

SIR GEORGE MONOUX COLLEGE
UNIT 14

FINANCIAL SERVICES



TUTOR GROUP – BUS1AV2
TEACHER – ISAAC

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TO: IB **DATE: 06/03/2006**
FROM: ZAINAB GULZAR **REF: 20040034**
**SUBJECT: REPORT WHICH ANALYSES THE FINANCIAL NEEDS OF
THREE CUSTOMERS AND HOW THESE NEEDS CAN BE SATISFIED
BY A RANGE OF FINANCIAL SERVICE PROVIDERS.**

Introduction

For my financial services assignment, I have been asked to produce a report which analyses the financial needs of three different types of customers. I will investigate the ways in which these needs can be satisfied by a range of financial service providers. I will need to estimate their likely income and expenditure in the form of a personal budget and review their financial needs. Two of the customers will be personal customers of contrasting types, such as a student starting at university, a person setting up home for the first time, a family with young children or a couple whose children have left home and who are heading for retirement. The other customer will be an organization, such as a private limited company operating nationally, or a public limited company that has operations abroad, or a public sector organization. I will give a reasoned choice of the financial institution and chosen products for the different customers. Finally, I will make recommendations to meet the financial needs of the customers based on their budget.

In the last part of my assignment, I am going to describe the ways in which ICT is used by financial service institutions in the provision of their services. I will also give examples of how and why personal and business customers need to be protected in the financial services industry together with a summary of appropriate current legislations and the regulatory bodies. Finally, I will evaluate the advantages and disadvantages of the ways in which ICT is used by financial service providers, including how it affects the level of customer service provided.

TASK 1**Jimmy Clark is a student starting university****Jimmy Clark's Profile**

- About to start the first year at Kingston University
- Currently working part-time at Sainsbury's on Saturday/ Sundays and gets paid £35.00 a day. (£3360 per annum)
- Currently has £800 in current account in HSBC
- Currently has a savings account with Halifax
- Also has savings of £1200 from previous summer job working at his local petrol station.
- Doesn't own a car.

Expenditure

- Clothes/shoes	£500
- Books/stationary	£300
- Other expenses	£350
- Phone bills	£250
- Utilities	£200
- Travel	£1,200
- Food	£1800

Income	Monthly (£)	Annually (£)
Salary	360	4320
Total	360	4320

Expenditure	Monthly (£)	Annually (£)
Clothes/Shoes	£41.60	500
Books/Stationary	£25	300
Other Expenses	£29.33	350
Food	£150	1800
Travel	£100	1200
Phone bills	£20.80	250
Utilities	£16.60	200
Total	£383.33	4600

Jimmy Clark's needs

- Debit card
- Overdraft
- Current account
- Flexible saving account
- Loan
- Part time job

Brief description of Jimmy Clark's financial needs

Jimmy is a student and will need to get easy access to his money therefore saving or investing will not be suitable for him.

Jimmy will need a **debit card**. A debit card is necessary for the customer because he will be taking money out constantly for various reasons. This may include petrol, textbooks, stationary, or just for personal use. Therefore a debit card will be very convenient for Jimmy as it allows him instant access to his money. A debit card will help him with his **transaction needs**. This is a way to handle financial transactions quickly, easily and securely. Another financial service that Jimmy will require is an **overdraft**. Jimmy still is a student, thus he is still likely to miscalculate his financial expenditure, when he is using his money. An example of this may be a night out with his friends, where he purchases the food and drink but goes over the limit by buying too many. This will then lead him to taking more money out from his account meaning taking out more money than he intended to. Another reason why he may need an overdraft is because he may have bills to pay off. In most cases students use most of their money in their account on other necessities. That is why an overdraft will be very suitable for him as it ensures that there is always a backup source of money in his account should he need it. An overdraft is usually included with the current account.

Jimmy will need a **flexible savings account**. This is because he will need to store away some of his earnings for the future and for other reasons such as investments as well as withdrawing. Therefore a flexible savings account is a necessity. Another advantage of the savings account is the interest. Jimmy will receive a small percentage of interest as long as there is money in his savings account. The other financial need that Jimmy will need is a **loan**, which will help cover their living costs which have become increasingly difficult these days. He will need a loan in order to make it through university and help him with fees and expenditure. It will also help her to pay the rent and bills if he stays on campus. He will then repay back the loan by working full-time after finishing university.

Jimmy's financial need is a current account which he already has but never uses it. With his current account, he will have easy access to his money. Jimmy needs a current account so his salary and loan/grants can be paid directly into it. He can keep his £1200 in his saving account. I will try to find an account with the highest interest rate for his savings account.

Jimmy will also need a **part time job** which would also help cover the students living costs and allow them to get the things they want.

Christopher's and Rose's family with two young children

Christopher's and Rose's Profile

Christopher works as a teacher in Sir George Monoux College and his wife is a housewife. They have two children.

Christopher's total income per year and per month:

- Christopher works five days a week and gets £937.50 a week which is paid into his current account which is with Abbey National
- Christopher's salary every month is £3750 – paid into abbey national (current account)
- Christopher's salary a year is £45,000 – paid into abbey national (current account)
- Christopher and Rose have saved £3,000 in their bank accounts

Christopher's and Rose's expenditures:

- Food - £583 each month
- Travel (bus, train and petrol)- £50.00
- Utility bills - £100 every three months
- Personal use (including entertainment, cloths shopping) - £150 each month
- Home Insurance with church hill- £500 a month
- Life insurance with nation wide - £250
- Television license/Council Tax - £400 every year

Total expenses per year and per month:

Christopher and Rose's total monthly expenses vary because of their insurance, utility bills and television license. Christopher pays some of his expenses yearly which are television license and tax, these cost him £400. Other than these, Christopher's pays his utility bills every three months and the pays the rest of his expenses on a monthly basis. Christopher's total yearly expenses are £33,250

