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Farepak victims speak out:

an exploration of the harms caused by the collapse of Farepak

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'...I have got four children, all at various ages. Like I say, you can't tell the little two, Father Christmas can call next door, but he can't call here you know. And with my husband being on sick as well, having to pay the mortgage and feed four kids and whatever, and £37 a week is not a lot.'

'Well, I am a widow, my husband died three years ago. I have got four grandchildren, and that was the way that I paid for their Christmas. So I had to use my credit card then, so they would have a good Christmas and not miss out. And I also care for my mother who has got Alzheimer's, and I have got a brother that lives in that house as well with learning difficulties. And it was so stressful at the time and I had them to cope with, and it was just an awful Christmas for me. And I am still paying off my credit, I am still paying the bill.'

INTRODUCTION

In October 2006, Farepak, a Swindon-based company, collapsed, affecting an estimated 150,000 people who had saved with and/or worked for the company. Farepak had run a Christmas club and hamper business since 1968. Customers would regularly pass small amounts of money to Farepak agents, who would deposit this money with the company. Farepak would then issue individuals with vouchers that they could redeem at some of the UK's

largest retailers. Hampers of food could also be bought by customers.

Farepak customers are estimated to have lost up to £50 million in the collapse. Each customer has lost an average of £400, although some people have lost more than £2,000. This executive summary presents the main findings of a research study that was undertaken to examine the experiences and perceptions of a group of Farepak customers and agents.

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FAREPAK CUSTOMERS AND AGENTS TELL THEIR STORY

The financial impacts of the Farepak scandal

Farepak collapsed on 13 October 2006. Customers and agents were therefore left with a short space of time in which to organise Christmas within their respective households. For some, this meant incurring credit card debt over and above that which they would normally have. Others borrowed money from family members or in the form of bank loans:

'Well, I had to borrow money because that was, like, all the money for Christmas shopping really. So fortunately my mum could lend me some money, but I mean it took me ages to pay that back because I was relying on that money. I was giving my son and my daughter both £100 each in, like, vouchers, and then I was going to get the Christmas stuff with the extra money.'

Some customers resorted to using credit cards:

'I know that's terrible we decided to go into the credit. I never actually considered a loan. I was kind of brought up to, you know, your house and your car are the two things that you could pay up in life, the rest you had to pay for before – before you actually could go out and buy. I hadn't actually considered a loan, although I'd get a cheaper rate of interest if I'd got out a loan ... Credit cards are usually about 27, 28, up to 30 per cent or something, so it was probably in the region of that but, honest, I didn't – I didn't give it any thought – to be honest, I didn't give it any thought.'

Others had savings and they decided to draw upon these in order to make up the financial shortfall:

'I think it was just more an inconvenience that we had to dip into savings for the odd thing, but we certainly weren't, you know, we weren't in the stage where we were – Christmas had to be sort of cancelled or we had to go out and get horrendous loans or anything like that. None of us were in that position, so it was very fortunate, you know. It must have been awful for the people that were, definitely.'

But, for some, the money that they had saved through Farepak was the only money that they had saved for Christmas 2006:

'I didn't have any other savings. Unfortunately, the year before, we had a very expensive year ... between that and doing some work to the house here, so I had no other savings and that was – I was basically counting on that for Christmas.'

In some cases, individuals had tried to be prudent with their savings and attempted to avoid being drawn into a 'vicious cycle of debt', but some were forced to enter such a cycle:

'Well, I'm struggling because my credit card is higher than what it should be, so I am doing without other things to try and get that paid off.'

'It does have a knock-on effect, because money that you thought you had, you've not got, so you have to pay back what you borrow. I mean, fortunately, I could borrow money. But I don't know what I would have done if I couldn't have, you know – there just wouldn't have been anything ...'

Emotional and psychological impacts of the Farepak scandal

In the aftermath of the collapse, many people had feelings of anger, anxiety, fear and depression:

'I think just kind of general emotional – none of us were ill so that, you know, but I think, you know, that the worry, you know, the anxiety, but nothing – nothing serious, you know. At the end of the day there's a lot worse things happening and ... you have to put that into perspective, but at the time obviously you're stressed, and a lot of worry and anxiety about how people are going to get through Christmas. And, as I say, I feel for some of the girls, and at my work, you know your own personal situation but there's some less fortunate, some of those girls, but it's just one that we just don't talk about. Maybe we should. I wish we had put our vouchers elsewhere. They say, "No way am I getting involved, am I getting involved ever, ever again"; and I cannot blame them, you know. It's exactly how I feel myself, I just don't want to be a part of anything like that ever again.'

