**Farepak victims speak out: an exploration of the harms caused by the collapse of Farepak**

Dr Basia Spalek and Sam King, Institute of Applied Social Studies, University of Birmingham





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**Introduction**

In October 2006 liquidators were called in to Farepak 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, and so was used by its customers as a way of saving up for Christmas. Customers would regularly pass small amounts of money on to Farepak agents, who would then 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.

In early 2006, following the collapse of a voucher firm, High Street stores wanted to be paid up front instead of extending credit for vouchers. This significantly affected the way in which Farepak ran its business. At the same time, European Home Retail (EHR), Farepak’s parent company, needed to increase its borrowings, having acquired debt from a number of problematic acquisitions, however, EHR encountered difficulties raising more money and so early in 2006 announced funding problems. It appears that EHR may have taken money from Farepak but then was unable to pay this money back to Farepak. Farepak’s bank refused to accept a new business and loan plan that it had put together and although Farepak continued to give assurances that customers’ money was safe, in October 2006 the administrators were called in.

According to media accounts, Farepak customers are estimated to have lost up to £50m in the collapse, each losing on average £400, although some people have lost as much as £2,000 and even more. Although a Farepak Response Fund was put together in the aftermath of the scandal, consisting of financial donations totalling around £7m, this is only a small proportion of the total amount lost, and so commentators suggest that those affected have received only around 15 pence for every pound lost.

The case of Farepak is the latest in a series of corporate scandals that have taken place in the UK and other liberal democratic societies over the last three decades, leading to devastating consequences for those individuals whose lives have been caught up in financial crime and corporate abuses of trust. Despite a growing body of research that illustrates the devastating consequences upon those individuals who have been the victims of financial crime and/or corporate unethical behaviour, there remains a large gap in policy resulting in inadequate recognition of such experiences. This report 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, and highlights the key policy implications that the Farepak scandal raises.

In total, 16 Farepak customers/agents were interviewed at length to explore the consequences of the Farepak collapse on individuals’ lives. Research participants living in Glasgow, Barnsley, Glamorgan and Gateshead were interviewed. Household yearly incomes ranged from £13,000 through to £60,000, occupations included customer services manager in Housing Services, nursing assistant, nurses, receptionist, housing benefit officer, administrator and janitor. Research participants were all female and included single mothers. The interviews were recorded and then transcribed. Thematic analysis was used as a way of analysing the data.

The interview data stemming from Farepak customers/agents reveals three core themes, presented as three sections in this report. Section one highlights the financial, psychological and emotional impacts of the collapse of Farepak on customers and agents. Financial impacts include being forced into a vicious ‘cycle of debt’ in order to pay for Christmas expenses. Farepak customers have still to receive full compensation for the loss of their Christmas savings and so perhaps this is why the psychological and emotional impacts of Farepak, including a loss of trust in savings schemes, anger, anxiety and depression, are ongoing and an insidious feature of victims’ everyday lives. In section one we further stress that the complex nature of the harms generated by Farepak, particularly when considered in the wider social context to individuals’ lives, means that victims’ experiences go above and beyond financial effects. A key policy question that Farepak raises, therefore, is if a case of financial scandal can affect so many thousands of individuals, in multiple ways, how might resources be targeted to most effectively respond to victims’ needs? Or, given that responding adequately to victims’ experiences is such a resource-rich undertaking, then a key policy priority might be to more proactively regulate the financial system. Section two focuses upon the governance of the UK financial system. It is argued that an ethos of deregulation and freemarket competition underpins the UK financial system, and that individual savers’/investors’ responsibilities as active citizens include their responsibilities to avoid becoming the victims of financial crime and/or abuses of trust. Section two highlights that a key policy strategy that has recently emerged is that of the creation of confident and knowledgeable consumers, who are aware of the risks that various financial schemes run and who therefore can act to avoid becoming the victims of financial deviance. The Farepak scandal challenges the regulatory assumption that savers/investors, as active citizens, can avoid being the victims of financial crime and/or deviance. Victims’ accounts suggest that there is little that they could have done to avoid losing their money, as such it is argued that policy discussion should be focused on the long term impact of financial harm and the appropriate regulatory responses, rather than the constant obsession with the slackening of consumer rights and company responsibilities. Section three uses victims’ accounts to illustrate that Farepak constitutes a form of social injustice for those affected, the harms of which have largely been unacknowledged by the state and regulatory responses. In this section Farepak customers and agents make demands for justice, including calls for adequate compensation to be made available, for there to be greater regulatory control over financial markets and products, and for key figures in Farepak to be held accountable for the harms that have been perpetrated.

**Section 1: Farepak Customers and Agents tell their stories about the impacts of the collapse of Farepak on their lives.**

**Interviewees’ accounts of their experiences in the aftermath of the collapse of Farepak reveal disastrous effects on people’s lives. Farepak customers and agents experienced financial, psychological and emotional harms which have largely been overlooked by policy makers and financial regulators. Financial impacts include being forced into a vicious ‘cycle of debt’ in order to pay for Christmas expenses, having to draw upon savings to make up the shortfall, and borrowing from family members or from banks. The psychological and emotional impacts include a loss of trust in savings schemes, anger, anxiety and depression. The data suggests that the impacts of Farepak may have been recurring, an insidious feature of individuals’ everyday lives rather than a one-off event that individuals could forget about because responses to victims’ needs were minimal.** **Farepak reveals that the harms caused by financial crime/deviance not only affect direct victims, but also their families as well as the wider communities to which individuals belong. A key policy question that Farepak raises, therefore, is if financial crime/deviance affects so many thousands of individuals, involving complex and diverse effects, how might resources be targeted to most effectively respond to victims’ needs ? Or, given that responding adequately to victims’ experiences is such a difficult and resource-rich undertaking, then a 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.**

*The Financial Impacts of the Farepak Scandal.*

Interviews with customers and agents of Farepak reveal that there were a range of financial impacts as a result of the collapse. The actual amount of money which was lost varied between interviewees and this led to different responses on behalf of the individual. The Farepak scandal occurred relatively close to Christmas 2006, so customers and agents were left with a short space of time in which to organise Christmas within their respective households. This fact, within a context whereby the harms that financial crime/deviance generate go largely unrecognised, meant that Farepak customers often took individual responsibility for reconciling the monetary losses they suffered. 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. (10007)

I think emotionally it’s affected us because my daughter in law, she lost £550, so I had to try and help her out as well, it was terrible. (10008)

cut back on my holiday as well, we usually go for 3 weeks, and we went for 1. (10008)

Well I borrowed money, cash for Christmas, some vouchers for Marks and Spencer’s, but I paid all that back…

…right, and where was that…?