	<u>Income</u>		<u>Expenses</u>
Salary	£45,000	School Expenses	£300
Child Tax Credit	£4,200	Home Furniture	£500
Working Tax Credit	£80	Travel	£600
Savings	£3,000	Council Tax/TV licence	£400
		Utilities	£800
		Food/Drink	£7000
		Home/Mobile Phone's	£500
		Mortgage/Rent	£1,3000
		Shoes/Clothes	£1,500
		Car Cost	£1,500
		Home Insurance	£6,000
		Personal Insurance	£250
		Luxury Goods	£500
		Other Bills	£400

Christopher and Rose's needs

- Enough income to supply the needs of their family
- Big enough home
- Current account
- Various savings account e.g. for children, for investment savings towards their own future, e.g. pensions.
- Transaction needs – such as debit/credit card and a cheque book.
- Borrowings from their bank – the family will need to borrow money from the bank to pay their mortgage; they will be paying that off with an interest rate added to it. Therefore, they will defiantly need an overdraft facility as money will be going in and out of there account on a regular basis.

Brief description of Christopher and Rose's financial needs

Christopher and his wife are in the maturity stage. Maturity is the age where the body slowly slows down. Certain changes such as hair falling out and physical activity decreasing are normal as you age. Christopher works while his wife looks after the children and house, she depends on her husband. They have more needs because they have children; there basic needs are food, water and shelter. There wants can be toys for their children and technology related goods e.g. computers, play station etc. There wants can be a better car, new furniture and a larger house. There aspirations are more realistic for example parents would want their children to have a good education and would aspire a quieter life.

Christopher and he's wife have to save up for their children. One of their financial needs is to open a saving account for both of their children. Banks offer saving accounts for children so families can save for their children's future. Another financial need for Christopher is they need to save up for their own future they cannot rely on the government's pension when they are old. The pension given by government is very low compared to what Jimmy receives from his career therefore he must have some savings for their future so he's life style isn't affected. I believe that saving and investing is suitable for Christopher and his family because Christopher's income is a high amount so he can save some of his income and also because they have saved £3,000 which they can invest. In this situation I believe that an investment product is suitable for Christopher. I will research for government bonds because the interest rates are very high compare to most of the other accounts. Government bonds are also suitable for Christopher because they are for a long period of time and money cannot be withdrawn within a specific amount of time.

TASK 2

Current account – is for the money you want to have available now or for payments you wish to make to others in the near future. If you are over 18 and have opened a current account you will benefit from other banking services, such as:

- A cheque book
- A debit card (giving you access to your cash)
- Personal loans
- Bank statements
- Your wages being directly transferred in to your current account.

A current account can make your life easier.

It is the easiest and the most convenient way to pay your bills. You can arrange for all your monthly bills to be taken straight from your account.

Some employers pay their employees by making direct transfer of money in to the employee's bank account. This is a far safer method of being paid than receiving cash or a cheque in an envelope.

A student starting at university and a family with young children will need a current account to manage their money.

Current account is very suitable for a student starting university. This is because it is designed for people like university students. E.g. type of bank account that offers free overdraft and student discount.

A family with young children will need a current account in order to receive direct payments in to the account such as: wages, or any benefits such as child tax funds, child benefit and working tax credit.

Advantages of having a current account

- You don't need to carry large sums of money around with you
- Can trade with people world wide
- Can use the direct debit card to make a purchase in shops and online.
- Can take out money any time up to the withdrawal limit
- Can transfer the money to a savings account

Disadvantages of having a current account

- No or very low interest
- People can get your card number when using it on the internet
- If lost, some one can make purchase on goods easily and quickly.

Savings account – A savings account is a way of investing your money by saving any spare cash and earning interest on it. Both of the customers can have a savings account as well as a current account to save and earn interest on any spare cash.

In Jimmy's case, they have £1,080 spare cash at the end of the year, which they can put in to a savings account. The student will need an account which has a high interest rate and also allows instant access to money as students need money more often.

A family with two young children may need a saving account for each child to get them off to a great financial start in life. The parents will need their own savings account to contribute towards their pensions in order to invest in their own savings.

Advantages of having a savings account

- Interest on the money put in to the account

Disadvantages of having a savings account

- Can not pay bills
- Can not take out money by direct debit or purchasing any thing.

Loans

Providing loans is one of the most important financial services a bank or other financial institutes can provide for customers. In return for lending customers money, banks charge interest. The interest a bank or other institution charged depends on a variety of factors, including the current rate of interest, the amount of money borrowed and the length of time the money is borrowed for. You can get a loan from any bank for a fixed period.

Overdraft

Overdrafts are loans that the bank makes by letting people take more out of their current account than is in it. Overdrafts are flexible, but they can be expensive in terms of charges and interest. (APR)

Having an overdraft facility will help the student or family with children to get out of trouble; they will need to have an account before they get the facility. It will have to be for only 6 months, (short term). The student/family with children can renew the facility after wards if they want to.

Insurance

People can get insurance to protect them selves or their possessions when the unexpected happens.

There are various types of insurance products which can help each customers needs,

Below is a list of different types of insurance services:-

- Household contents insurance
- Building and property insurance
- Motor insurance
- Income protection/replacement insurance
- Travel insurance/Life insurance
- Student insurance

The student may need insurance to cover for their possessions kept at their accommodation which he/she wants to protect. Having student insurance will cover them for any theft.

Examples

Well-known insurance companies are ones such as –

- Direct line
- Churchill
- Nationwide
- Tesco
- Sainsbury's
- Quote Me Happy

Buildings insurance

Needed to protect the structure of your home (not your personal possessions), and must be in place by the time you exchange contracts.

