MONEY

THE AVERAGE COST OF MOTOR INSURANCE PREMIUMS IN 2023

€568

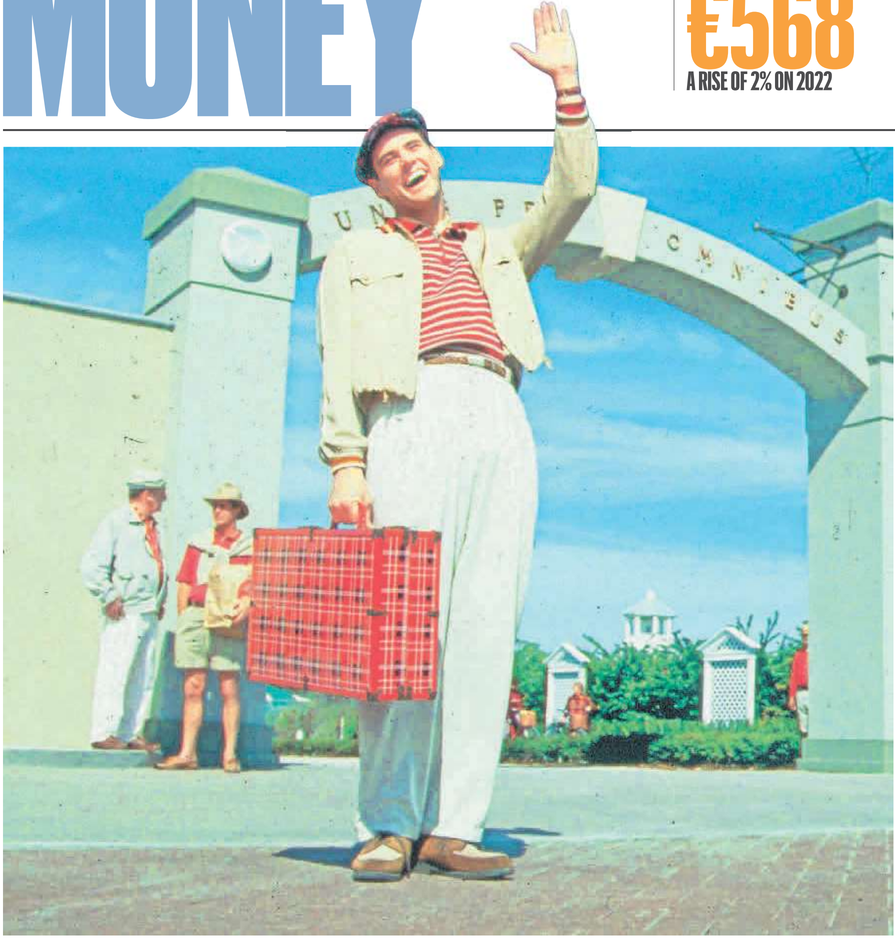
A RISE OF 2% ON 2022

PROPORTION OF MOTOR INSURANCE POLICIES THAT ARE COMPREHENSIVE

93%

COMPARES TO 83% IN 2017

SOURCE: CENTRAL BANK OF IRELAND



Don't fall for reviews too good to be true

Bogus customer endorsements are banned by online stores such as Amazon but some slip through the net, writes *Eithne Dunne*

With Black Friday, Cyber Monday and pre-Christmas shopping all nearly upon us, many consumers will find themselves scrolling through reviews online, trying to sort the wheat from the chaff and spend their money only on decent products.

Lurking among the many genuine reviews, though, will be the bogus ones, which have been bought from "fake review factories" or whose authors have been rewarded for giving glowing accounts of their experiences, regardless of the facts.

Research from the UK consumer body Which? has shown that fake reviews make consumers more than twice as likely to choose poor-quality products. It also found that, in August last year, 10 per cent of people in the UK who had bought through Amazon in the previous 12 months had received a note or card from the relevant seller offering an incentive to leave a five-star review. Others were asked to change a negative review to a positive one. This practice is banned on Amazon, but clearly some traders are prepared to take the risk of getting in trouble with the marketplace.

According to Grainne Griffin, director of communications at the Competition and Consumer Protection Commission (CCPC), reviews have long played an important role in consumer decision-making, but the move to online shopping has made them "critical".

"If you look at any of the significant shopping platforms, listing or filtering items by review is a really common way to order items, so reviews are very influential," she says.

Legislators have been trying to deter businesses from using or allowing fake reviews. For example, since the Consumer Rights Act 2022 was passed, it has been illegal for any business in Ireland to post or pay for false reviews. The UK followed suit this year with its Digital Markets, Competition and Consumers Act.

For now, however, the fake review industry remains prolific. Services that offer positive reviews often approach customers through social media or encrypted messaging to ask them to write fake reviews in return for money or free products. A quick search online throws up numerous such enterprises including, for example, reviewsthatstick.com, which offers reviews on websites such as TripAdvisor for $50 each, as well as package deals.

