

## MONEY



FOR RICHER AND POORER  
HOW KEITH CUNNINGHAM'S  
EXPERIENCE OF GOING BROKE  
INSPIRED A BOOK P15

# Add security into the bargain

There are some great recession deals to be had, but they come with risks, writes Niall Brady

SHOPS are slashing prices to pull in business — but bargain-hunters risk getting badly burnt when traders go bust before delivering the goods.

Those with money to spend can drive hard bargains as the economy slides further into recession, especially for big-ticket purchases such as home appliances, furniture, foreign holidays, cars and consumer electronics.

The catch is customers must usually make hefty down payments, or even pay the full price upfront. When businesses fail, they risk losing their money — as well as the purchases that once looked like bargains. Those holding credit notes and gift vouchers are likely to be out of pocket too.

Mark Homan, a senior associate at solicitor Lavelle Coleman, said: "If you pay a cash deposit to a company that goes bust, you're unlikely to recover any of your money. You're an unsecured creditor and there is seldom anything left for them in a liquidation after the Revenue Commissioners and banks have been paid off."

Businesses are failing at an alarming rate. FGS, an accountant, says 753 Irish companies ended up in liquidation, receivership or examinership in 2008 — 37% in the last three months of the year. This was more than double the 370 corporate failures in 2007.

Recent casualties include the furniture retailer Jim Langan, the clothing chain Principles and the entertainment retailer Zavvi.

Land of Leather, Chartbusters and Golden Discs have also sought protection from creditors through the examinership process. Last summer, a number of consumers who bought ticket-only deals from the airline XL ended up out of pocket.

Struggling with a 65% slump in sales, the car trade is offering keen deals to coax motorists to part with their cash, especially for luxury models. Land Rover has cut the price of a Discovery by €5,230. Jaguar has reduced the asking price of its newly released XF model by up to €10,200.

Top-end kitchen-makers are also offering large discounts. One Siemens model has been reduced from €75,400 to €38,897. Another model is selling for €26,553 — down from €52,419.

Rosie Shortt, a co-founder of Houseworks, which sells Siematic in Ireland, said: "We haven't had to change our payment terms — we look for a 30% booking deposit — but who's to say that won't change? We've been let down by builders, so we've a few kitchens up for grabs at special prices. They're in our warehouse so, if you're interested, you don't have to worry about waiting weeks for delivery."

Here, we look at ways of

ensuring that bargain-hunters do not lose out in pursuit of a deal.

**How much is a reasonable deposit?**  
Those ordering items that will take weeks or months to deliver should pay as little as possible upfront.

Diarmuid MacShane, the founder of ValueIreland.com, a consumer website, said: "If you're not getting delivery immediately, try to keep as much of your money as possible in your own pocket rather than allowing a business to hold on to it. Businesses will be flexible if they want your custom badly enough. Don't forget that, if they fail, you'll have to join the back of the queue to get your money back."

**How can I protect a deposit?**

Customers paying by Visa or Mastercard can ask their credit card companies for a full refund, known as a chargeback, when businesses go bust before delivering goods or services paid for in advance — whether in part or in full.

This protection is not available with cash, cheques or Laser debit cards.

Ann Fitzgerald, the chief executive of the National Consumer Agency, a government watchdog, said: "Credit cards are the only safe way of paying for anything in advance because you can request a chargeback if the business goes bust and the item never arrives. Remember, though, to pay off your credit card balance in full by the end of the month."

**How long does a chargeback take?**

Consumers could be in for a long wait because the credit card companies will want to ensure there is no chance of goods purchased from bankrupt businesses turning up after they have paid refunds.

Under Visa and Mastercard rules, chargebacks are made 30 days after the due delivery date. This could mean long delays for those buying furniture, for example, where delivery dates can be many months into the future.

There is a risk that cardholders may never get their money back, especially if credit card companies impose deadlines for requesting chargebacks and these deadlines fall before the due delivery date.

Una Dillon, the head of card services at the Irish Payment Services Organisation, said: "Check your card issuer's terms and conditions. Some may have time limits for requesting a chargeback — 120 days from the date the payment was made, for example. If your delivery date is later than this, you need to talk with your card issuer."

Bank of Ireland said: "We don't have a time limit, but customers requesting chargebacks need to be able to provide that the provider has gone bust and that



Dempsey tries on one of her finds at Swopshop, helped by Adele Geoghan the owner of the Dublin store where unwanted clothes can be exchanged for more fashionable outfits

they won't be receiving the goods they've paid for."