Contents insurance

Cover for your personal possessions, carpets or curtains.

Car insurances are divided into three different categories, these are:

Third Party Only (also known as TPO)

This is the most basic form of insurance and provides the following:

- Liability covers for Third Parties (Injuries to Third Parties and Damage to Third Party Property).
- Liability cover for Passengers (For the damage they cause, as a Third Party)
- Liability cover for Trailers
- Legal Expenses
- Foreign Travel Cover
- Emergency Treatment

Third Party Fire & Theft (also known as TPFT)

This form of cover includes all of the benefits above and the following:

- Cover for Fire, Lightning, Explosion, Theft, Attempted Theft, Taking without consent.
- Cover for Accessories, fitted onto the car, or, stored in the garage.
- Towing
- Storage
- Delivery after repair

Fully Comprehensive (also known as Comp)

This form of cover includes all of the benefits above and the following:

- Cover for Storm, Flood, Vandalism, Malicious Damage, Accidental Damage
- Variable Excesses dependent on choice and/or age of driver
- Personal Effects Cover of £100 (except cash)
- Medical Expenses Cover of £200 (for anyone in the insured car)
- Death or Injury Cover of £5000 (Only for the regular driver and/or spouse in any private motor vehicle)

Building Societies

Building societies offer many products that are similar to bank accounts. However, the two kinds of businesses work different ways.

Bank – is owned by shareholders, and it aims to make profit which it can pay out to them.

e.g., Barclays, Halifax, HSBC.

Building societies – is owned by its customers. A building society is run on behalf of and for the benefits of its customers.

e.g., Britannia, Nationwide.

Single Solution Providers**Advantages for the customer**

- The provider may be particularly good at their job as they specialise in one particular product.
- Because they specialise in it, they may be able to offer better prices than others.

Disadvantages to the customer

- The customer has to buy his other products from other providers.

Advantages to the provider

- A provider who only offers a single product can focus its system and resources in one area and does not have to spread itself too thinly.
- It may benefit from being known as a market expert in a particular product.

Disadvantages to provider

- However if the product falls out of favour, the provider may suffer because it has nothing else to offer, it could lose custom or even go out of business.
- The provider may be seen as product focused, not customer focused.

Providers of Multiple Solutions**Advantages for the customer**

- Provider is a one stop shop and can satisfy all or most of the customer needs under one roof.

Disadvantages to the customer

- The provider may be reasonably good at offering most of the products it has, but is unlikely to be the best for all of them

Advantages to the provider

- May be better able to retain customers, through having many products to offer them
- May protect it from losing business if any product falls out of favour

Disadvantages to provider

- Provider has to be able to offer a wide range, which can mean that it has to stretch things such as its staff and systems.

Children's account

Children account is suitable for Christopher's children as they are young. Christopher would be able to save for his children and allow his children to have a better education in the future. Christopher's children are seven and ten years old, in this situation a child trust fund is not suitable for his children.

This is an account that is suitable for children under eighteen years of age. Parents are able to open a children account for their child or children. The purpose of this account is for parents to save for their child or children's future. The minimum deposit to open a young savers account is usually £1.

Government Bonds (15,000)

Government bond is suitable for Christopher and his family, this is because they can be for a long period of time and Christopher and his wife want to save up for their future.

Bonds are issued by companies, government and other bodies to help them raise money. People who invest in bonds are therefore lending their money to the issuer. They receive income, in the form of interest on their bond, usually at a fixed rate and usually twice a year. On a bonds maturity date the capital is repaid.

I have considered the important and main financial needs for my three my customers however there are more financial needs that will need to be met in the future.

Christopher and his wife can consider a pension as their likely financial need for their future so they do not have to change their life style when Christopher retires. When Christopher retires he will no longer be receiving his salary and won't receive state benefits until he is 65 years old. Therefore it is important to plan ahead for the future. A pension is a savings vehicle that is intended to allow the saver to live without working at a later point in his or her life. The basic State Pension will give you a start though it is by no means something that will enable you to live 'comfortably'. A pension is a retirement plan intended to provide a person with a secure income for life. States benefits can only cover basic needs in retirement. Pensions can be divided into different sections:

Personal pension

A personal pension offers a tax efficient way to save for retirement. Christopher can make payment and then when he retires the funds that have been built up can provide him and his family with an income for the rest of their life.

Advantages:

- You can save as much as you like
- You are able to take out any amount when ever you want
- It is guaranteed that you will receive the money you saved.

Disadvantages:

- You might not be able to save
- You might withdraw a lot of the money and wouldn't have enough for the rest of your life

Occupational pension:

An occupational or 'company' pension is established by an employer to provide pension benefits to individuals in respect of their service as employees. Occupational pensions are usually one of two types: a final-salary scheme (also known as defined-benefit scheme), or a money purchase scheme (also known as defined-contribution scheme). Occupational pension schemes can apply a socially responsible investment (SRI) policy and the trustees of these schemes (including local government schemes) have to state their position with respect to SRI in their Statement of Investment Principles (SIP).

Children's account (Starting amount £10)

Christopher financial need is to open a children saving account to save money. Christopher wants to put £10 into each of his children's saving account to begin with. I have researched the interest rates of children saving accounts offered by different banks. Below is a table which contains three banks and their interest rates. Halifax and Bank of Scotland offer the same interest rate which is 5.05% they both pay their interest yearly. Natwest bank offers 5.00% interest rate and pays their interests quarterly. In this situation I recommend Christopher to either save with Halifax or Bank of Scotland because they offer a high interest.