Jim Carrey in The Truman Show, a 1998 film about a man brought up in a world that didn't really exist

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Many fake reviews have been solicited through Facebook groups that promise products or other incentives in return. In 2022, Amazon sued 10,000 admins of such groups across the world. One group removed by Facebook/Meta – Amazon Product Review – had more than 43,000 members. But there are still review groups on the platform. The Amazon Reviews Español group, for example, which has 1,300 members and was created this year, promises free products for five-star reviews.

Amazon says it is "aggressively fighting" fake reviews through a combination of machine-learning models and expert investigators, and that it blocked more than 250 million suspected fake reviews from its store last year. It has also been taking legal action against perpetrators in line with what it describes as its "zero-tolerance" approach. Amazon filed its first fake review lawsuit in 2015, and last year it took legal action against more than 150 parties across the US, Europe and China. Trustpilot removed about 3.3 million fake reviews from its site last year – 6 per cent of its total reviews for that year. It says that the majority (82 per cent) were identified by its automated detection systems. The rest were flagged by whistleblowers among its users. Despite these efforts, however, Trustpilot says that some fakes still slip through the net.

SPOTTING A FAKE

Not all fake reviews are easy to identify, but there are some red flags to watch out for. The CCPC says to look at the language. Sometimes a fake review may sound unnatural or repetitive, and have lots of exclamation marks and capital letters throughout. It is also worth clicking into a reviewer's account to see what previous posts they have made. If many of them are similar, they may be suspect.

Be wary, too, if there is a disproportionate number of five-star ratings. According to Trustpilot, if a company's reviews are all five-star, you have to "question whether they can get it right every single time". Which? goes a step further, saying that shoppers should generally ignore five-star reviews altogether.

Which? also advises shoppers to tread carefully if many of the reviews under a product include pictures or videos. Its investigations have found this to be a common request from sellers who incentivise positive reviews.

Also, note that genuine reviews often contain specific information about a person's experience with a product or service, rather than just generalities. Which? also says that if you notice a slew of reviews having been posted around the same time, it suggests that the seller might have used "one of a range of methods to drum up positive feedback through incentivisation".

Some reviewers warn other buyers in their reviews of a certain company or product that they were offered a bribe. Which? recommends using the search box on Amazon to look for terms like "bribe" or "warning".

Be wary also of "review merging", a fairly common practice in which reviews for different products are listed under the product you are researching. Where this happens, says Which?, the seller may be "deliberately manipulating the product listing to make it seem more appealing to buyers".

"We advise consumers to exercise a high degree of cynicism," Griffin says. "If you see reviews, check for additional information as to where that review came from. Is it independent, or was it potentially generated in response to a free gift? A lot of the time this information is available, but it might not be immediately obvious."

Which? recommends that, when looking at reviews, you sort them based on the most recent rather than, say, "top reviews" or "most helpful reviews". That's because, it says, fake reviewers can manipulate their reviews to make them appear more helpful and get them moved to the top of the list.

According to Trustpilot, however, even the most clued-in shopper will have mixed success in spotting fake reviews just by looking at the content. This is where online tools may come in handy. One example is Fakespot, which you can use on various sites and which applies AI to analyse reviews and other information to identify unreliable data. Others are ReviewMeta and the Review Index, which you can use for Amazon.

If you do buy something based on fake reviews (whether you're aware of it or not) and you are unhappy with it when it arrives, as long as the seller is in the EU you automatically have 14 days to tell them you don't want the item and another 14 days to return it for a full refund.

Even after this period there are protections. For example, if there's a problem with the item that the seller is not addressing, you may be able to take a case to the small claims court for Irish businesses or to the European Consumer Centre Ireland for businesses in the EU, Iceland and Norway. If you buy from outside the EU, however, none of the above applies, and you are reliant on the seller's terms and conditions.

€? QUESTION OF MONEY

My husband and I, who have been married for 25 years, are in the process of a divorce. He has quite a substantial pension and it is to be divided between us via a pension adjustment order. I plan to retire in a couple of years but it is likely to be a while before my soon-to-be ex-husband retires as he is self-employed and planning to work into his early seventies. I've been warned that I may face a tax bill on my share of his pension when he retires. Is that right? If so, how might I prepare for that? I also have my own private pension as I have worked since my early twenties.

AN, Dublin

Yes, you could face a tax bill on your share of your husband's pension when he retires, but only if his total fund at retirement exceeds the standard fund threshold. The SFT, which is at present €2 million, is the total capital value of tax-relieved pension benefits that a person can draw down in their lifetime. When a fund exceeds the SFT, the balance over the limit is subject to chargeable excess tax (CET) of 40 per cent.

