

FCA Fines Carphone Warehouse £29 Million

Written by Frederick Douglas
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The Financial Conduct Authority (FCA), the UK financial regulator, fines Carphone Warehouse to the tune of £29 million following an investigation into the "Geek Squad" mobile phone insurance and technical support offering.



According to the FCA, the retailer sales consultants were not adequately trained to give suitable advice to customers buying Geek Squad. Instead, salespeople were trained in "spin selling," or simply recommending Geek Squad to customers even if they had already had cover, such as through home insurance or bank accounts. The sales lead to a high early cancellation rates, something the FCA says is an indicator of a risk of mis-selling Carphone Warehouse failed to consider.

In addition, in the case of customer complaints involving Geek Squad sales, the retailer failed to properly investigate, leading to valid complaints not being upheld in cases the product was mis-sold. As a result, managers did not have an accurate impression of indicators of mis-selling.

"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," the FCA remarks. "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."

This is not the first time Carphone Warehouse butted heads with the authorities over matters of insurance-- in 2006 the Financial Services Authority (FSA) fined it £245000 for selling mobile phone insurance without providing customers with key information.

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