Bank / Product	Notice Period	Interest AER	Interest paid	Rate Type
HALIFAX BANK PLC Save4it	Childrens Account Instant	5.05%	Yearly	Variable
BANK OF SCOTLAND Halifax Save4it	Childrens Account Instant	5.05%	Yearly	Variable
NATWEST BANK Young Saver	Childrens Account Instant	5.00%	Quarterly	Variable

Government bonds (£15,000)

Christopher financial need is to save for their future and I have decided that a government bond is suitable for them. I have researched different type of bonds. Below is a table containing different bank and products, bond terms, interest rate and type of rate. One thing that I can easily notice is that all the rates are fixed. The bond terms vary however even though the terms are different the interest rate doesn't increase for none of the banks. Halifax and Bank of Scotland offer a bond for 3years, 4 years and 5 years but the interest rate always stays the same 5.00%. Interest paid varies some accounts are monthly paid while others are anniversary paid. MBNA offer bonds for 1 and 3 years with an interest of 4.90% which is less than Halifax and Bank of Scotland. I recommend Christopher to buy a government bond from either Halifax or Bank of Scotland because they offer the same interest rate. I also recommend him to buy a bond for 3 years so after the three years he can invest again and save more.

Bank / Product	Notice Period	Interest AER	Interest paid	Rate Type
HALIFAX BANK PLC Guaranteed Reserve	Bonds or Term 3 Years	5.00%	Monthly	Fixed
HALIFAX BANK PLC Web Saver	Bonds or Term 3 Years	5.00%	Anniversary	Fixed
HALIFAX BANK PLC Web Saver	Bonds or Term 4 Years	5.00%	Anniversary	Fixed
HALIFAX BANK PLC Web Saver	Bonds or Term 5 Years	5.00%	Anniversary	Fixed
BANK OF SCOTLAND Halifax Guaranteed Reserve	Bonds or Term 3 Years	5.00%	Monthly	Fixed
BANK OF SCOTLAND Halifax Web Saver	Bonds or Term 3 Years	5.00%	Anniversary	Fixed
BANK OF SCOTLAND Halifax Web Saver	Bonds or Term 4 Years	5.00%	Anniversary	Fixed
BANK OF SCOTLAND Halifax Web Saver	Bonds or Term 5 Years	5.00%	Anniversary	Fixed
MBNA One Year Fixed Rate Bond	Bonds or Term 1 Year	4.90%	Anniversary	Fixed
MBNA Three Year Fixed Rate Bond	Bonds or Term 3 Years	4.90%	Anniversary	Fixed
MBNA Three Year Fixed Rate Bond	Bonds or Term 3 Years	4.90%	Monthly	Fixed

TASK 3

The business that I have chosen to base this part of my assignment is on Tesco. Tesco is a very big business with huge revenue.

Tesco sells a wide range of goods and services, such as foods, computer games, finance, gas, electricity, travel and insurance. I assume Tesco updates its website every week, because they have all sorts of new special offers advertised on the website.

Since 1998, Tesco stores have been the biggest trade network in England, Scotland and Wales. In Great Britain, where Tesco owns over 1900 stores and department stores, an average commercial unit offers about 50,000 sales lines from food to CDs, clothes, books, garden furniture and toys.

Through – out Great Britain, Tesco runs various shops ranging from shops in the city centres to hyper markets in the suburbs and outside cities.

Recently, Tesco has run trade units in Ireland, Poland, Slovakia, Hungary, Thailand, Korea and Taiwan.

Tesco was found by Jack Cohen, who served with the royal air force during the First World War. After returning in 1919, 21 year old Jack invested £30 of his reward for military service to buy surplus food stock piles and he opened a little stall in East London. On the first day he had a four pound turnover and one pound profit. Gradually his business started to boom and Jack expanded to other markets all over London. He also began whole sale trade.

In 1932 Tesco stores became a known company. Two years later, Jack bought a piece of land in north London where the first Tesco was built.

Tesco employs about 300,000 people and has about 3000 stores world wide. It also has over 750,000 registered customers in Britain.

Ireland has 77 stores, Hungary has 53, Thailand has 52 stores and Turkey has five stores.

Tesco has quiet a few competitors such as Asda, Safeway, Sainsbury's and Morrison's. Competitors are those who Tesco competes with. At the moment I assume there is competition between all of them.

The reason why I chose Tesco supermarket is because Tesco's is a large company with a good percent of the market share and is generating a good sum of profit. Also, Tesco is where I do my shopping from.

Tesco's market share – 23%

Asda's market share – 15.4%

Sainsbury's market share – 15%

Safeway market share – 9.7%

By Tesco taking out a loan, they can diversify into many different markets **and extend its product range as well as expanding on the number of branches in order to keep ahead of all its competitors.** Doing this will enable Tesco to gain a high customer base. Extending its product range can be by selling products such as jewelry. I believe that taking £3,500,000 as a loan will be suitable for Tesco.

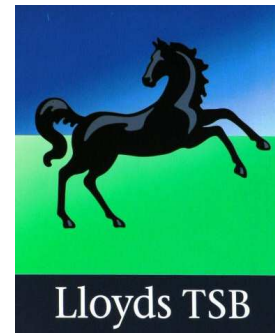
The type of account Sainsbury's needs

- Account for wages and salaries
- Need an account that is flexible and be able to transfer money to different accounts
- Have a savings account where they can earn high interest on their profits
- Creditors account
- Financial management between accounts

Suitable loan appropriate to the business customers needs

When looking for a suitable loan from a selection of different banks I will be more focused in choosing the bank that provides the loan with the lowest interest rate (APR)

Below are three different banks and their APR interest rates for a loan for 3 years of £3,500,000:



Total borrowing	Typical APR %	APR on total borrowing	APR plus total borrowing	Monthly re-payment	Yearly re-payment.
Abbey - £3,500,000	7.3%	£255,500	£3,755,500	£104319	£1251833
HSBC - £3,500,000	7.5%	£262,500	£3,762,500	£104513	£1254166
Lloyds TSB - £3,500,000	8.3%	£290,500	£3,790,500	£105291	£1263500