…that was just from my mum… (10008)

I was paying off a bank loan, because we were doing some home improvements so I mean I did put a bit extra on the loan, and, which seemed to get us through. (10012)

For some customers who resorted to using credit cards there was little consideration given to their usage. This may be due to the considerable emotional and psychological effects that they experienced, which may have distorted their usual sense of financial judgement. Or, it may be the case that victims felt that they had little other choice and that they had to incur debts of this kind regardless of the consequences:

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 twenty seven, twenty eight, up to thirty percent 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 (10004)

Some customers had other savings – in bank or building society accounts – and they decided to draw upon these in order to make up the financial shortfall. Although some interviewees did not acknowledge it as such (some referred to using savings as an ‘inconvenience’), this remains a significant aspect of the financial impact of the Farepak Scandal:

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. (10006)

I think it were difficult for my Mum because obviously she thought she had got all her money set aside for all the family presents, and then when she didn’t get anything, she had to delve into savings that they could really not afford to spend. I think it were tough, more tough for her. (10022)

For some Farepak customers, the money that they had saved through Farepak was the only money that they had saved for Christmas 2006. An important point to stress here is that these customers had attempted to be prudent with their money and their savings, by saving with what they thought to be a reliable and safe company. Customers of Farepak put their trust in the company, firmly believing that their savings would have a positive result in that they would be given vouchers so that they could have the kind of Christmas that they were hoping to experience. This aspect to the financial impact of the scandal transcends the financial dimension:

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. (10004)

Oh, I don’t know, it was dreadful from the first minute. I think everybody just got one present you know, I even cut back on, going out because it was, when I realised that it was my money and I wasn’t going to get anything back, I had no other feelings or anything like that, I just thought, I am not going to be able to afford to get anybody anything. I know I had to get my family; I don’t buy a lot of presents, because I don’t have a lot of people to buy for, the £300 does me, and at that time you know you are alright paying for your Christmas night out and I had put, we kind of put our money in a bank account for our night out, you know, I had to use that and, to even buy some presents because I had nothing, so it was like, I had to cancel my nights out, I had to cut back seeing my friends, so I couldn’t even do that because I had to watch every single penny I had, so it just had a bad effect on my Christmas; it had a bad effect on my birthday as well, just worrying about who I was going to get presents for and how I was going to afford them. My Mum and Dad helped me out a wee bit, but not much, and she said don’t worry about us you know, just make sure you get something for your nephew, but it was really bad and it put a dampener on the whole thing for me, you know it was really bad. (10009)

In some cases, individuals had tried to be prudent with their savings and had attempted to avoid being drawn into a ‘vicious cycle of debt’ – that is to say, that customers had tried to avoid accruing debt as a result of Christmas expenses which they would then spend the following year repaying. The Farepak scandal meant that some customers were forced to enter into such a vicious cycle of debt, and continue to pay off the debts incurred to the present day:

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. (10008)

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… (10007)

I probably gave my credit cards a hit, I think my credit cards got more than usual… I think so; I would think so, definitely. Even though my dad give us £100, I still think, I think I maybe used the credit card more than usual (10024)

The above interviews reveal that the impacts of Farepak were compounded further by the wider context of a consumer-driven society, whereby individuals are under significant pressure to spend large amounts of money during Christmas, so that individuals felt it necessary to continue spending despite their financial losses.

*Emotional and psychological impacts of the Farepak Scandal.*

Victims of the Farepak scandal reveal a range of emotional responses in the aftermath of the collapse, including 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’re all going to think 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 ever again. (10004)

Yeah. Sheer panic was my first initial, shock, sheer panic and I didn’t know what I were going to do basically, because I hadn’t saved anything else, because I trusted in Farepak to deliver goods at end of day and I had no reason to believe that anything would go wrong you see. But I think I were really, really angry, I didn’t know what I were going to do…

right…

frustration and you know. (10014)

We can laugh about it now, but at the time it was so so soul destroying, and I cried many many times. (10004)

Gutted, I was gutted and upset when I heard about it and I felt sick (10023)

Interestingly, data 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 individuals could forget about:

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 tele because it was like you were re-living, that and when they coming on the television you re-live that nightmare, because it was like a nightmare for a lot of people after it, and when these adverts come on the television even now… and I think people will re-live this all the time, and now I think it is going to be hard for people to come to terms with it actually. (10024)

Well they’re (negative emotions) ongoing, I mean you kind of forget about it don’t you? But then I think it all comes back and yes you are angry, more so because we’ve heard no more about it. (10027)

*Self-Blame*

Another dimension to the impacts generated by Farepak is that of some victims blaming themselves for what had happened to them

As compensation goes, I think - I know there was a lot of furore in the press that everybody should have been helping, but at the end of the day it was something that we chose to put into and I think it was maybe a bit unfair to expect other members of the public to help bail us out type of thing, you know. (10006)

Self-blame as an aspect of the process of victimisation has been identified in previous research on victims. Self-blame in the victims of financial crime/deviance may result in individuals experiencing the impacts of financial harm in isolation, in that by taking responsibility for Farepak, individuals are drawing a distinction between themselves and ‘real’ victims, these being represented in dominant media and cultural discourses as ‘innocent’, having played no part in their victimisation (Spalek, 2006).

Victims of the Farepak scandal reveal that they trusted the company that they were saving with. They fully expected to receive the vouchers that they had saved throughout the year for. In the aftermath of the collapse victims suggest 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. (10014)

I just think there are valuable lessons to be learnt by what happened with Farepak and I certainly won’t ever trust, put my trust in a company again, the way I did with Farepak. I would always enter into something like that with extreme caution if I do, but at the moment, my confidence in it would be totally zilch really, and it’s only for generosity of UNISON that we have managed to get through last year, and I am obviously thankful for it. (10014)

it’s a bad experience you know, and certainly, will never do anything like that again, never you know, that’s me, once bitten, I wouldn’t ever do that again you know, and I don’t think anybody in here would. (10007)

Within this dimension of the impact upon an individual’s sense of trust there are power dynamics which can be identified from the interview data. 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 just treat ordinary working class people like that when they are supposed to work with you. (10025)

A further dimension to the Farepak collapse is that individuals argue that the timing of the collapse compounded the impacts felt, suggesting that something could have been done sooner, and that it was too close to Christmas to make adequate arrangements:

It was just - I think it was the timing of it, because it sort of, you know, It was October and folk were getting ready for Christmas and you were working in a short time space, you know, if it had collapsed about June or something it probably wouldn’t have been so intensive, but because of when it happened it was just all you could focus on. You’re thinking what will I do if my money doesn’t come through, how about the girls and your own sisters and you’re supporting your mother in law who’s effectively worried sick about, you know. It was the not knowing, if you could get the information quicker, you know, or even if they were saying to people it was going to take months and months and months for this to be resolved, then I think folk would have been better prepared, you know, it still happens and we still - February was the last letter, we haven’t had anything else through since then. (10004)

Why didn’t they send out letters to the agents saying stop taking your customers payments, stop taking them, but they didn’t, they callously just let the money keep rolling in sort of thing, and I think that is where the anger comes from. (10025)

*The Experience of Christmas 2006.*

Indeed, the Christmas experience itself was significantly affected for individuals and their families. Many had to cut back on purchases that they would ordinarily make, limit social events, and the emotional impacts made Christmas less enjoyable than normal:

I didn’t have to borrow, but I didn’t spend as much as I might have liked. I did cut a bit of cost, groceries and stuff in December; I didn’t spend as much, in that respect. We didn’t seem to have as much of that, I don’t know, I think I were more wary, I were more conscious at how things could have been far worse, so I thought, I appreciated what I had and I didn’t go over the top you know, I were very cautious. (10014)