MBNA has a similar policy: "We're in a position to offer chargebacks only where we have official notification from a liquidator or receiver that customers won't be getting what they've paid for and they won't be getting their money back."

Allied Irish Banks said: "Timeframes can vary a lot because we need to be sure the

goods don't turn up after making a chargeback. Customers' best bet is to talk to us first."

**What about insurance?**

Unlike businesses, consumers cannot generally buy credit insurance that protects payments they make in advance. The exceptions are wedding and travel insurance.

Premiums for wedding insurance range from €69 to €310,

according to a survey in the March issue of Consumer Choice, the magazine of the Consumers' Association of Ireland. "The harder the recession bites, the more likely it is that a contracted supplier of some important wedding component may go out of business or be unable to meet its obligations," it said. "We are currently seeing this happen, particularly in the case of pre-booked hotels going bust."

The level of insurance cover differs widely. John Clear of Proassured Ireland, a specialist broker, said: "There are two types of wedding policy: one covers the deposit if your hotel goes bust, the other merely covers the cost of reorganising the event somewhere else."

IrishWeddingInsurance.ie, an online broker, charges €149 for a policy that pays out €16,000 towards getting an alternative venue. ClickandInsure.ie, another online broker, is a better bet, even though it is slightly more expensive. It charges €175 for a policy that pays out up to €20,000 if the original venue goes bust, plus an additional payout of up to €10,000 to cover the extra expense of finding an alternative at short notice.

Holidaymakers who have booked flights and accommodation as part of a package are

covered if their tour operators go out of business, because they are bonded by the Commission for Aviation Regulation.

Those making their own holiday plans may be covered if they have the right travel insurance. Accident & General Insurance Services' premier faisure policy, sold through travel agents, costs €103 a year for worldwide travel and gives cover up to €3,000 if a travel or accommodation provider becomes insolvent.

**Is escrow an option?**

Anyone making large advance payments — €5,000 or more — should consider using escrow accounts. This means the cash is held by the trader's solicitor, who releases it only when goods or services have been delivered.

"If you're buying furniture or electrical goods, it's unlikely that retailers will go to the trouble of setting up an escrow account for you," said Homan. "If you're planning a wedding, though, where you are paying for an event that probably won't happen until next year, you're entitled to ask that the money is held in escrow."

"Hotels will probably resist at first but, with the way the market is going, they should become more amenable. Escrow shouldn't cost the consumer anything — it's supplied and paid for by traders."

## Swap and save

School girl Aine Dempsey, a dedicated follower of fashion, discovered she could get around her tight budget by bartering clothes at a specialist shop

SHOPPERS need not worry about putting their money at risk if they barter rather than buy.

Aine Dempsey, 15, a junior-certificate student at Loreto College, on St Stephen's Green, Dublin, uses the Swopshop in Crow Street Bazaar in Temple Bar to trade unwanted gladrags for something more fashionable.

"I came across Swopshop by accident and I liked the idea immediately," she said. "I'm a student, so my budget is obviously limited. When I get unwanted presents, I can swap them for something I do like."

Dempsey had no problem picking items to jettison from her wardrobe: a pair of Dubarry shoes in hot pink, a top from Marks & Spencer and an olive green dress from Topshop. She traded them in for a red trench coat from Oasis, a black and white swirl dress from

Dunnes and a green silk top. The only money that changed hands was a €13 service charge.

"If you've got stuff that's out of season or which doesn't fit any more, why not swap it for nicer stuff?" said Dempsey.

She is already on the lookout for her next purchase. She spotted a Karen Millen coat on her last visit to Swopshop, but it was too big. "My dream purchase would be anything by Diane von Furstenberg," she said.

Articles must be in top condition and freshly laundered and ironed before they can be swapped. The shop classifies items into five value categories, adding a service charge on each article exchanged.

Like-for-like swaps cost €5-€10; trading up costs more while downgrading costs less.

Niall Brady

## Safe shopping tips

**The National Consumer Agency says shoppers can protect themselves from traders who go bust by:**

■ Paying by credit card, using chargebacks to gain a refund for their money if traders go out of business.

■ Not holding on to credit notes or gift vouchers for too long — they may be worthless if the business fails.

■ Demanding their money back if traders miss delivery deadlines repeatedly.

■ Refusing to pay in full if there is a long delivery period involved.

■ Taking delivery of expensive items once they have been paid for, rather than asking retailers to hold or store them indefinitely.