Abbey bank offers 7.3% APR for taking out a loan of £3,500,000. If Tesco takes a loan from Abbey bank then they will need to pay £104319 monthly and would need to pay £1,251,833 yearly. HSBC bank offers 7.5% APR for taking out a loan of £35,00000. If Tesco was to take out a loan from HSBC bank then they will need to pay £104,513 monthly and £1,254,166 yearly. This amount is more in comparison to Abbey bank. Lastly Lloyds TSB bank offers 8.3% APR for taking out a loan for the same amount. If Tesco decides to take a loan from Lloyds TSB bank then they will need to pay £105,291 monthly and £1,263,500 yearly. I recommend Tesco to take out a loan from Abbey bank as they offer the lowest interest rate. Tesco will be paying £1,251,833 yearly for 3 years.

As Tesco supermarket is a very large organization it has the ability to provide internal services for its self, therefore the size of the business is a significant factor.

Firstly Tesco's has its own finance and accountant department that helps to control the money of the business. The reason why they have their own finance and accountant department is because they are a very large organization and it is much cheaper and easier for Tesco to have its own departments instead of going to a special finance or accountant department.

Financial services Tesco provides for them selves

Tesco only provides a few services for them selves. They provide financial service advisors for their customers and professional accountants, which sort all the wages out. The reason why Tesco provides that service for them selves is because they are paying wages internally to there employees.

Financial services Tesco cannot provides for them selves

Tesco can not provide various number of financial services for them selves. Such as pension, insurance and bank accounts.

Prudential provide Tesco with insurance, and pension. Tesco have to go externally to buy the important financial services.

Prudential provide pensions, property value release plan, ISA, investment bonds and more. The accountant could also estimate how much money Tesco will make in a period of time. (cashflow)

Besides having internal services Tesco also has external long-term capital. Tesco itself provides a wide range of financial services to the public but they cannot provide this service to itself because it is against the law to do this, therefore Tesco is insured by other companies. Below are some insurance that are required by the law, these are:

- Employer's liability – Accidents or illnesses arising out of their employees work are covered by employee's liability.
- Public liability – this means legal liability to pay damages consequent upon bodily injury, illness or disease contracted by any other person, other than employees, or loss of or damaged to their property caused by the insured. Limit of indemnity is the maximum amount the insurance company will pay in the event of a claim being made.
- Product liability – this is a company's legal liability to pay damages consequent upon a defective product being used in the contract. Businesses that supply products to other businesses or to the public, from software to machine tools, are in risk if a faulty product causes damage, injury or even death.
- Professional indemnity – professional indemnity provides protection against any action by clients who believe they receive bad or negligent services, and incurred a loss as a result.
- Business interruption – a business may have to stop or reduce trading temporarily because of a fire or other accident. This is also called consequential loss insurance.
- Property and buildings – This provides insurance cover on the actual structure of the building, contents can be insured against fire, lightning, explosion of gas and boilers used for domestic purpose without the addition of special perils such as explosion, riot, malicious damage, storm, flood, impact by aircraft, road or rail vehicles, escape of water from tanks or pipes and sprinkler leakage.
- Business assets and equipment - A business's stock should be insured for its cost price to the business. Machinery, plant and business equipment (including business computers) can be insured on either a 'replacement as new' or an 'indemnity' basis. If indemnity is chosen, wear and tear will be taken into account when settling any claims. Contents are covered against theft providing there has been forcible and violent entry to or exit from the premises. Damage to the building resulting from theft or attempted theft will also normally be covered.

TASK 4

Information technology is use of electronic equipment for storing and exchanging information.

One of the most profound developments in information technology has been the internet.

Businesses such as financial service providers have experienced a revolution in information technology over recent years. Increasingly, such firms rely upon technology to carry out administrative functions. E.g. client's personal information, documents, addresses and previous transaction/loan details.

There are many positive consequences of developments in information technology. However, it has resulted in many job losses. Creates insecurity among employees and requires huge expenditure by businesses on equipment that might be obsolete within a few years.

Information technology constantly grows to a better extend and helps to make life easier for everyone. Information Technology covers a wide aspect it includes all matters concerned with the furtherance of computer science and technology and with the design, development, installation, and implementation of information systems and applications. The advance in information technology has helped banks to improve their level of customer service. Before when people wanted to open accounts it took a long time for them to process it but as technology has become more advance banks are not able to open accounts within minutes which satisfy customers as it is not time consuming.

Tesco has used the advance information technology to improve their level of customer service and communication. Tesco has its own website where customers can shop online and wait for delivery. Customers of Tesco do not spend a lot of time at the checkouts when paying because IT has helped to make it quicker.

Three of my different customers are stated below with the best financial service provider available according to their individual needs such as best interest rate/overdraft facility.

Jimmy Clark (a student starting university – **HSBC**)

Christopher (family with two children) – **Halifax**

Tesco business - **Abbey**

ICT is used in many different ways by the financial providers. This is because the banks use information technology to communicate, instruct, learn and so a lot more.

Advances in information technology enable the production of information at the banks such as documents, to be stored in the ICT systems. This saves a lot of time and space and keeps everything organized. Information technology provides ways to receive and transmit information to its internal and external customers. Furthermore, this than strengthens their overall administrative arrangements for managing office space.