I know the children didn’t have as much as what they would normally, but most people say kids get too much these days anyway. But I have got 4 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 4 kids and whatever and £37 a week is not a lot. I was paying off a bank loan, because we were doing some home improvements so I mean I did put a bit extra on the loan, and, which seemed to get us through, but I mean the Christmas wasn’t there anyway because we spent Christmas last year with my mother anyway. (10012)

*The Impacts Upon Agents.*

One of the particularly important points to stress when documenting the impacts of the Farepak scandal on the individuals involved are those impacts experienced by the agents who collected money from customers to deposit in Farepak accounts. Many of these individuals reported feeling responsible towards their customers for the loss of their money, with some taking it upon themselves to offer money to their customers. A common theme amongst interviewees is that agents were exposed to animosity from customers, in some cases agents were blamed for what had happened:

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, do you know that way like, 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. (10007)

I unfortunately had to come in and then give all the bad news to - most of the girls had read it in one paper or the other but it still wasn’t pleasant coming in and having to tell them. (10006)

at the time it was really really difficult because I felt kind of personally responsible particularly to my workmates, although I wasn’t the agent.

Almost like a proxy agent.

Aye, I felt it was - horrendous you just felt so responsible, and you were - thankfully they were all, you know, really understanding and - but I would imagine for some people that wouldn’t have been the case, you know, my mother in law, some of her customers kind of blamed her, so maybe, yeah not awfully nastily but, you know, she could sense there was an atmosphere between them, and at the end of the day she was just an agent, it wasn’t her fault and you know to reassure her, and to make her feel better I hope we never ever go through this again. (10004)

She [the agent] had some animosity from some of the staff which I think was sad. She didn’t get any from [us] because it wasn’t her fault and we are not that kind of person anyway, but there was some animosity from some people (10024)

*The Wider Context to Individuals’ Lives.*

A particularly pertinent issue that is raised by the interview data is that, in some cases, the financial, psychological and emotional impacts were compounded by the wider context to people’s lives. It may be the case, for example, that a Farepak customer/agent was already coping with a number of stress factors in their lives prior to the scandal, and so the scandal compounded these further:

Well I am a widow, my husband died 3 years ago, I have got 4 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. (10008)

It is also important to consider gender dynamics, as many of the research participants were women, and Farepak was a way of helping them manage their household finances, allowing them to provide for their families during Christmas. In the aftermath of the scandal, some women then 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. (1021)

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

Aye, there were some - some were six hundred, four hundred, two hundred pounds, 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 three thousand between her and her sisters and like, you know, how do you ever recoup that? It’s a lot of money. (10004)

I lost £250, but what I felt really, really bad about, my Mum; I had talked my Mum into joining in that last year and my Dad has just retired so they hadn’t got as much money coming in, and I said to her, why don’t you save with me, so she took £250 as well, and I mean she lost everything, she didn’t get anything back apart from, I think we might got about £30 back from Farepak, but obviously I got a little bit from UNISON as well… (10022)

Furthermore, because agents of Farepak 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 £1500, and then she had sort of, she had some animosity from some of the staff which I think was sad. (10024)

*Regulatory Responses and Secondary Victimisation.*

Victims reported disillusionment as a result of the regulatory responses to, and the reporting of, the Farepak scandal. Victims reported a lack of information, having to draw upon their own resources to build up a picture of what had happened, and this might be thought of as an aspect to 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 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. (10022)

…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, but, and they were giving you a contact number but you weren’t getting anywhere with that either. (10008)

it just seemed to affect so many people… My mother in law was the agent, there was other girls in the office involved in others, and it was just a whole media circus is the only way to describe it, trying to get information and somebody was passing on, you’d get one bit of information and it was, you know, flying through the workforce … through various offices and things, and you think there could have been a much much better way I’m sure of getting factual information into people much earlier. you’re supporting your mother in law who’s effectively worried sick about, you know …. It was the not knowing, if you could get the information quicker, you know, or even if they were saying to people it was going to take months and months and months for this to be resolved, then I think folk would have been better prepared, you know… even putting stuff on the internet, you know, people were logging into…people were doing on a daily basis, you know, and there was all these forums being set up to try and keep people informed … one kind of port of information and information about what was going on… was accurate, and I think that would have helped. (10004)

**Discussion**

Interview data from Farepak customers and agents can be linked to broader discussions about how the effects of financial crime/deviance are complex, diverse and devastating, yet often remain hidden and ignored, and victims are largely unrecognised*.* The stories told by Farepak customers/agents reflect previous research based upon the accounts of those individuals whose lives have been caught up in financial scandal, which also has shown that the impacts of financial crimes/deviance can include financial, emotional, and psychological effects. Indeed, the experiences of victims of financial crime/deviance are comparable to the experiences of those individuals who are victimised by crimes that tend to claim more attention from politicians, policy makers, and researchers – for example, burglary, robbery, and some forms of interpersonal violence such as physical assault (Spalek, 2007). Existing research shows that victims report that they have experienced a variety of impacts as a result of harms arising out of financial crime, deviance and/or unethical behaviour. Such impacts include a complex arrangement of financial effects; feelings of anger, depression, anxiety or stress; psychological effects, including feelings of stigmatisation (Spalek, 2001a); a breakdown of trust and feelings of betrayal (Levi, 1999); and a sense of secondary victimisation, whereby the individual feels that they have been ill-treated in the aftermath of what has happened to them (Spalek, 2001a). Although the academic literature has acknowledged this range of victims’ experiences, there remains a gap in policy resulting in inadequate recognition of such experiences.

Media reportage of, and the policy focus upon, financial scandals tends to focus predominantly on the monetary losses incurred by individuals, and yet the complex nature of such financial harms, particularly when considered in the wider social context of individuals’ lives, means that victims’ experiences go above and beyond financial effects. The lack of attention that is given to many of the effects felt by individuals who experience financial harms means that they are less likely to be regarded as victims in the traditional, narrow, criminological sense of the term. As a result of the predominance of such a conventional victimology the impacts felt by victims, and sometimes the victims themselves, remain obscured.

Despite the expansion of ‘victimology’ in research and policy-making fields, in recent decades in the UK and other western democracies, much of the attention has been focused on the pursuit of a ‘conventional victimology’, at the centre of which is the conceptualisation of harm as consisting of a single criminal event involving an individual victim, being committed by an individual offender (Mawby and Walklate, 1994). Harms arising from financial crime/deviance challenge the social construction of victimisation of more ‘traditional’ crimes (Croall, 2001) as they often involve more than one victim (indeed a single case of corporate fraud or unethical behaviour may victimise thousands of investors/savers/employees), and finding an offender and holding them personally accountable may be extremely problematic. Moreover, these victims’ experiences can often be denied because the principle of *caveat emptor* underpins the governance of the UK financial system, wherein the individual consumer is regarded as being responsible for the transactions that they enter into, assessing any potential risks and mitigating them individually. Thus, the responsibilisation of harms arising out of financial deviance/crime is often squarely placed upon individual investors/savers – an issue raised in section two of this report.