When a pension adjustment order stipulates that a pension be shared, CET must also be shared, but only when your former husband retires will the scheme administrators estimate the value of the total benefits and establish whether CET applies. If you think that your ex-husband's pension will exceed the SFT when he retires, it is worth getting some impartial financial advice on how to deal with the conundrum. It might be prudent, for example, not to spend any pension benefit you receive on foot of the pension adjustment order in its entirety, but to save some to cover any tax bill down the line.

The SFT is set to increase by €200,000 a year between 2026 and 2029 so that it reaches €2.8 million by 2029. The government has also said it plans to review the rate of CET by 2030. These developments may work in your favour when the time comes for your ex-husband to retire.

It's worth noting that the share of your ex's pension that you receive won't eat into your own SFT. Let's say your ex-husband has a €2 million pension and half of it is awarded to you. Even if the pension fund you have through your own private pension is worth €2 million, the additional €1 million pension benefit you get from your ex is ignored for the purposes of your own SFT. At the end of the day, though, any CET that your ex-husband is liable for on his pension fund at retirement must still be apportioned between you both. So ultimately you won't escape that tax unless your ex-husband's pension fund doesn't exceed the SFT.

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Send your personal finance or consumer-related questions to money@sunday-times.ie

Eoghan Gavigan

Changing rules and the great game of pension whack-a-mole

It's funny the things you get inspiration from. While passing through our living room recently I expressed out loud a modicum of frustration regarding a pension issue that was causing me a problem.

Our youngest heard me and his reaction was to ask, "Dad, why don't the government want people to do pensions?" He knows the government makes the rules and that the rules are, shall 'e say, less than perfect, so e figured that they obviously on't want it to be easy for eople to contribute to a pension. From the mouths of babes or what?

Pointless rules abound, uch as forcing a person to uy an annuity if they use the salary and service method to calculate their retirement lump sum, or making someone incur the expense of obtaining a certificate of benefit comparison if they want to transfer their occupational pension to a PRSA; paternalism at its best.

The above rules are arbitrary and pointless, but we've had them for so long that we barely notice the inconvenience. What is worse than old rules that serve no purpose, though, is when the rules are changed in a way that makes no sense.

Take, for example, a piece of European legislation called IORP II, which introduced more requirements designed to bolster the financial and risk management of occupational pension schemes.

Very good, I hear you say. Introducing legislation that governs pension schemes is like having rules that stop someone opening the door of a commercial airliner mid-flight; it's for everyone's safety. The problem is that even though there was a derogation that meant member states weren't required to apply IORP II to single-member pension schemes like executive pensions, Ireland did anyway, and it had the effect of closing this product to new entrants. Cue migration to PRSAs.

Applying IORP II to single-member schemes is like introducing rules to stop pilots of single-seater planes from sabotaging their own planes. Why would they want to? All this does is impose needless requirements that disincentivise saving for retirement.

In fact, the aeronautical analogy is imperfect, because although you could argue that the single-seater plane might endanger a commercial airliner, the single-member pension scheme cannot endanger a company pension scheme. If the pilot messes up, it won't affect anyone but himself. A one-size-fits-all approach to issues that are not the same is rarely a good approach.

But it's OK. Shortly after wringing the neck of the executive pension, they changed the rules around PRSAs to make them more like an executive pension running on high-octane fuel. The Finance Act 2022 abolished benefit-in-kind on employer contributions to PRSAs, which effectively removed the limit on employer contributions. This meant that a company director who had forgone funding a pension to maintain his company's cashflow in the early years could bring his pension funding up to date later in life. Cue even more migration to PRSAs.

The industry's response to IORP II was to reconstitute the executive pension under a new legal structure called a master trust. You could then recommence offering executive pensions but, given the existence of the new improved PRSA, did anyone need or want one? The industry walked determinedly on, unsure of its direction as the ground shifted under its feet.

Many people transferred their executive pensions into PRSAs, and many more took out new PRSAs. Some people stuck with executive pensions.

In recent months it has become clear that the government was concerned that the rules made it too easy to contribute to a pension, and word on the street was that they were going to try to make it harder. They recently did just that by deciding to reimpose an upper limit on employer contributions to a PRSA. Our son was incredulous.

Cue a massive move back to executive pensions? For some, yes, but there will be moves in both directions.

The best option will be specific to the individual as it will depend on the contributions allowed under each. The switching process is going to throw another spanner in the works of the life companies, many of which have been struggling to maintain service levels since Covid.

If you're the owner of a company with a lot of cash, now would be a good time to review your retirement planning, as under present proposals the flexibility that was available to extract that cash tax-effectively will reduce imminently. Because of the uncertainty about the effective date of this change, I recommend doing it sooner rather than later.

Eoghan Gavigan is a certified financial planner and owner of Highfield Financial Planning; hfp.ie