All of my customers including my business customer have different financial needs but the providers of their needs are the same, which are banks. As information technology became more advance and is constantly growing the banks are using this advantage to improve their level of customer service. The ways in which my chosen financial service providers use IT are:

- Automatic Transaction Machine (ATM) – is a banking machine from which customers can get cash, order statements and find out their balances. It has 24 hours access.
- Internet banking – this way customers do not have to go into branches they can sort their transactions through the internet where they have 24 hours access and access from home. Nowadays the security of internet banking has increased which persuades people to bank online instead of going to branches. Also, though Information technology the banks can advertise them selves. You could also browse through job vacancies.
- Telephone banking – Banks set customers with a personal number and a password where they can phone a call centre. Customers can get information and give instruction by using their telephone keypad, they can speak to a salesperson that will make payments and transactions for them. Telephone banking allows customers to directly contact and helps to get quick feedback, it has high security, quick and easy. Telephone banking allows people to do the followings:
 - Funds transfer between checking and saving accounts
 - Place stop payments on a check
 - Account inquiry (current balance, last deposit, last payment, interest)
 - Check inquiry by number amount
 - Inquiry into current interest rates for Money Market Accounts
 - Inquiry into current interest rates for Certificates of deposits
- Mobile phones – nowadays nearly everyone has a mobile phone, carrying a mobile phone is very convenient, helps banks to keep in touch with customers and direct contact with customers.
- Email – it's a system that sends messages on computers via local or global networks. The good thing about emails is that it sends messages instantaneously anywhere in the world. All of my financial service providers are banks. They can keep in touch with their customers and other banks through emailing. They could send their customers updates on their new offers.
- Video conferencing – is transmission of sounds and pictures allowing communication between people in different locations. The system is interactive and operates through computer link-ups. The good thing is that time and travel can be saved by using video conferencing. It is particularly popular with multination companies, where employees might be thousands of kilometres apart.

- EPOS – For maximum efficiency and lower margins, companies need to keep the minimum amount of stock, but also ensure products can always be available and delivered to the customer quickly. EPOS (Electronic Point of Sale) helps you to process your most popular products from warehouse to point of sale in the shortest time.

As Britain's most successful retailer, Tesco is also regularly at the cutting edge of technology. Its real-time Epos system allows it to study sales trends to a level of granularity not previously possible. It has also recently trialled Tesco TV, at the point of sale, to advertise and promote certain products.

Although aiming to principally serve a different market demographic to Tesco, discount goods retailer, Matalan is similarly focused on the importance of Epos systems. In its full year results, issued earlier in May, it pointed to a newly installed Epos system that it claims will allow "better service delivery" and will "establish a platform for greater efficiency across the business in the future".

"At the end of the day, the Epos systems are enabling all retailers whether low cost or premium to achieve greater efficiency and lower costs," said IDC's Johnson.

Successful Epos systems should also link with the retailers accounting systems and suppliers' systems, if possible. Of course the complexity and cost of such systems can soon reach dizzying heights, but the rewards for the proper adoption of a fully-fledged point of sale system combined with data analysis can be huge.

Internal benefits of the use of EPOS

- **Use EPOS software to provide sales information** - this can help you focus on more profitable lines, improve your demand forecasting and minimise inventory.
- **Add software modules to improve efficiency** - adding Electronic Funds Transfer (EFT) capability to your system means that every time a sales transaction is recorded, the credit or debit card transaction is also processed, reducing the time spent per transaction.
- **Link your EPOS terminal to other systems** - by connecting EPOS to back-office systems such as your accounting package, you can increase control over your business and improve profitability. Many EPOS packages will export data to popular accounts packages such as Sage.
- **Link your EPOS system to your website** - this provides online customers with rapid, up-to-date stock information. If stock runs out, EPOS can update the site to show that it is unavailable and warn potential customers that there will be a delay in delivery or offer an alternative.

The supply chain benefits

- **Integrate EPOS with your stock control system** - this allows you to keep stock information up-to-date in real-time and streamline your supply chain processes. Your EPOS system can automatically determine which products are fast-moving and when they need replenishing.
- **Link your stock-enabled EPOS terminal to your suppliers' web sites, extranets or back-office systems** - this provides them with access to real-time stock information, allowing them to manage their own purchasing more efficiently.

- **Gather information on the movement of your stock** - from the point of purchase, information on how stock is moving can be fed through to the warehouse and purchasing department, enabling you to move towards automated purchasing and restocking.
- **Provide suppliers with tracking sales and purchasing data** - giving suppliers information on your customer purchasing habits and your marketing helps them factor your order demands into their plans.
- **Integrate data from EPOS with data from handheld scanners** - this means you can track barcoded products on the journey from your suppliers to the warehouse to the store to the final point of sale. You can then identify where goods are being held up, compare the performance of different suppliers and their delivery times - and improve on the results.
- **Source-marking** - partners in fast-moving supply chains should consider source-marking (i.e. article numbering and barcoding) according to international standards. This will allow them to track and analyse all their goods at any point in the supply chain process.

Advances in information technology are affecting the level of customer service provided at the banks quite a lot, but in a good way.

This is because, everything is kept very organized so the customer service can therefore provide a better and professional service compared to a few years ago. When they used to use a lot of paper work and fill in forms by hand. Nowadays, they use information technology which makes life a lot easier for every one.

The growing popularity of the internet has had a big impact on financial services providers in the past decade. The internet is an excellent place for businesses to advertise. By the banks putting brochures on their websites, they are reaching a potentially huge audience, without having the cost of printing and mailing paper brochures.

Overall, ICT makes a big difference to financial service providers. This is because it has decreased the amount of paper work used compared to a few years ago. When you had to wait for hours to be seen as everything was done by hand on paper. I personally believe information technology at banks makes all the processes easier and quicker. Again, comparing it to a few years ago, it has improved speed wise too.