State 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. Moreover, Farepak shows that, as a result of the often large cumulative effect of financial harms, any collective resources that are built up are likely to be of little assistance. Compensation funds totalling £7 million were built up in the aftermath of Farepak, however, these would only result in 15p paid back for every £1.00 lost. It is also worth highlighting that, similar to other cases of financial crime/unethical behaviour, in the case of Farepak no resources were targeted at helping victims to deal with the non-financial – that is, emotional and psychological – effects. Furthermore, Farepak reveals that the harms caused by financial crime/deviance not only affect direct victims, but also their families as well as the wider communities to which individuals belong. Section 2 below explores the issue of regulation where it is argued that Farepak victims’ experiences challenge the model of the knowledgeable consumer so prevalent in regulatory and state discourses.

**Part 2: Knowledgeable Consumers ?**

**Farepak victims’ accounts challenge the regulatory assumption that savers/investors, as active citizens, can avoid being the victims of financial crime and/or deviance. Victims’ accounts suggest that there is little that they could have done to avoid losing their money, as such, policy discussion should be focused on the long term impact of financial harm and the appropriate regulatory responses, rather than the constant obsession with the slackening of consumer rights and company responsibilities.**

*Financial Regulation and the Construction of Savers/Investors as Active Citizens*

An ethos of deregulation and freemarket competition tradtionally has underpinned the UK financial system, as these are considered to be key ingredients to bringing about financial prosperity. The financial system is governed through an actuarial approach, whereby the notion of risk plays a fundamental role in informing the approach to, and intensity of, supervision. For example, the Financial Services Authority (FSA) uses risk assessment methods as the basis upon which to decide the form and intensity of supervision. All firms operating within the financial system are risk assessed in terms of probability and impact factors. It is argued that in risk assessing financial institutions, the FSA can adopt a more proactive approach to regulation since the FSA is able to target its resources at firms identified as being at ‘high risk’. However, this approach is problematic, as it assumes that the danger posed by financial crime and mismanagement can be reduced to the quantitative analysis of risk, using mathematical assessment tools. The figures supplied by companies to the FSA to assess their risk are not ‘solid facts’ in that they can be manipulated and used creatively in order to give certain results, as evidenced by recent scandals. Moreover, as clearly was the case with Farepak, and also the recent decimation of UK company pension schemes, certain savings and investment schemes are not subject to any kind of regulation, so that there continues to be a large potential for unethical behaviour, as there are a large number of 'sites of trust' that potential offenders can exploit (Spalek, 2004; 2007). The financial system essentially consists of a plethora of agent-principle relationships, principles being ‘individuals who invest resources, authority or responsibility in an agent to act on their behalf for some uncertain future' (Shapiro, 1987: 625). Opportunities for abuse therefore arise, largely due to the asymmetrical and unbalanced nature of agent principle relationships.

Over the last three decades or so, government policy has constructed individual consumers/investors as active citizens who, as well as having civil citizenship rights, also 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/events:  for example, being financially prepared for unemployment, ill-health and retirement. Successive governments have pursued a policy of 'popular capitalism' which has encouraged people to become home-owners, shareholders and portable pension owners because social welfare has been regarded as being costly and inefficient, and so instead individuals have been encouraged to protect themselves from future events.

Importantly, individual savers’/investors’ responsibilities as active citizens include that they should 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. Regulation has been viewed as aiming to ‘strengthen but not ensure the protection of depositors’ (Davies, 1998), as although people might yearn for a risk-free world, this will conflict with the financial prosperity which springs from deregulation and free competition (Leigh-Pemberton, 1992: 210). Regulators acknowledge that there is a role for the principle of ‘caveat emptor’, meaning that investors are accountable for the transactions that they make, and should not therefore be given complete protection by regulation. For example 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’ (FSA, 2006).

As a way of managing the risks associated with a deregulated financial system, a key policy strategy to have emerged has been to create confident and knowledgeable consumers, who are aware of the risks that various financial schemes run and who therefore can act to avoid becoming the victims of financial deviance. It would appear that regulators accept that fraud is a natural risk of the financial system, so that the problems of financial crime and/or deviance are thus foisted onto the shoulders of individual consumers, constructed as active citizens who have a responsibility to protect themselves from financial harms. For example, a key strategy of the FSA is to create confident consumers, knowledgeable about financial institutions and products, and about the risks that they run from potential crime and abuse, through ‘financial capability education, information and advice’ in schools, universities, colleges, workplaces as well as at other sites (Everitt, 2006). 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). The Office of Fair Trading (OFT) has also issued tips on how to avoid being the victim of fraud, for instance, ‘How to recognise a scam’ can be downloaded from the OFT website, and website users are encouraged to play interactive phishing and spam scam games for tips on how to recognise internet scams and how to avoid them.

The Farepak Scandal raises some serious questions about the knowledgeable consumer model, as will now be highlighted in the discussions below.

*The Knowledgeable Consumer as a Rational Individual who uses Risk-Assessment Methods to help determine what savings schemes s/he uses ?*

The knowledgeable consumer model appears to adopt a view of the consumer as a rational being, who will assess potential risks and ask appropriate questions to gather information, and that this in turn will be translated into a rational decision-making process. However, interview data from this study suggests that individuals don’t necessarily make decisions based on rational risk-assessment. It seems that in the case of Farepak, customers initially joined the scheme through, or with, friends, relatives, or work colleagues. Research has previously explored the nature of individuals’ trust in expert systems of knowledge, including individuals’ trust in the financial sector, for example, in banking systems. It seems that the interview data from Farepak supports this previous work, which suggests that trust in financial schemes/institutions is partly based on the personal trust developed between individuals and their relationships with each other rather than on more abstract, depersonalised bases of trust, for example, through the collection of information/data about a particular company or financial scheme (Luhmann, 1988; Spalek, 2001b). This means that personalised trust can influence institutional trust and ultimately systemic trust. In the case of Farepak, individuals’ social relationships with, and their 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 and why they trusted this particular savings scheme:

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, so - but approximately ten years. (10004)

As a customer, about at least 10 years. It was an ex colleague, work colleague of mine, who used to be the Agent, so she had quite a few customers over the years, so around 10 years, maybe longer, I don’t know exactly. (10014)

I think because my colleague who was also a close friend of mine, she started it up, I think she was just trying to rustle up some interest and I thought, being as I am on my own with children, I thought it would be a good idea to start saving at beginning of year and have something without it having too much you know I was thinking to myself really, at Christmas and having that impact there, and I didn’t want to get into debt. (10014)

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 twenty 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. That then tailed off after she retired and a few years and again one of the girls in the office here started up the same sort of fund so we did that in the same way, and then she left and I then became the agent for the girls in the department. So all in all we’re probably talking about twenty years, more recently, just in the last five years, as an agent as well. (10006)

The following quotation illustrates that, faced with a choice of Christmas savings schemes, individuals’ choice was largely influenced by their work colleagues:

just happened to be doing it for that particular one because there is a lot of them, I mean there is Park Hampers and there is others, but she (work colleague) just happened to do that one, so we just went with what she was doing you know, and just went for a voucher scheme, not for the actual hampers, for the voucher scheme. (10024)

Indeed, a few individuals didn’t even know that they were saving through Farepak:

To be honest I didn’t even know it was Farepak. (10027)

One individual assumed that she was paying money into a different Christmas savings scheme, such was her trust in a work colleague:

Well my understand 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. (10025)

Interestingly, and perhaps reflecting the importance that social relationships play in individuals’ savings strategies, in the aftermath of Farepak, the directors of another company offering a voucher savings scheme approached a well-known Farepak campaigner and encouraged her to support their company so as to be able to encourage former Farepak customers to use their scheme (My Park Magazine, 2007).