Particularly when they were reminded of the scheme:

'And I mean, the anger when this happened and we saw Park Hampers on the television advertising afterwards. It made my blood boil, aye, because I was angry when I kept seeing it. And you sort of like stepped back and you shuddered when you saw them adverts on the telly because

it was like you were reliving that and when they're coming on the television you relive that nightmare.'

This suggests that the emotional impacts of Farepak may have been recurring – an insidious feature of individuals' everyday lives rather than a one-off event that people could forget about.

Loss of trust

In the aftermath of the collapse, victims suggested that their trust has been severely damaged:

'I would never trust a company like it again. I would never, ever, ever go through any kind of hamper company again. I wouldn't entertain. I don't care what they have said, how much of a guarantee that they could give me, I would never entertain another hamper company again.'

Customers felt that their position had been 'abused' by more powerful individuals:

'You know, you give your loyalty and your trust, but you just don't seem to get anything back, and I think it is just annoying that they just treat ordinary working class people like that when they are supposed to work with you.'

Many of the Farepak agents reported feeling responsible towards their customers for the loss of their money:

'Well, to be honest, I was really upset about it because I felt as though the fact that I was taking the money from all the girls ... that I was somehow responsible for some of it. So, no, it was actually quite upsetting, not only losing my own money, but the fact that I had collected all their money. Do you know what I mean? And everybody came to me and, not that they were blaming me, but they were all coming to me saying, what's happening and you know, so it was actually very upsetting, you know, losing the money of course, but dealing with other people as well, you know, just the whole, the whole thing was quite traumatic for everybody in here, you know.'

Because the agents might encourage their work colleagues to save with Farepak, in the aftermath of the collapse certain workplaces contained swathes of affected individuals:

'It was like a wave through the hospital, because our colleagues worked on nights and we were hearing how many people had lost. And even the night sister who actually did the hampers had lost £1,500, and then she had sort of, she had some animosity from some of the staff, which I think was sad.'

Most Farepak savers were women, using the company to help them manage their household finances, allowing them to provide for their families during Christmas. In the aftermath of the scandal, some women faced criticism from their partners:

'But he said, "But what on earth did you join it for?" And I just says, "I don't know, I just thought, well it's a little savings club like I told you earlier." I just thought, ooh £200 in vouchers, I'll be able to have a little spend with that you know. It's cash in your purse, isn't it? Vouchers or not, you know. So, you know, he wanted to know why I had done it. But that were it – once I had told him, he says just don't join any more.'

At the same time, the impacts were further compounded by the fact that, as a result of the localised nature of Farepak, many members of the same families were involved:

'Aye, there were some – some were £600, £400, £200. People's circumstances are different and some used, you know, hamper companies to save for Christmas, but that was my only – my only saving plan for Christmas. And my friend she saved with her sisters, and although the account was in her name, it was her and her sisters, so she was £3,000 between her and her sisters and, like, you know, how do you ever recoup that? It's a lot of money.'

Regulatory responses and secondary victimisation

Victims reported a lack of information, having to draw upon their own resources to build up a picture of what had happened. This might be thought of as an aspect of the material conditions within which individuals experienced the collapse, resulting in their 'secondary victimisation':

'I were here actually, and we had only been talking about it in the morning, whether the vouchers had been, because there is quite a few of us at work collected and then – I forgotten who it were now – but somebody were on internet and it flashed up. I couldn't believe it.'

'... just the media, and then we were told, but Katie, I think she was on holiday at the time, so we phoned her and she phoned. It was just an answering machine and stuff telling me that Farepak had collapsed, I don't know the words, and they were giving you a contact number but you weren't getting anywhere with that either.'

