain an appropriate way for the insurer to get its products to customers. These requirements will apply, even if the retailer is exempt from FCA authorisation (as is commonly the case with electrical goods retailers).
6. The FCA has an overarching strategic objective of ensuring the relevant markets function well. To support this it has 3 operational objectives: to secure an appropriate degree of protection for consumers; to protect and enhance the integrity of the UK financial system; and to promote effective competition in the interests of consumers.
7. Find out more information [about the FCA](#).

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