The interview data also reveal that individuals remained with Farepak due, often, to many years of successful experience with hamper schemes:

Yeah, absolutely, having had experience of it for twenty years and as I say maybe it was a bit naïve but you don’t look into these things, but it was a reputable company, it had been on the go for a long time and everything that they did seemed very well organised and, you know, just - it was the last thing anyone expected, and obviously with safeguarding the money, very few people would consider even looking into that kind of thing before they would sign up for these things, you know, I think it was unfair for people to expect most working class people just to sort of go in and check all this sort of nitty gritty like that, you tend to think it’s a reputable company, it’s been on the go for twenty plus years that it was safe, but not to be. (1006)

I mean, being with them for so many years, 20 plus years I mean, you know, I didn’t think there would be any problem. (10012)

Furthermore, people used Farepak because they liked the idea of saving small amounts of money each month so as to then receive vouchers through which many items for Christmas could be bought:

It was just the vouchers where you could just use them on everything, high street vouchers and Marks and Spencer’s vouchers, not the hamper, not the hamper thing, I’ve never done that, it was just the help with the vouchers because …so it just cuts down the cost, plus you can always use them like later on, after Christmas, it was just Marks and Spencer’s vouchers and high street vouchers just to use just to help down the cost, that was all basically. (10025)

You don’t sort of miss maybe £20 or whatever you want to pay a month, you don’t miss that, its…go and buy something there and then at Christmas and you take a whole lot out, but you don’t miss the £20 then and then when she stopped doing it, and then when the night sister decided to do it, we thought oh great we’ll all you know, go for it, because as I said, you don’t miss £20 a month. (10024)

I thought it was an easier option rather than putting money into the bank which you would dip into and if you’d give money to an agent, knowing that you would be getting this money lump sum, you know, at Christmas it would savefinancially, you know, the burden of Christmas. (10023)

The usefulness of Christmas savings schemes for meeting the costs involved in buying children’s Christmas presents was a theme that appeared in a number of interviews:

Because there was somebody in work had the brochure there, so I thought I would have a look and I put an order in and when the children came along, obviously the vouchers came in handy, so that’s why. (10012)

when my children were small it was just a case of you couldn’t touch that money and you knew it then and the day you had some extra money to go out and buy extras with. (10027)

The above quotations suggest that 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 also it 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 also 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. (10004)

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 five pounds 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… (10006)

You know we got us vouchers every Christmas, and I have not done it for about 10 year, and it were just, I don’t know what made me do it really, I honestly don’t know, you know and I thought, oh its only £20 a month you know what I mean, its like a little savings club isn’t it, you know when you are working, I just thought to myself, its saved me going to the bank. It’s like a savings club and that money will be there in vouchers, but they are still spendable, so I think that is why I did it because it’s not convenient when you are working to keep going to the bank. (10021)

I thought it’ll fill my freezer because I knew there were vouchers for Iceland and places like that, you know what I mean, and I thought if push comes to shove and I can’t get anybody a present, give them a voucher you know, so they can go and spend that at Boots or wherever and go and get what they want you know, so it were just, the convenience of it from my point of view, or was it idleness. I don’t know why I did it, but anyway, yeah, I thought it was safe, I never dreamt in a million years anything like this would happen. (10021)

A number of reasons, I don’t save well and I decided to do a degree with the Open University so my money is quite tight, having to buy books and pay for my fees and things like that, so it was a good way of ensuring that I had money for Christmas presents. I have got a 3 year old nephew who wants absolutely everything so it was a good way to get his presents out of the way and not having to worry about everybody else’s, so that was one of my main reasons for doing it and to help with the costs basically. (10009)

*The Knowledgeable Consumer model as Gender-Neutral*

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 appears that the knowledgeable consumer model so prevalent in policy discourse is gender neutral as it fails to consider, or to take into account, gender differences in experiences of saving and/or investment. The model of a rational risk assessor who is comfortable in making their savings/investment decisions purely on the basis of information supplied by companies, advice centres and regulators, appears to forsake that there may be gender differences in how individuals manage the risks associated with their finances. It may be, for example, that women draw upon local networks, based upon friends, family and work colleagues, in order to decide where to invest their money. At the same time, it may be that particular cases of financial crime/deviance disproportionately affect women, and so responses to the process of victimisation may need to take into consideration gender differences (Szockyj & Frank, 1996). 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*

The knowledgeable consumer model also fails to take into account that companies take advantage of the local social bonds of trust developed between individuals, engaging in impression management strategies themselves to gain individuals’ trust. It seems that in the case of Farepak, the company wrote to their customers early in 2006, following the collapse of Choice vouchers, assuring them that their money was safe. Therefore, Farepak customers were led to believe that they could continue paying into this particular savings scheme, believing 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 companies and they always, you know, there was never ever an issue about the money not being safe, nor your vouchers, my instincts at that time should have told me there was something not just quite right. I might have been completely way off the beaten track, but that was the only only time that - through all the years I’ve saved, however. (10004)

…no way, no way, but yet, how many is there out there, you know how many people is out there, I mean how many were in the company? I thought there were only 2 of, were there 2 that were the main people, yeah, and that is all it takes to destroy so many lives, I can’t believe it, yeah. So even if it’s not them two it will be another two won’t it? You know but you think like, it was such, they’ve got this glossy magazine and you know, and you think everything is so above board don’t you? You know, it’s still unbelievable that it’s happened, yeah, that it can be let happen. Yeah, so I don’t know what else to tell you about that really. (10021)

Moreover, it seems that the agents working for Farepak received reassurances early in 2006 that it was safe for customers to continue saving through them:

the person who was doing the Farepak hampers and everything, the vouchers, she did her own research and they guaranteed that that wasn’t a change, that our money would be secure and that we would have our vouchers at the end of the year, and that there was nothing to worry about. (10023)

we honestly did believe that everything was going to be okay, 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 okay, but we were wrong weren’t we….…so we were told to continue you know, doing what we were doing, so we did you see, and we’ve all been had by the company which I think is what is really annoying. (10024)

The following quotation highlights a case where an agent had been collecting money from customers but, due to the insecurity generated by the collapse of the Choice scheme, decided to hold on to customers’ money and not pay this over to Farepak. The agent then 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 if the, but she’d contacted Farepak themselves and she was reassured that 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 we - because obviously 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 that the money would be safe. (10023)

*Farepak Customers were being ‘prudent savers’ but were unaware of the deregulated nature of the financial system*

It is important to stress that Farepak customers were being ‘prudent savers’, using the scheme as a way of managing their household finances, engaging in a number of strategies to manage their money safely:

I tend not to like cards, I am not a, I don’t like to clock a lot of credit up, I’m not, only when I’m desperate do I use my visa or convenience, for convenience more than anything, but I am not a credit card person. What I earn is what I spend; I tend not to go above my means. I try not to, I think that comes with age don’t it? I think it’s because I have had 3 kids and I have always struggled. (10021)

I’m very careful with my money generally, hence the reason why we use the voucher scheme and my credit card I don’t tend to use to any great extent. Obviously we had to last Christmas because it was the only thing that we had to fall back on, but that said, you know, it’s over and done with now and thankfully we’re in the fortunate position that we both work, we’ve been able to recover fairly quickly. (10004)

We’ve got Royal Bank of Scotland current accounts, the credit account, credit cards that I have with Nationwide, and I’ve got a Capital One credit card, but that’s - I’ve put through like Marks & Spencer’s they do like interest and credit for buying furniture, so that was to clear off that, so that’s just - I don’t have the card, I just transferred the balance and cut the card up so that’s just that one, but just the two. (10006)

I have got a wee Halifax account that I would maybe just put, I would go and get out £20, £30 a month, a just put into there, ready for Christmas and holidays. (10007)

However, individuals did not know that, due to the deregulated nature of the financial system, there are many loopholes that potential offenders can exploit:

I just wonder why, and how did it happen, because you think you’re paying into a real reputable company but you don’t - or I didn’t appreciate that there were no regulations, that there wasn’t any kind of government guidelines there to - that they had to buy into, but you learn, the hard way. (10004)

, 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 know 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. (10023)

*The Knowledgeable Consumer model fails to consider the experiences of employees of fraudulent/unethical companies*

Victims of the Farepak scandal include agents who were working on behalf of the company, collecting money from customers. For agents of Farepak, a significant benefit in working for the company was in gaining commission:

Well none of the girls in here got hampers, everybody got vouchers, which gave you the choice of like high street shops, you know, like for Marks and Spencer, or clothes shops, anything like that. Bookshops; you could actually give them out as presents to people as well, plus the commission; you get some commission, from your customers, so do you know what I mean, it was like another way of earning some money for Christmas. (10007)

Following the Farepak scandal agents were affected in many ways, as highlighted in section one of this report. Agents’ experiences further challenge the construct of the knowledgeable consumer, so popular within policy and regulatory discourses, because there is little that individual agents could have done to avoid being victimised. This case therefore has similarities with other cases where employees find that they are working for fraudulent and/or unethical companies, such as the scandals involving Maxwell, BCCI, Enron and Worldcom (see Spalek, 2007 for more details).

**Part 3: Social Justice**

**Farepak customers and agents are the victims of a social injustice, the harms of which are largely unacknowledged by the state and regulatory responses to the scandal. The Farepak scandal has illustrated to former customers and agents the minimal state regulation that there is of business, and also the lack of political incentive to address the needs of victims of financial harm, and so individuals have expressed demands for justice. These demands are multifaceted, comprising of adequate compensation, enhanced regulation and a call for key figures in Farepak to be held accountable for the harms that have been committed.**

*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 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. (1009)

I mean there should be stricter rules shouldn’t there? (10027)

Although in the aftermath of Farepak, the government has responded by introducing a voluntary, industry-led ring-fencing scheme, whereby pre-payments to Christmas hamper savings schemes will be safeguarded, it appears that Farepak victims’ concerns go beyond merely calling for greater protection of hamper schemes. It appears that individuals are demanding that regulation should generally be more proactive, paralleling criticisms that previous victims of financial crime/deviance have made regarding the regulatory system. The regulatory system has been criticised for being reactive to financial scandals rather than proactively preventing them from occurring in the first instance, despite policy documents suggesting that regulators are switching resources from a reactive post-event action towards front-end intervention (Spalek, 2007):

Well I just, I feel that that 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. (10007)

I think more information, because I know it came out on news, that they had been in difficulties from March, April time, why didn’t they stop trading then, because they had taken all our money off us for a whole year, and it weren’t until they had collected all the money off everybody that they said it had you know, fallen.

So do you think perhaps that…

I think something should have been done early doors when they were having difficulties in March. (10022)

there should be regulators in some way I would have thought, and stopped trading. (10022)

Farepak customers and agents also argued that they should have been made aware of a general lack of regulation concerning Christmas hamper schemes:

I don’t know, I really don’t know. I just think, at the time, probably what were going through my mind, was that it isn’t only me, I just thought there was 150,000 members out there that were going through the same and that it, our information came to us afterwards about the fact that they weren’t as regulated, Farepak company weren’t as regulated as it should have been. 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 be, been made a bit clearer to customers regarding the regulation of the company. Yeah, I think that’s what we thought. (10014)

The information quicker I think would have helped …I had no idea that Farepak was a small part of a large organisation, not that that would have made any difference I have to say in terms of saving … but I just assumed that it was a safe environment for us - for you to put your money into, I had no idea, I just thought it was like a bank, you know, you put your money in, take it in and put your money in, you know it’s safe, when you go to draw it out it’s there for you to draw out (10004)

*Harms become concealed, yet magnified*

It is important to highlight the ways in which harms can become concealed and yet magnified in cases of financial crime/deviance. Data from Farepak customers and agents reveals the ways in which financial losses can become concealed. Some customers took the financial burden of the loss upon themselves by incurring credit card debt in order to pay for the items that their Farepak savings were intended to cover. The additional costs incurred by the individual to cover their losses shows that the original harm has been magnified:

and my credit card I don’t tend to use to any great extent. Obviously we had to last Christmas because it was the only thing that we had to fall back on, but that said, you know, it’s over and done with now and thankfully we’re in the fortunate position that we both work, we’ve been able to recover fairly quickly, and I’m sure you’ll interview folk that the process has not been this easy, and, you know, I might look fine, I’ve got my own house and a certain kind of lifestyle and certain things you save, well, I save for things before I buy them rather than the other way round and that’s been particularly difficult I think because of that, before I never really relied much on the credit card, and been paying, you know, having to pay credit card debt was completely alien, and that’s the way I’ve had to be, you know, as I say I’ve got two kids. (10004)

Well I’m struggling because my credit card is higher than what it should be, so I doing without other things to try and get that paid off. (10008)

For others, the financial loss was covered by savings that were intended for other purposes. An important point to stress here is that these customers suggested that the financial impact of the Farepak scandal was negligible and, as such, regard it as being more of an inconvenience because they were able to draw upon these savings, yet it should be noted that this conceals the extent of the harms caused as these individuals still lost money but took responsibility for the burden upon themselves:

Well to be honest it weren’t much different. I mean I lost money, but I’ve just written all that money off so we just drew out of the savings. I mean we still had the same Christmas, but I realise other people, that were not perhaps as fortunate as that, as us, but luckily we had got some savings, I ended up just drawing out of them. (10022)

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. (10006)

Well we got by, but as I say I wanted to help my daughter which I still helped her, but not as much as I would like to. It just made a miserable Christmas really because it like, took the shine off it, so it wasn’t nice.

You say you got by, by that, do you mean that you made cutbacks or…?