Government responses to victimisation by financial crime/unethical behaviour are often sporadic, inefficient and ineffective. The case of Farepak clearly demonstrates that victims have few resources available to them to be able to cope with the effects of financial harm. It is also worth highlighting that in the case of Farepak no resources were targeted at helping victims to deal with the non-financial – that is, emotional and psychological – effects. A key policy question that Farepak raises, therefore, is if financial harm affects so many thousands of individuals, involving complex and diverse effects, how might resources be targeted most effectively to respond to victims' needs? Another key policy issue might be that the financial system requires more proactive regulation than currently exists, so that a lower number of individuals are victimised.

Knowledgeable consumers?

Over the last three decades or so, government policy has constructed individual consumers/investors as active citizens who, in addition to having civil citizenship rights, have certain responsibilities. Individuals' responsibilities as citizens have increasingly been constructed to include responsibly saving for, and insuring against, a wide array of life circumstances: for example, being financially prepared for unemployment, old age and retirement.

Importantly, it is the responsibility of individual savers/investors as active citizens to avoid becoming the victims of financial crime and/or abuses of trust. Regulators have argued that although people might yearn for a risk-free world, this might conflict with the advantages associated with the liberalisation of the markets. According to the Financial Services Authority (FSA), 'The Financial Services and Markets Act 2000 states that our consumer protection objective must have regard to the general principle that consumers should take responsibility for their decisions.'

As a way of managing the risks associated with a deregulated financial system, a key policy strategy that has emerged has been to create confident and knowledgeable consumers who are aware of the risks that various financial schemes run and who

can therefore act to avoid becoming the victims of financial deviance. The FSA issues tips for consumers about how they can best protect themselves from crime. For example, under a section headed 'Stay safe' on the FSA website, it is claimed that 'there's plenty you can do to protect yourself from dodgy salesmen, bad deals and outright fraud' by 'knowing the right questions to ask when buying financial services or seeking advice; by knowing the warning signs to look out for if anything is wrong; and by being familiar with how criminals operate scams and swindles so you don't get caught out by one' (FSA, 2007; www.moneymadeclear.fsa.gov.uk/news/stay_safe.html).

The Farepak scandal raises some serious questions about the knowledgeable consumer model, as highlighted in the discussions below.

This study suggests that individuals don't necessarily make decisions based on rational risk assessment. In the case of Farepak, it seems that customers initially joined the scheme through, or with, friends, relatives or work colleagues, and that trust in financial schemes/institutions is partly based on personal trust developed between individuals and their relationships with each other rather than on a more abstract, depersonalised basis:

'I'm not entirely sure about Farepak but I've been involved in this kind of thing nearly all of my married life. My mother-in-law was the agent and basically I just saved, like, through her. I think from the Farepak point of view it's probably about ten years or so, but I can't answer it entirely accurately for that, because there was various companies that, you know, that she was the agent for – but approximately ten years.'

'Well, it does go back considerably. My mum used to work in a local factory and obviously some of the ladies in there were agents. I'm probably going back 20 years, and I used to obviously give the money to my mum and she would put it into the fund and we'd get vouchers at Christmas ... So all in all we're probably talking about 20 years. More recently, just in the last five years, as an agent as well.'

Some people didn't even know that they were saving through Farepak, and one individual assumed that she was paying money into a different Christmas savings scheme, such was her trust in a work colleague:

'Well, my understanding was, I thought it was Park because obviously a colleague that I work with, she was asking if anyone wanted to, and I just assumed that it was Park because I thought it was the only one, the only one that I have ever heard of, and I had done it previously a bit before ... we just thought, well, you just give your money to your friend or whatever, and you'll get your vouchers, like, come November.'

Any risk assessment that Farepak customers engaged in consisted of highlighting the benefits of hamper schemes over any risks that might be associated with this method of saving. The perceived benefits included the simplicity of the scheme, its usefulness in terms of helping to meet the costs associated with Christmas, and it also appealed to customers because they could put away a small amount of money each week/fortnight/month, which they could not then draw from, as highlighted by other interviewees:

'To save for – for Christmas, because we've got two kids, so it was a good way. I'm not a particularly good saver, unlike my husband, so yeah, it was a kind of good opportunity and a very easy opportunity just to hand over my money every fortnight.'