Advantages of the way ICT is used by financial service providers (banks)

- Facilities and services have improved due to information technology at all banks. This means that, people opening a new account wouldn't take as long as it used to few years ago.
- Banks advertise themselves through information technology. Which means the bank will be better known and recognizable. Furthermore, this should attract more customers.
- With ICT, banks have introduced internet banking. This is an advantage to all customers because it makes life a lot easier for every one as it enables banking through home.
- Contact with customers through e-mail is much faster than post.
- Customers can reply instantly (provided they are reading their e-mails at the time).
- An employee can research the most favourable prices from several companies with a web search within a short period of time, compared with having to look through several brochures sent by post.
- Quotations can be sent and replied to quickly by e-mail.
- Company can advertise on other websites.

Disadvantages of the way ICT is used by financial service providers (banks)

- The fact that nearly everything is done through information technology. The usage of cheques has decreased a lot. I feel this may be a disadvantage because people were so used to cheques, they may stop making full use of their bank as they may feel nervous or uncomfortable to use the new facility.
- Malicious programs such as viruses can get in through e-mail.
- Unauthorised entry can be made by hackers via the internet.
- Competitors will know about company activities through the website

Below is an example of Abbey's Privacy Statement

Privacy Statement

At Abbey, we are committed to keeping your personal information secure and confidential both online and offline. Whilst browsing and interacting with this web site, there are several ways in which we can capture information generated by your actions, either directly or indirectly:

Site tracking information

Abbey uses 'cookie' based site tracking. A 'cookie' is a small file that resides on your computer's hard drive and enables us to monitor all unencrypted areas of our web site. Site tracking helps us to review our content and improve site navigation. Our site tracking log data files do not collect personal information about you.

Online application forms

Our online application systems sit behind strong protective measures and are encrypted using 128-bit SSL technology when you submit your application. Once the form is received, it is stored on our secure servers and processed using our normal internal computer systems. When you apply online, before you enter any personal details into the online form, we will tell you how your information will be used in our data protection statement and in the relevant terms and conditions. You will be asked to confirm that you have read and understood these before your application can proceed.

"Alerts registration " function

The information you provide will be shared with and used by Abbey Group Companies only for the purposes of informing you of any suitable vacancies, changes to the system, and for internal research and statistical purposes. You may cancel your subscription to this automated service at any time.

Reminders

Abbey would like to remind you that you are entitled to access information held about you and if found to be inaccurate, have information corrected and/or deleted. For further information please visit the web site of the Information Commissioner at: www.dataprotection.gov.uk

We will tell you if we intend to use your information for marketing purposes and we will give you the opportunity to opt out of such marketing if you wish. Abbey is committed to keeping your personal information secure and confidential.

Legal statement for our Privacy Statement

This Privacy Statement is not designed to form a legally binding contract between Abbey and users of our web site or online services. It is a guide towards our online protection standards, but of course, we do consider it of utmost importance to abide by the principles stated here.

Contacting us about our Privacy Statement

If you feel this Privacy Statement has not answered any concerns you may have or wish to enquire further, please contact our Recruitment Administration team, who will be more than willing to help you. Their e-mail address is recruit@abbey.com

Description of how the financial service providers chosen are regulated under current legislations

Financial advisors are those who help people identify their financial needs. They make recommendations and select appropriate solutions to those the needs of an individual from a range of offers.

Regulations are rules that impinge on many aspects of business operations. E.g., the selling of financial services such as mortgages and insurance policies are subject to strict regulation governed by the financial services authority (FSA). The government established OFGAS and OFWAT to regulate the activities of the privatized gas and utilities (especially checking that prices are not set too high).

It is important that financial services providers are regulated regularly. Regulations were introduced in order to supervise organizations operating in the liberalized market. The purpose of regular regulations is to protect both organizations and consumers. It is to prevent people from taking advantage of each other.

Three of my chosen banks are regulated under current legislations. The main reason why they are regulated is to protect its customers and their confidentiality. It is important that consumers have confidence in financial service providers; if they do not then they wouldn't leave their money with financial service providers. Also, it is very important that banks are protected with laws. This is because if they weren't protected, then they will come across loads of problems which may not get solved properly or professionally. Further more, this will then give the banks a bad name which may result in a decrease in consumers.

There are many other reasons why financial services providers need to be regulated. In our case, the financial service providers are banks. I have listed a few of them below:

- So that the banks do not take advantage of their customers. Such as charging them extra money for unknown reasons.
- To prevent hidden costs – extra costs can be added without customers even knowing. Regulating banks for this reason would prevent them from charging the customers without them knowing.
- To prevent overcharging – banks could charge any prices that they believe is suitable for them.
- Online banking security – customers details must be kept confidential as it is very easy for someone else to use their details on the internet and buy things with their money.
- To follow the interest rate made by the Bank of England - all financial services providers must follow the interest rates which are made by the Bank of England. If there was no regulations then financial services providers would not follow the Bank of England's interest rates. This would affect the UK's economy.
- To avoid wrong advice and information given to customers - this could lead customers buying wrong products and services.

IFA's – Independent financial advisors

They advise people by looking at many accounts and giving various options to choose from. E.g. if a new customer wants to open up a current account. The adviser will do a simple research for the client and come up with various options to choose from. This will clearly state the best bank. Furthermore, if the client would like the advisor to choose a bank for them, than they will.

TIED agency recommend there own company because they are paid to.

Comparing the above two, I personally feel that IFA's is a lot better than TIED agency. This is because IFA's don't work for other company's, so they are giving honest and truth options to their clients to choose from. Whereas, TIED agency works with companies, so they are always recommending there own company's to the clients. Furthermore, the clients have a much wider option to choose from with IFA's. So are likely to get a cheaper quote.

I looked up for my nearest IFA on the internet. Loads came up but this one is very near to me. It is an example of the questions they ask you to fill out on the internet before you can book an appointment with them through the internet.