…yeah, I took some of my savings out.

Right…

..that you wouldn’t have had to use… (10026)

Some borrowed money from family members to cover the financial loss, which again can serve to conceal the financial harms caused. The following quote demonstrates this, as the customer suggests that there was little impact because they were able to borrow money to cover the amount lost. It also demonstrates that the harms caused impacted upon other people who were not directly involved with Farepak:

It didn’t affect me; I’ve got to be honest. It didn’t affect me that much. It didn’t affect me because my partner immediately said, put it behind you, and I will give you what you’ve lost… (10021)

Others, still, ‘found’ the money to cover their loss from elsewhere. This was usually by means of ‘stretching’ their usual budget, or by making cutbacks that the usual budget would pay for. Again, the following quotes illustrate that victims took responsibility for any financial burden upon themselves, which conceals the harms that resulted from the collapse, but these harms are actually magnified by the fact that individuals lost a sum of money and then felt compelled to ‘find’ that same amount from somewhere else:

It didn’t have such a drastic effect on the family at first, because that was something I was doing out of my salary, you know what I mean, so it didn’t affect the family, and I mean there is only my husband, myself and my 27 year old at home anyway, so I mean it didn’t, it was just that, we had to find that £180 sort of extra from elsewhere, whereas it was £180 that we would probably would not have had to wouldn’t it, and I mean as Judith was saying £180 might not be a lot of money compared to what some people lost, but I mean its still £180 that was my money that I worked damn hard for, and why someone who is a millionaire can pocket my money what I am working hard for, that’s why I get annoyed about it you know that’s all. It didn’t have a great effect on the family. (10024)

Right. So there was, you did have to make some cutbacks on some…?

…yes, because, yes because obviously you have to use money that I thought I wouldn’t be, so I had to delve into my normal budget. (10025)

The above quotes also illustrate that, although the financial harms have been concealed, other harms are still at the forefront of people’s minds. 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:

Okay. 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?

No. Luckily not because we haven’t got dependants so there was only the 2 of us, so although we were quite lucky, but nevertheless, where we could have paid £200, we ended up paying £400, which is not down to us, its down to a company, a multi millionaire bloody company that’s let us down. (10025)

For some, the money lost was covered by the individual working overtime to gain extra money:

Some of the days I’d do extra shifts you know to try and make the money up. (10026)

Okay. And you say that you, you were working a little bit extra around the time…?

…yeah, if they found they were short, well I would come in and do like an extra shift, maybe two shifts a week…

…right…

…when the children were in school, my husband would get the kids to school, that was alright, I mean I would be there to pick them up from school anyway.

So how many more hours on top of your usual shifts did you do?

I work 4 days a week, 4 6 hour shifts. Well it depended on how much they needed me, perhaps I would 1, 2, maybe I would do the 3 extra days you know. (10012)

I did, I think I did a couple of bank shifts, which is like … extra night shifts, so, I only work three nights a week, so I had to work an extra so I was working four nights a week to just like recoup a little bit of the money, which I was fortunate that I could do that, you know, but yeah, I did actually. (10023)

Some customers cut back on what they would normally spend at Christmas, or what they were intending to spend with the money that they had saved with Farepak, which again shows the ways in which harms can be concealed:

I didn’t have to borrow, but I didn’t spend as much as I might have liked. I did cut a bit of cost, groceries and stuff in December; I didn’t spend as much, in that respect. We didn’t seem to have as much of that, I don’t know, I think I were more wary, I were more conscious at how things could have been far worse, so I thought, I appreciated what I had and I didn’t go over the top you know, I were very cautious. (10014)

In addition to finding the money from elsewhere, some victims compared themselves favourably to others, as a way of dealing with the Farepak sandal. This coping strategy has been found in previous research on victimisation:

but it’s, as I say, it was constantly not whether these vouchers were going to come through, or the money, or whether we were going to have to start trying to get together extra money from other places…but I’m quite sure there are people less fortunate than I am, so. (10004)

Working where I work…we see a lot of people in financial hardship, so that’s why I’m…because I’m comparing my situation to some of the situations that I’ve seen on a daily basis and, you know, I’m okay, I can cope with… there are other people much less fortunate than I am, so I think from that point of view I can try and put it in perspective, okay, you know, if you’re looking at in isolation then yeah, it’s a major disaster to me as a person and to my family but, you know, when you look at the wider picture, you know, we’ll get over it. It’s hard but, you know, we’ll just have to go on with it. (10004)

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. (10006)

For some the harms were concealed because individuals took some responsibility for what had happened, indicating that they had chosen to join the saving scheme:

As compensation goes, I think - I know there was a lot of furore in the press that everybody should have been helping, but at the end of the day it was something that we chose to put into and I think it was maybe a bit unfair to expect other members of the public to help bail us out type of thing, you know, I was fortunate it didn’t affect me greatly, but it must have been desperate for some people, it really must have been, but as I say, just to make sure people are aware of the regulations when they’re, you know, joining these types of things, I think that’s very important. (10006)

Individuals also concealed the harms caused by reaching the conclusion that if they did receive any money back from Farepak, that it would be a negligible amount:

Sometimes [I hate to say] but you can forget about it, you know, it was - it’s in the past, and I don’t think any others were expecting to get anything at the end of the, you know, the administration period or whatever, I think we’ve all just kind of resigned ourselves to the fact that if anything does come out it’ll be absolute peanuts. (10006)

*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 as 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 2 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 2 children you know, but every month seems to be a struggle in one way or another anyway, there is always something that children need or, 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. (10014)

Yeah. So there was a bit of financial assistance…?

yeah, definitely, definitely…

that was of some help, yeah?

A massive help. (10014)

Can you remember how much you received from UNISON Welfare?

I can, yeah, four hundred pounds, it was like almost - almost half what we lost, between that and what we got back from Sainsbury’s - we got fifty pounds from Sainsbury’s and about four hundred pounds from the UNISON Welfare, I think that came through about the February or the March time, 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. (10004)

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

Did it help emotionally and psychologically as well as sort of financially?

Well it was nice to think that you were getting help from somebody. So I suppose it did, yeah. (10007)

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. (10006)

Oh it was really just like winning the lottery. (10004)

For some members, the UNISON Welfare payment helped to restore some normality to their Christmas experience:

Well I think it gave me piece of mind, I had that bit more money to spend, it brought Christmas back, it brought a bit of Christmas spirit back into family, back into my children you know, I said, I told children that our UNISON company had stepped in and gave us a bit of money so that things wouldn’t look as bleak for Christmas as it might have been, so it were, it were a … to be honest. (10014)

But also, I really appreciated that UNISON has sent us you know, they saved our day and they saved our Christmas. (10014)

It was just nice to think that somebody else you know, were thinking about us really, and helping towards Christmas. (10022)