'Again, it was used extensively in the factory that my mum worked in. I think there was hundreds of women at that time. It just seemed a sensible thing to do. It was easy enough to handle the £5 a week, you didn't really need to think about it, and then at Christmas you got the vouchers. So it just seemed a simple way and a cheap way to save and get a wee bit of extra cash towards Christmas presents and things, so – and not being the best saver in the world – it helps. I hate to say but ...'

Importantly, as the interviewees were all women, it may be that individuals' narratives of why they saved with Farepak, the nature of their trust in Farepak and the particular savings strategies that they utilise reflect gendered experiences, namely how women go about saving money. It may be, for example, that women draw upon local networks, based on friends, family and work colleagues, in order to decide where to invest their money. Women may require different types and levels of support from men, yet it seems that gender differences are largely overridden by the knowledgeable consumer model.

Unfair assurances from Farepak

Farepak wrote to their customers early in 2006, following the collapse of Choice vouchers, assuring them that their money was safe. Farepak customers were therefore led to believe that they could continue paying into this particular savings scheme in the belief that their money was safe:

'Most of the time, yeah, apart from there was an issue I vaguely remember about the February, March time – Choice vouchers, some Choice vouchers, one of the vouchers companies was going under, or there was problems with them. And we got a letter from Farepak assuring us that this other company was taking them over, and actually I just only recently threw that letter out, but that was the only time that I felt that money was the hamper company's and they always, you know, there was never ever an issue about the money not being safe ...'

Agents working for Farepak received reassurances early in 2006 that it was safe for customers to continue saving through them:

'We honestly did believe that everything was going to be OK, and even when there was like this, as Laura just said, previously, when there was speculation was made, we still got reassurance that we were going to be alright, you know, so we continued writing cheques because we really thought everything was going to be OK ...'

On hearing about the collapse of Choice vouchers, an agent asked customers whether or not they wanted their money back, and customers decided to stick with Farepak because the agent had received reassurances that Farepak was safe:

'The person who was doing it – you know, our [agent] – had spoken to them, and she didn't actually start collecting any money. She'd taken money off initially but she actually kept it in the account, so she didn't actually start getting the vouchers because she was going to give that money back. But she'd contacted Farepak themselves and she was reassured by Farepak that this scenario wasn't going to happen, that they were not going to go bust, like, or into liquidation, and I think that might have been sorted in the March of last year. So we were assured then that obviously that wasn't going to happen, and because she said that and she give us the option to have the money back and not to, you know, so nobody was pressurised, and people thought the money would be safe.'

So the Farepak customers were being 'prudent savers' but were unaware of the loopholes in the deregulated financial system:

'I think, to be honest, I was surprised that they weren't regulated. I automatically assumed, stupidly, that they were regulated, and never in my wildest dreams, and if I'd known that before I don't think we would – because they've been getting away with things, haven't they? They're not regulated, you know. They haven't got a duty of care to sort of if they go, you know, into liquidation, to pay back any money, and I don't know how these companies can function.'

SOCIAL JUSTICE

Strengthening regulation

Farepak customers and agents expressed their concern about the deregulated nature of the financial markets:

'I would like to find out where all this money went and what has happened to it. It's easy just to say that it went into administration, but how on earth was a company like that with so many thousands of people putting all this money in, they are putting all their trust in, and their money just disappears into thin air, you know.'

'I mean there should be stricter rules, shouldn't there?'

Although the government has responded by introducing a voluntary, industry-led ring-fencing scheme, whereby prepayments to Christmas hamper savings schemes will be safeguarded, it appears that Farepak victims' concerns go beyond merely calling for greater protection of hamper schemes.

'Well, I just feel that it was on the cards for a long, long time. This company was going to, although we didn't know anything about it, you know, just from information that came out after it, and I feel as though the government should have a tighter rein on things like that so that that doesn't happen. I mean, even if you've lost half your money, halfway through the year, because I am quite sure that they knew that there was a problem.'

Farepak customers and agents also argued that they should have been made aware of a general lack of

regulation concerning Christmas hamper schemes:

'It sort of, it was like, we had always assumed everything was safe and above board, but really for these top bosses to do what they did, obviously it just wasn't as safe as we thought. Perhaps things could maybe have been made a bit clearer to customers regarding the regulation of the company. Yeah, I think that's what we thought.'

