MONEY

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Danger signs that can spell big trouble

CONSUMER RIGHTS

From hospital visits to agreeing a mortgage deal, care is needed when signing on the dotted line, warns *Mark Channing*

Hospitals are exploiting consumers' lack of knowledge of the healthcare system by getting those with insurance to sign away their right to be treated as a public patient.

In 2014, public hospitals were given the right to charge patients with health insurance private rates for public treatment. However, they can only do this if they get those with insurance to sign a form waiving their right to be treated as a public patient.

Signing the form gives public hospitals the right to charge those with insurance €813 a night instead of the €80-a-night public patient charge.

Those signing the form largely receive the same accommodation and treatment as public patients. The practice has come under scrutiny amid claims consumers do not understand what they are signing, or how it pushes up the cost of their health insurance, which has risen by 8.7% over the past year.

Public hospitals are not the only institutions that are able to profit from consumers' lack of knowledge when it comes to getting your signature.

Banks, utility providers and car hire companies can all lure consumers into overpaying for products and services by getting them to sign up on the spot.

From collecting a car rental to drawing down a mortgage, here's when not to sign on the dotted line.

Public hospitals

Don't sign away your right to be treated as a public patient in a public hospital unless you are going to receive private healthcare.

Research published last month by Insurance Ireland, an industry body, found that more than 60% of patients did not fully understand the consequences when asked to sign the form waiving their right to be treated as a public patient.

Kevin Thompson, chief executive of Insurance Ireland, said: "This research confirms that there is a lack of public awareness of the practice or indeed the cost implications of health insurance customers waiving their right to public treatment. Patients need to understand what they are being asked to sign when presented with this form."

Thompson said patients asked to sign the form ought to ask what additional services they would receive by waiving their right to public treatment, and should not be afraid of refusing to sign it.

"If they choose not to sign, they can be reassured that their insurer will still cover their costs," he said.

Dermot Goode of Totalhealthcover.ie, an adviser, said "Consumers need to understand their rights when they go into public hospitals and they need to exercise those rights. Only sign that form if you actually get private treatment. Otherwise you are going to end up paying extra premiums for something that you're not getting."

Doorstep deals

Don't sign up to a doorstep deal offered by energy and broadband providers if you want to be sure of getting the cheapest tariff.

It is common for households to be given a hard sell by utility providers calling to your door. Research by the price comparison site Switcher.ie found that half of all gas and electricity switches happened on the doorstep, while almost a quarter of broadband switches were as a result of a doorstep sale.

Eoin Clarke, managing director of Switcher.ie, said: "Always take your time before committing to buying or signing up for anything. Don't feel pressured to sign up for anything there and then on your doorstep."

Clarke said that doorstep sellers often sold just one specific deal, which might not be the cheapest on the market.

"While there's a good chance you'll be offered a better deal than the one you are currently on – especially if you're on standard tariffs – it is worth taking the time to compare the prices of other deals on offer," he said.

Clarke added that, if you signed up to a doorstep deal, in most cases you had a 14-day "cooling-off period" in which you could cancel the service without penalty.

Mortgage offers

When taking out a mortgage, do not sign up for mortgage protection or home insurance offered by your lender without shopping around first.

Almost half of mortgage holders buy their mortgage protection policy from their bank, according to a survey published earlier this year by Clear Financial, an adviser in Dublin.

Of these, 41% said they bought the policy from the bank "to appease" it.

Willie O'Leary of Clear Financial said: "Banks tend to have a tied agreement with just one insurer and a life company only sells their own products, so there is no real choice." It's a similar story with home insurance, with banks encouraging their mortgage customers to sign up for overpriced policies.

A recent survey by Insuremyhouse.ie, a broker, found cases of banks charging double the cost for home insurance than the cheapest broker-sourced policy.

Jonathan Hehir, the managing director of Insuremyhouse.ie, said: "Home insurance is not banks' core business. It's just one of the many products and services they offer and so they don't focus their attention on getting the best value for customers."

Car rental

When collecting a car rental, do not be pressured into signing up for expensive car hire excess insurance. When renting a car, you are typically covered only past a certain excess, which is the amount that you would have to pay yourself in the event of a claim.

The excess can be up to €2,000 and it is this amount that can be deducted from your credit card for damage – even for a tiny scratch or in cases when the damage was caused by a third party. Car hire companies are known to give a hard sell at car rental desks to convince customers to buy expensive car hire excess insurance. The insurance can cost several hundred euros over the course of a two-week car rental.

Faced with the possibility of ending up with a huge excess charge on their credit cards, many consumers feel they have no other option but to pay up.

A much cheaper alternative is to buy a separate car hire excess insurance policy from a company such as carhireexcess.com, which costs from €2.99 a day for European car rental.

Free trials

Avoid signing up for free trials which often turn out to be subscription traps. Many free trial complaints received by the European Consumer Centre Ireland (ECCI) involve cases where consumers find out that they had unwittingly signed up to a subscription service.

"Unfortunately, in many cases, the consumer doesn't realise that these are actually subscription services that will incur significant monthly charges unless the consumer opts out before the end of the 'free trial' period," said the ECCI.

"From a consumer perspective, you should read the terms and conditions carefully and make sure to look out for what happens when the 'free trial' ends. Remember, there's no such thing as free, so think, what's the catch?"

When it comes to hiring a car, make sure you don't fall prey to the hard-sell tactics used by Harry Wormwood (Danny DeVito) in the film Matilda

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MARKET MOVER IAN JOHNSTON

Ian Johnston is head of real estate at State Street Global Advisors Ireland. He manages the New Ireland Property fund, which holds more than €1bn worth of property assets.