■ Checking that goods are not faulty, and that they are what has been paid for, as soon as they are delivered.

■ Checking if the trader is a subsidiary of a larger firm, which may honour the deal if the trader goes bust.

# Making worst students pay more could provide a valuable lesson

JILL KERBY  
COMMENT



I know a lot of parents are deeply worried about how to pay for third-level fees if they are reintroduced. But academics, and many people in industry, say free university education has not only impoverished the universities but also debased the value of degrees.

I came across an alternative suggestion to higher fees last week in the letters page of a British newspaper. An academic suggested there be no charge whatsoever for first-year undergraduates but those who barely pass the year should pay

higher fees in their second year than those who have excelled. The high achievers' further education should be subsidised, he argued.

This won't please student union leaders who believe attending university is a rite of passage for every school-leaver and clearly more acceptable than getting a job, taking a Fas course or claiming the dole.

Merit-based funding of a university education would not only focus students' minds, but it would also help hard-pressed parents to decide on which

of their offspring to spend the family's, and the university's, scarce resources.

**We don't need another burden**

How many people — outside the government and trade union leadership — seriously think that increasing income tax is going to slow down unemployment, keep struggling but solvent businesses afloat and help the people lucky enough to still have a job to keep paying their bills?

Why is it that the same politicians who have committed so many billions of euros of our money to recapitalising the two main banks and guaranteeing the solvency of the other four — allegedly to ensure their liquidity so they can lend money again — now believe that taking billions out of the pockets of earners and savers will encourage them to borrow and spend?

Just for the record, in the course of my job I have not met a single person who believes this is a viable solution to our immediate or long-term economic problems. I think these people are right and the government — and the unions that direct so much state policy — are wrong.

Anyone who lives in the real world — clearly not politicians and central

bankers — knows perfectly well that when your family income is slashed (much in the same way our GDP is expected to fall by about €13 billion this year) you don't immediately look to borrow the shortfall.

Instead you do a quick assessment of what you need to live on and what outgoings you must eliminate. Once you pare back your spending and reduce your debt, you then renegotiate your other fixed repayments to squeeze out as much extra income as you can. Then you follow the old adage: "Use it up, wear it out, make it do or do without."

Savings then become a priority and you will aim to spend and lend that money more carefully and prudently.

So many mistakes have already been made by politicians and central bankers, from pumping up the global bubble economy between 2001 and 2007 with artificially cheap credit and lax banking standards, to bailing out bankrupt financial services companies worldwide and property developers here with borrowed or artificially created cheap money.

Unlike America and Britain, we don't have a printing press to pursue a high-risk strategy of making money out of thin air to deflate away the nation's

debt. Instead, our government has raided the national piggy bank — the pensions reserve fund — borrowed against our children's future earnings in the hugely expensive bond markets and levied the incomes of (so far) protected state workers.

Now, because remaining earners and savers are afraid to voluntarily spend their money on tax-generating property purchases, the government intends to compulsorily take this money from us in the form of income levies, income taxes, tax relief cuts and, possibly, a property tax.

The terrible reality is that nothing can stop them from doing so if they wish. But then, nothing they do can stop this recession from proceeding either.

Adding an extra burden of tax to pay for a national budget that we simply can no longer afford will be just one more mistake that will need to be corrected later.

**What the Romans could do for us**

Rome has been in the tourist business for a long time — the Emperor Augustus's decision to turn it into a city of marble proved to be a big crowd pleaser, and once Constantine put St Peter's remains in a

proper basilica, the pilgrims just kept coming.

Now, however, visitor numbers are way down. This is fine if you dread the midday queues into the Colosseum or the Vatican museum, but the Romans are worried. Restaurants everywhere are posting cheap tourist menus but are still half empty. A performance of La Traviata I booked last Saturday night was cancelled: "I am sorry, signora. There were simply not enough tickets sold."

Things are pretty bad for merchants in Dublin too. I explained to my friend Camilla, who owns a little babywear shop in Trastevere. "I bet they don't have the polizia finanzia [finance police] breathing down their necks," she said.

"Not only is my business down, but I also have to worry about putting my inventory on sale. We are restricted by the tax authorities who will send in the polizia finanzia if they think you are holding a sale but avoiding paying all the Vat."

Income tax evasion remains a problem in Italy, she explained with a shrug, and Vat is much easier for the tax authorities to collect.

Maybe the Romans have something to teach us before we start to increase taxes further.