Interview data highlights 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 its, 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. If its there, we are going to have it, simple as that. But honestly, it were unbelief, people just say no, why would UNISON give us any money, you know what I mean, so same as I say I think people were under the same impression as me, you think that UNISON are there for work related things, you don’t think you know, that they are there for owt like that, so, very much appreciated and yeah, went down really well. Everybody were chuffed to bits, absolutely. In fact I were off just before Christmas, and when I come back, I said to everybody that were in it, did anybody think to send UNISON a thank you card, and they all went, a thank you card, no, why. I said well I think it’s the proper thing to do, I will go and get it, and if we all sign it, which we did, and the guy that rang me up to ask me about this interview, I says, we did put a card in the post, he says yeah I know you did, and that were really nice on you, because I think it were nice to acknowledge that you know, it were, they were grateful you know, especially with them that had young kids you know, we were grateful that they got something you know, so, yeah, I’m waffling. (10021)

…somebody there that had, like a good Samaritan if you like, that had come forward to help us in whatever way they could, you know, and appreciating that it weren’t only myself that were feeling, there were thousands out there … similar situations that had lost a lot more as well, so I were one of the few, I were thinking about it all in general, you know what I mean. (10014)

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. (10008)

…well it just made me feel that I was glad I was a member of UNISON anyway, because some people are not. There are a lot of people in here that are members of other unions, which they didn’t help, so. (10008)

I think it was just somebody actually listening to people and sort of taking, you know, actually somebody was listening and not sort of just writing it all off, the government didn’t do nothing, you know, and the union, you know, the welfare actually were like a lifeline for some people, and it was greatly appreciated, you know, even though, you know, like a hundred and eighty pounds, but it, you know, sort of give you some money back and thought well I’m not being forgotten about and just shoved, you know, so I think at the end of the day it was well received, and I think it helped out a lot of people, you know, and I mean it was obviously a hundred and eight pound is a hundred and eighty pound, and it’s better than nothing really, and I think that did help, you know, for a lot of people like myself, and the fact that the union was, you know, concerned enough to actually do it, when the government have done nothing since, you know, when somebody else, you know, whatever, I don’t know, whatever, but, you know, there would be an enquiry and … an enquiry but they haven’t done nothing, whereas UNISON they decided obviously on their members because there was a lot of members who like missed out, you know, and they actually, you know, obviously took it upon themselves to sort of - because the members obviously do pay to UNISON, but they have actually given something back to their members as well. (10023)

It didn’t help to deal with it, but I mean, not to that extent, I don’t know what extent you mean, it eased it a bit, it was nice like, to see that somebody cared, and somebody took the concern to that length where they wanted to help somebody, I thought that was good, what they did actually, I was quite impressed and quite proud actually, that UNISON Welfare did what they did…

…yeah…

…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, as I said earlier on, we’re Band 5 that’s nice, but Band 2 or 3 get a lot less money that what we get, so I mean you know, 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.

So did it have a significant emotional effect knowing that there was somebody…?

…yeah, that did yeah, I would definitely agree with that. I think it helped the emotional side, and feeling quite proud of UNISON you know to a point, I thought that was really nice that they did that, compared to, well it didn’t come really from anywhere else, whether it be Government or anybody, you know I thought it was really good. (10024)

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. At an individual level, this can be seen as another example of secondary victimisation. At a macro level, it highlights the inadequacy of reactionary responses to financial harms which, as a result of their cumulative nature, impact on a large scale. This inadequacy stems from the lack of victimological recognition afforded to those who suffer as a result of financial harms:

I mean to give 5% was an insult… I mean people lost £500 - £700, a lot more than that, that to me is a damn right insult to the people, if that was 5%. I thought when I got told that, it was 5%, 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 (10025).

*Wanting Justice*

Many customers and agents of Farepak do not feel as though justice has been achieved. Many suggest that the directors of Farepak should be held accountable for the Farepak scandal, and it is clear from the interview data that such a lack of accountability is a substantial barrier to achieving social justice in the aftermath of the collapse:

but as I say if we could just hold these folk personally responsible and make them feel the pain that we all felt at Christmas last year. (10004)

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 with 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. (10014)

Some victims suggested that if they had caused similar harms then 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 I would have 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. (10014)

If it had been you or me we would have been in jail. (10023)

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 that the Government would intervene to ensure people did not lose their money:

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. 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, and what should have been sorted out long before that, and I also feel as though the Government should have helped people out, because I know there were people an awful lot worse off than what I was. You know, I consider myself to be quite lucky when you have seen some of the stories on the tele, but you know, it definitely should have been sorted out long before that you know. I think the Government could have done a lot more. (10007)

you can prevent something like that by saying to the government, look, listen to us, take a stand and it means that the people who’ve lost this this and this, you know, they pass law for other things, you know, why haven’t they done it, you know, for these, and why hasn’t the government done something about it because, you know, they just seem to have pushed it under the carpet and tried to forget about it. (10023)

It appears, therefore, that there are many dimensions to achieving social justice for Farepak victims. Investigations into Farepak are ongoing, and future research might explore the extent to which Farepak victims feel that justice has been achieved.

*Names in this report have been changed to protect anonymity.*

**Conclusion**

In conclusion the following key points can be stressed:

* 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, from banks and from credit card companies.
* Farepak victims are still waiting for adequate compensation of 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 money to their customers. In some instances, agents were exposed to considerable animosity from their customers, being blamed for what had happened.
* As a result of the localized nature of Farepak, many members of the same families were affected, and certain workplaces contained large numbers of affected individuals.
* Victims reported disillusionment as a result of the regulatory responses to, and the reporting of, the Farepak scandal. Victims reported a lack of information, having to draw upon their own resources to build up a picture of what had happened.
* As a way of managing the risks associated with a deregulated financial system, a key policy strategy to have emerged has been to create confident and knowledgeable consumers, who are aware of the risks that various financial schemes run and who therefore can act to avoid becoming the victims of financial deviance.
* The Farepak Scandal raises some serious questions about the knowledgeable consumer model. The knowledgeable consumer model appears to adopt a view of the consumer as a rational being, who will assess potential risks and ask appropriate questions to gather information, and that this in turn will be translated into a rational decision-making process. However, it seems that in the case of Farepak, customers initially joined the scheme through, or with, friends, relatives, or work colleagues, and so their 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. The model of a rational risk assessor who is comfortable in making their savings/investment decisions purely on the basis of information supplied by companies, advice centres and regulators, appears to forsake gender differences, and data with Farepak victims suggests that perhaps women tend to draw upon local networks, based upon friends, family and work colleagues, in order to decide where to invest their money.
* The knowledgeable consumer model also fails to take into account that companies take advantage of the local social bonds of trust developed between individuals, engaging in impression management strategies themselves to gain individuals’ trust. Farepak wrote to their customers early in 2006, assuring them that their money was safe.
* 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 for there to be adequate compensation for their plight, for there to be enhanced regulation and for key figures in Farepak to be held accountable for the harms that have been committed.
* Although in the aftermath of Farepak, the government has responded by introducing a voluntary, industry-led ring-fencing scheme, whereby pre-payments to Christmas hamper savings schemes will be safeguarded, it appears that Farepak victims’ concerns go beyond merely calling for greater protection of hamper schemes. Victims’ voices suggest that regulation should generally be more proactive, paralleling criticisms that previous victims of financial crime/deviance have made regarding the regulatory system.
* 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 many highlighted the actions of UNISON Welfare as providing financial assistance.
* Interview data highlights 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.

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