Available to investors from New Ireland Assurance, the fund is open to those who can invest a lump sum of €5,000, or agree to invest at least €200 a month.

Fund philosophy

The fund aims to generate long-term returns from a combination of rental income and capital growth, by investing in prime commercial properties primarily located in Ireland, the UK and the rest of Europe.

"The philosophy is very much long-term investment across a spread of properties in a diversified portfolio," said Johnston. "We acquire only income-producing properties let to quality tenants in prime locations."

Performance

The fund is up 3.7% over the past year, but investors have been well rewarded in the longer term. Over three years, the average annual return has been 14.9%, while the fund's five-year annualised return is 10.4%.

Buying and selling

The fund holds 55 properties spread across Irish and other European markets. Irish property makes up 40% of the fund, 26% is held in UK, and European assets account for 19%. Cash forms 15% of the portfolio.

Johnston said the fund's recent focus has been on acquiring property in Ireland, but he is seeking opportunities in continental Europe.

"We have bought several Dublin city centre office, retail and warehouse properties," he said. "However, as Irish property yields have begun to trend towards their long-term average, we have increased our focus on mainland Europe."

The fund recently paid €25.6m for the Byzantium building in Amsterdam's central business district, along with the 11-storey Sarphati Plaza in the city, which was sold for €20.6m.

Its flagship properties in Ireland include the Anchorage office building on Dublin's south docks, which it bought for €26m in 2015. "It fronts onto the quays in a prime position overlooking the river and the International Financial Services Centre," said Johnston.

The fund also owns 5 George's Dock and the JD Sports retail building at 43/44 Mary Street, opposite the Jervis Shopping Centre.

In the UK, the fund has 1 Great St Helen's, which Johnston said was "a prime City of London office block". The building is let on a long-term lease to Hiscox, a specialist insurer.

Outlook

The case for investing in commercial property remains strong, according to Johnston. "Property still offers an attractive income return for investors compared with other asset classes, such as bonds. Income generated from the New Ireland Property fund is about 4.8%," he said.

It is too early to see the full impact of Brexit, Johnston added, but he noted the recovery in UK commercial property.

"If you look at what happened after the Brexit vote, there had been initial concerns about how the property market was going to go. However, towards the end of last year there had been a recovery, with properties still transacting and very little change on values," he said.

Gary Connolly

Backing last year's winner is a losing strategy

"They deserve it – betting on Leicester to win the Premier League this year because they won it last year doesn't deserve your sympathy. . ." In an email exchange between a few friends last week, I offered some sympathy to the investors in a very popular absolute return fund that has endured a prolonged period of poor performance. As the above response shows, my compassion was clearly not shared by all.

The rebuke was a little harsh. Yet given that simply picking last year's winner is such a well-documented losing strategy, falling foul of it has little claim on our pity. My investment consultancy iCubed conducted its own analysis of funds in the Irish market; for an investor with perfect foresight, who placed money with the best performing fund every year from 2005 to 2016, €10,000 would have grown to an enormous €640,000.

In reality, cash flows tend to follow a period of strong returns rather than precede them. With the same €10,000 invested in the same funds in the year after they topped the performance table, the €10,000 would have declined to a barely credible €6,000.

Investors jumping in and out of funds is symptomatic of an industry that places far too much store on short-term results. Investors are supposed to optimise their returns over a 15- to 20-year horizon, yet fund managers typically hold stocks for one to three years. Worse still, analysts provide price targets for 12 months.

Up to 80% of the present value of a long-term investor's portfolio is based on cash flows expected after five years. Is it any wonder that the results for the average investor are so poor?

While investors may not have much claim on my sympathy, it should be acknowledged that there is culpability for their results within the wider investment industry. They deserve more from fund managers. And they deserve more from their advisers. As asset gatherers, the fund management industry has derived profits from market volatility more reliably for itself than it has produced returns for investors.

The poor run of performance for absolute return funds is testament to this practice. Investment advisers have a case to answer and I would include myself here, even though I work with advisers and not clients directly. In looking to help investors, we should tell them the truth, but it's usually safer to tell people what they want to hear.

As for investors, your deserts are just – at least to an extent. Your praise extends only to how far short or ahead of your own expectations you land; disasters averted don't register. The possibility of a pat on the back for your adviser for a few winners will never balance the risk of being fired after a string of losses. It should be no surprise then that advice is neutered.

My intentions here are to be more constructive than simply apportioning blame. I think advisers should spend more time educating investors. We traditionally conceive of ignorance as being the result of a knowledge deficit and education being the natural antidote to this.

Financial markets are extremely complex, however. Advice is absolutely critical as the evidence for the returns earned by those who plough their own furrow is simply appalling.

And while I'm all for education, we also need to be careful that it doesn't imbue a sense of illusory confidence. Education should serve you well in being able to interrogate advice appropriately and weed out the investment equivalent of what Charlie Munger, Warren Buffett's partner at Berkshire Hathaway, might term "exotic-coloured fishing tackle".

Munger tells the story about the shopkeeper that sells this exotic-coloured fishing tackle. When asked by anglers as to whether these fancy coloured lures attract more fish, the shopkeeper's response was, "Mister, I don't sell to fish".

Fishing tackle is given its exotic colouring to attract fishermen, not fish. Munger was taking aim at investment banks; I'm taking aim at investment products, many of which are designed to attract investors, not necessarily investment returns.

In the investment world, there is no dead cert, hot tip or next best thing – or at least not one that will keep you on the starboard side of the law.

The temptation to back last year's winner will always loom large. The appeal of exciting, sophisticated, and complex products will pull on inner greed. The best antidote is education and advice.

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