Example of my nearest IFA

Address: 112 WANSTEAD LANE , REDBRIDGE , ILFORD , ESSEX

Postcode: IG1 3SF

Location: [View map](#)

Telephone: 020 8554 1442

Fax: 01626 853 059

Top eight business areas:

Investment & Saving, ISAs/OEICs/Unit Trusts, Personal Protection, Personal Retirement Planning, Mortgages, Taxation Planning.

Top seven mortgage areas:

Residential, Flexible, First Time Buyers, Self-Employed, Re-Mortgage, Buy to Let, 100% Mortgages

Top six general insurance areas:

Payment choices offered: Fees or Commission

Female adviser available: No

Male adviser available: Yes

Are you a 'general practitioner' adviser offering a broad range of services?: No

Further information:

Our advisers give sound financial advice which allows their clients to look forward to a secure and comfortable financial future. Impartial and practical advice on residential and commercial mortgages, pensions and life assurance - including critical illness cover and permanent health insurance - together with a unique fund selection system for investment selection into ISA's, unit trusts and investment bonds enables responsible decisions to be taken with confidence.

 [Back](#)

The main regulator of all the three banks chosen for my customers is the Financial Service Authority (FSA). Rules and regulations for organizations to follow are produced by the parliament and regulated by Financial Services Authority. The FSA doesn't just authorize businesses, it also than makes them stick to a number of detailed rules. Which cover everything from how they advertise themselves, to how they look after their clients money and assets.

If the FSA finds that the financial services business is not behaving in accordance, they will than take some serious actions, such as:

- warning the firm to mend its ways
- fining it very large amounts
- Public reprimands, which could discourage people from dealing with the firm
- In a serious case, taking away the firms authorization so that it cannot do business any longer.

The FSA makes sure that organization follows the UK laws and regulations. Legislation is the term used to describe all the laws passed by acts of parliament. The purposes of legislations are to protect both organization and consumers.

Why regulate the financial services environment

The financial services market is one of the most heavily regulated industries in the UK. The main reason for regulating the financial services industry is to protect consumers and to preserve confidence in the financial system.

Below, I have listed a few legislations that relate to my chosen financial service providers (banks). The following legislations are a form of protection to the banks.

The sale of goods act 1987 and 1995

This act covers the followings:

- Goods must be as described and of merchant quality- this means that the goods must be fit for the purpose for which they where brought. E.g. a mobile phone which works and matches its exact description
- Goods must be of satisfactory quality related to the price paid, the description, the age of the item, e.g. a pair of expensive boots is expected to last longer then two weeks.

The sale and supply of goods and services act 1982

Service standards are covered by this act, e.g. buying the services of a plumber to fix your heaters. This act states that all services should be carried out:

- For reasonable charge- e.g. a pack of 4 writing pens for about £1.00.
- Within a reasonable time- e.g. in a bank or any organization, staff should be on time.
- With a reasonable care and skill- e.g. a hairdresser must be trained well to have good skills.

Unfair contract terms 1977

If terms in pre-printed contract are unreasonable the Office of Fair Trading can make the company change the contract. The regulations apply only to standard (pre-printed) contract. This helps people who feel they have been trapped into a contract that is not fair to them. Therefore encourages providers to set out their terms in plain English.

The consumer protection act 1987

This act covers price and safety. Under this act is an offence:

- To mislead consumer as to the price of goods, services, accommodation or facilities, e.g. by missing the VAT out when explaining the price of a television.
- To mislead consumers over sale price and claim exaggerated price reduction.
- To supply goods that are not reasonably safe, e.g. a consumer buys a toast machine and gets an electric shock; this is not a safe product to be sold.

The consumers credit act 1973

This act requires that businesses, which offer credit, must have a license. Most retailers will have a license that enables them to offer all forms of credit to customers up to a value of 15 pound, e.g. customers demand (within 28 days) that retailers provide details of the name and address of any credit reference agencies, which have been used to ascertain their credit worthiness. It is an offence for a retailer not to do this.

Data Protection Act 1998

This act provides protection for individuals in relation to information about them stored by electronic or mechanical means. All business that held computer-based information about individuals were required to register with Data Protection Registry. This act prescribed the uses to which data could be put:

- It must be used in lawful manner.
- It must not be used for any purpose other than that for which it is kept.
- It must not be held for longer than is necessary to complete the purpose of which it was originally obtained.
- It must not be disclosed to anyone not connected with its purpose.

All these legislations must be taken into serious consideration by all organizations in order to not face conflict with the government and consumers. Organizations that break any law will face consequences from the FSA, consequences included being fined money.

Although my business customer is Tesco it is an organization and is regulated. They also need to be protected when buying. Therefore, it is very important that the banks are regulated, that way they have strict rules that they have to follow. This is a guarantee to the consumers that they won't be played around or even charged for things that they shouldn't be charged for.

Overall, three of my customers need to be protected by the law and regulations. Both of my personal customers will be using the bank and will be making use of loads of their services according to their needs. Therefore, it is very important that the FSA are the regulators of banks and that they are responsible in making sure that banks do not mislead consumers or overcharge them.

If the banks are not regulated then they may take advantage of their customers. The customers will no longer trust them most likely close their account with them. Also, this may result in a decrease in the amount of customers that the bank will be dealing with in the future.

Not only will that specific bank be affected, but the whole of UK will. This is purely because banks like HSBC have opened up in countries like Hong Kong and Dubai.

So, there in competition. If the number of their consumers decreases, than obviously others will feel something has gone wrong.

APENDIX

List of websites used to research financial service providers for all my customers.

- www.halifax.co.uk
- www.barclays.co.uk
- www.natwest.co.uk
- www.hsbc.co.uk
- www.google.com
- www.fsa.gov.uk

Other websites used to help me with my financial services coursework was

- www.tesco.co.uk
- Random search's from google.com

I also used other sources such as-

- Business text books from the library
- Notes from lessons
- Handouts and booklets given to me by my teacher
- Help from teacher