A sense of injustice and wanting justice

Many still feel a sense of injustice and anger towards the directors of Farepak. Others were more explicit about the true nature of the financial harms caused, highlighting that the actual financial impact was double the amount that they lost through saving with Farepak because to obtain the items they were originally saving for they had to pay twice:

Q: 'OK. If I could ask you, in terms again of the consequences of losing the money, if you or your family had any trouble paying any bills or anything of that nature around the time?'

A: 'No. Luckily not, because we haven't got dependants, so there was only the two of us, so we were quite lucky. But nevertheless, where we could have paid £200, we ended up paying £400, which is not down to us, it's down to a company, a multi-millionaire bloody company that's let us down.'

Many customers and agents do not feel that justice has been achieved. Many suggest that the directors of Farepak should be held accountable for the scandal:

'I think the bosses of Farepak need to be made accountable and go down the legal system for what they have done. I don't think they should be allowed to ever do business again with the general public, and I think they should be punished through the justice system for what they have done because, in effect, they have stolen 150,000 members' monies and they should not be swept under the carpet, they should be made accountable for what they have done. But that's how I feel about it.'

Some victims suggested that if they had caused similar harms they would have been processed through the criminal justice system:

'If that had been one of us, we would have been, we'd have gone down the justice system for theft

and whatever else, you know. I am sure there is other words for what they have done as well, but if it had been us, we would have had to pay for what we had done wrong, so they should be, however respected they are in the middle class or whatever, but they should do the punishment for what they have done, and made everybody's lives a misery last year, so yeah, definitely.'

The data reveals that some victims felt that the government should have done more to help them. Among those customers and agents interviewed, there seemed to be an implicit assumption that the government regulated this kind of financial activity, and that if anything did go wrong the government would intervene to ensure that people did not lose their money:

'It wouldn't have been as bad you know, and I just feel as though they get away with murder really you know. They did, they got away with it, and what should have been sorted out long before that, and I also feel as though the government should have helped people out ...'

UNISON Welfare

In the aftermath of the Farepak scandal, victims who were UNISON members were encouraged by UNISON Welfare to apply for donations which were made available to help to reimburse some of the money lost as a result of the collapse. Interviews with victims show that this was unanimously regarded as a positive action by UNISON Welfare, and there were a number of ways in which the donations helped victims and their families. Many highlighted the actions of UNISON Welfare in providing financial assistance:

'I think if UNISON hadn't helped me – and I did lose a little bit, I didn't get the full amount off UNISON – but what I did get helped tremendously and certainly saved the day, but as a single parent with two children and only working part time, obviously every month is a struggle to me, you know what I mean. I don't go out much, I don't socialise much, because I have got two children you know, but every month seems to be a struggle in one way or another anyway. There is always something that children need, but I don't think as a result of the Farepak collapse, I think I just generally struggle anyway, but if UNISON hadn't stepped in, it would have been a much different story I think.'

'I know it was just as we were about to shop for Christmas, and it was a, you know, it was just a

huge weight been lifted off your mind, off your shoulders, and you think, I had no idea that I would get this money. So between that and the vouchers the week before Christmas, we just managed to get by. But that was the godsend, it really was.'

Members also remarked that it relieved some of the emotional stress that had been experienced:

'Well, it was nice to know that someone cared, you know. There was definitely people out there that were concerned about it and that UNISON's obviously taken the steps and considered, you know, giving this to their members. It was something I would never have thought to – I was aware of their welfare fund and whatever, but I would never have thought of trying to tap into it for something like that, you know. It was – it was a positive thing definitely.'

Interview data highlight the powerful symbolic role that the UNISON Welfare payment played, as this helped individuals to restore some of the trust that had been lost as a result of the Farepak scandal:

'It gives you, it gives you faith in human nature, you know what I mean? Because I think, at end of the day, you know when you join a union, well same as me personally, you think it is just going to be work-related don't you? You know you just think it's, I mean UNISON if I have got a problem at work, then I will go to UNISON for help. I never dreamt in a million. In fact, when we heard about it, I come and told some of them that I work with, and no, why would UNISON give us any money? And I said, well that's what I have been told, and I am personally going to fill the form in and see what happens.'

Some members drew attention to the fact that UNISON helped where others didn't, remarking that they felt the government did very little to help and that other unions had not assisted their members. Moreover, UNISON Welfare's assistance helped individuals by showing them that 'somebody cared':

'...yeah, well, we were so grateful that we got something. I really thought the government would have gone ahead and helped us. Every time we heard it on the news like, because it was constantly on the news, and I thought, I thought maybe the government are going to help out here, and then when I found out there was so many people, I thought no, we are not going to get anything.'

'...compared to other unions which didn't come out in the forefront like UNISON did, I think UNISON were the only one that did actually, you know. So I mean for some of the members, being a branch steward and a branch welfare officer, I thought it was great for some of the members who were low paid workers compared to myself ... what they got from UNISON would have been a lifeline, and I believe it was a lifeline that quite a lot of people asked them, which I thought was really good.'

For some Farepak victims who were not members of UNISON, the compensation that was available from other sources was minimal. For those individuals who had saved a significant amount of money with Farepak to then be offered relatively small amounts of compensation heightened their existing sense of social injustice:

'I mean, to give 5 per cent was an insult ... I mean, people lost £500 to £700, a lot more than that. That to me is a damn right insult to the people, if that was 5 per cent. I thought when I got told that it was 5 per cent, it worked out at £33, I would have just loved to shove that in his face and said don't insult my intelligence at all. That was disgraceful, but a lot more than that, as a goodwill gesture, you know, so then people, having chosen that company, could do with the same back. So basically, yes, all of it, or a lot more than what they offered.'

UNISON Welfare is a registered charity offering a unique confidential advice and support service to members of UNISON, the public service trade union, and their families. It is unique in being the only charity providing exclusive support to members of one of the big trade unions. Help includes debt advice and support, financial assistance, and breaks and holidays.

UNISON Welfare was the only benevolent charity in the UK to mount a co-ordinated response for Farepak savers. Help from the official rescue fund amounted to 15p in vouchers for every pound lost but UNISON Welfare was able to increase this to at least 50 per cent or more for over 700 members who applied to the charity's special fund for a grant. www.unison.org.uk/welfare

Edited by Will McMahon, Policy Director, Centre for Crime and Justice Studies.

The full report, 'Farepak victims speak out: an exploration of the harms caused by the collapse of Farepak', written by Dr Basia Spalek, Senior Lecturer in Criminology and Criminal Justice, Institute of Applied Social Studies, University of Birmingham and Sam King, Researcher, Institute of Applied Social Studies, University of Birmingham, is published by the Centre for Crime and Justice Studies.
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SOME CONCLUSIONS FROM THE STUDY

- Many Farepak victims have been forced into a vicious 'cycle of debt' in order to pay for Christmas expenses in 2006, having to draw upon savings to make up the shortfall, and borrowing from family members, banks and credit card companies.
- Farepak victims are still waiting for adequate compensation for their losses, and have experienced ongoing psychological and emotional reactions including anger, depression and anxiety.
- Former agents of Farepak report feeling responsible towards their customers for the loss of their money, with some taking it upon themselves to offer them money. In some instances, agents were exposed to considerable animosity from their customers, being blamed for what had happened.
- The knowledgeable consumer model appears to adopt a view of the consumer as an ideal rational being, who will assess potential risks, ask appropriate questions and translate this into a rational decision-making process. In the case of Farepak, customers initially joined the scheme through, or with, friends, relatives or work colleagues, and so their rational trust of their friends, relatives and/or work colleagues played a large role in why individuals chose to save with Farepak in the first place.
- The knowledgeable consumer model fails to consider, or to take into account, gender differences in experiences of saving and/or investment.
- A key theme raised by this research study is that women were disproportionately affected by the Farepak scandal.
- Farepak customers were being 'prudent savers', using Farepak as a way of managing their household finances, engaging in a number of strategies to manage their money safely.
- The victims of Farepak want justice, demanding adequate compensation for their plight, for enhanced regulation and for key figures in Farepak to be held accountable for the harms that have been committed.
- Interviews with victims show that the help provided by UNISON Welfare was unanimously regarded as a positive action, and many highlighted the financial assistance provided by the charity. As well as being of practical benefit, this helped individuals to restore some of the trust that had been lost.