Report to

UK Remittances Task Force

Mystery shopping exercise for transactions from

UK to Nigeria

November 2007

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1.0 Executive Summary

During October 2007, 20 transactions of £100 each were sent in a mystery shopping exercise between the UK and Nigeria using 19 different money transfer companies or methodologies.

The purpose of undertaking this exercise was to test the UK remittance industry's readiness to comply with a new Customer Charter that is being introduced in the last quarter of 2007. In addition the survey was designed to gather data to understand more about a market which accounts for around 4% of the UK's outbound remittances and yet about which little is known. A further bi-product of the survey was to help establish a methodology that could be applied to other corridor studies as well as setting a benchmark against which further surveys could be measured.

The survey covered 16 Money Transfer Operators (MTOs) who handled transactions through physical locations or via the phone or over the internet. Three banks were also tested and due to the limited nature of their service offerings account-to-account services were tested with them.

The survey was challenging from a logistical viewpoint, and whilst the transactions in the UK were relatively straightforward, synchronising them with the collectors in Nigeria (who had to operate in very challenging conditions) required significant flexibility.

The key findings can be split into financial and service related areas. The financial conclusions are:

- The money transfer market to Nigeria, excluding the banks operates in a competitive manner
- Fees varied significantly - between 3% and 21%
- The FX margins used give cause for concern. There is a variance of 6.5% between the highest and the lowest. Of greater concern is that over half of the companies surveyed were offering a rate better than the official rate which implies that they were using an informal rate
- The average total cost of making a transaction for the consumer was 7.1% When the split between banks and MTOs is examined there is a big mismatch
  a) Average total cost of using an MTO was 4.46%
  b) Average total cost of using a bank was 22.04%
  This implies that the banks are significantly more expensive than all the MTOs. It should be noted, that although outside the scope of the survey, banks are more competitive on fees when larger sums are sent.

The major findings in respect of service levels are:

- The time that it took for the money to be available after being transferred was broadly as advised
- Cash-to-cash transactions are considerably faster than account-to-account - in some instances by as much as a week
- Many companies are complying with the transactional aspects of the proposed Customer Charter. However, the majority were not able to comply with the redress requirements of the Charter. Not one of the companies surveyed provided the amount of Naira that would be received prior to the transaction.
- The level of documentation provided by the internet/phone oriented operators needs to be significantly improved
- The time taken to complete the send side of a transaction varied between 10 and 45 minutes

- The time taken to complete a receive transaction in a location in Nigeria ranged from zero for account-to-account transfers to 110 minutes
- Service standards were generally reasonable at the 'point of sale' for both the send and receive locations. There is room for improvement
- In most cases the correct amount of money arrived
- The fastest service is not necessarily the most expensive. MTOs are almost exclusively the 'least expensive and faster' while the banks are exclusively the 'most expensive and slowest'
- The most expensive service does not mean the best customer service.

There are a number of recommendations arising from the survey, including:

1) The methodology to conduct the survey was sound and could be applied to other corridors in a similar manner
2) The survey covered 16 MTOs and three banks. The results are indicative only and therefore consumers should shop around for the best overall deal that meets their needs.
3) A dialogue should be established with the Central Bank of Nigeria to seek guidance and solutions in the area of exchange rates
4) An education programme will be required to ensure compliance with the Payments Service Directive (PSD). This is particularly the case with the phone/internet services who did not supply documentation
5) To ensure compliance with the Customer Charter there needs to be emphasis on documentation and communication of cancellation and amendment features of any service
6) Banks need to determine whether they wish to operate in the UK to Nigeria market for consumer payments. If so the results of this survey should be shared with them and they may wish to develop some more competitive and Charter compliant models
7) A benchmark has now been established for the UK to Nigeria corridor. It would be useful to conduct a further survey in 12 months time to measure changes in the market place
8) The UK to Nigeria corridor appears to be reasonably competitive and operating in an effective manner. It would be useful to conduct other surveys to other corridors to establish a benchmark for a specific corridor and also to compare the performance of that corridor to this one
9) These results should be shared with the industry and the public at large. This could be particularly effective as the transactional results were better than anticipated whilst at the same time raising awareness of some of the gaps in complying with the Charter

Based on this, admittedly limited, survey it appears that the UK to Nigeria money transfer market is operating in a competitive manner among the MTOs. The banks are not positioned from a pricing or service viewpoint to compete with the MTOs. The industry as a whole will need to improve some aspects of its service in order to comply with the Customer Charter.

2.0 About DMA

DMA works with donor agencies, governments and the wider business community in providing advice and management in its three areas of expertise - remittances, investment programmes and international development events.

DMA's goal within the remittances arena is to help encourage ever-greater amounts of funds to be remitted through formal channels at the lowest possible cost and at the greatest possible efficiency for the benefit of migrant communities and emerging markets across the globe. It achieves this through managing and hosting information websites and through specialised business consultancy.

DMA also has over two decades of experience in working with globally respected industry specialists and research analysts in devising highly acclaimed information reports, communications strategies and events for governments and for the wider donor community.

DMA also provides market analysis, new product development, strategic planning, project design and programme implementation for the private sector. Programme development, market data analysis and interpretation, mystery shopping and advisory services for the public sector.

3.0 Objectives

The purpose of the research was to test money transfer services from the UK to Nigeria. 20 transactions of £100 each were to be sent to Nigeria. A key objective was to examine the experience from the consumer's perspective in order to understand the following:

- Determine the money transfer industry's readiness to comply with the soon to be introduced Customer Charter
- Price competitiveness in the market place
- The different methods for both sending and receiving money
- The level of information that is provided to the consumer both before and after a transaction
- The actual time taken to undertake a transaction
- The time taken for money to be available at the receiving point and the customer experience
- The actual amount received
- The overall customer experience

The project would be a mixture of quantitative and qualitative research and would test the methodology employed to ensure that it was robust and would be appropriate for use in other money transfer corridors.

In addition, the research will establish a benchmark for the pricing of UK to Nigeria transactions.

4.0 Market Overview – UK to Nigeria

4.1 Market Size

There is no true measure of the amount of money that is remitted from the UK each year. The reasons for this have been well documented but are largely driven by the lack of reporting and the fact that a significant amount of remittances move through informal channels.

Nonetheless, according to the World Bank* US $467 million was sent from the UK through officially measurable channels as remittances to Nigeria in 2006. This is out of a total US $ 11.167 bn of remittances sent to developing and developed markets from the UK. This would mean that Nigeria accounts for more than 4% of the value of remittances sent from the UK to developing countries.

Previous research conducted by Critical Faculty and Epaycom would appear to indicate that these numbers are in the 'ball park' for the size of the UK to Nigeria remittance market.

4.2 Money Transfer providers

The UK money transfer market has over 4,000 Money Service Businesses (MSBs) registered with HM Revenue and Customs who offer services through more than 35,000 locations. A number of these businesses are able to transfer money to Nigeria although the absolute number who are able to do is not captured. In addition to the MSBs all of the high street banks are also able to send money to bank accounts in Nigeria.

(Note that MSB is the term used by HMRC for registered money transfer operators - MTOs. This document uses the term MTO to cover all non-bank money transfer companies.)

4.3 Methods of transfer

The most common method of remitting money from UK to Nigeria is via cash to cash. In addition, it is possible to send money to a bank account in Nigeria. However, as less than 10% of Nigerians have a bank account this method is not very popular.

There are an increasing number of MTOs that allow the sender to provide their details over the phone or via the internet and then deposit money into the MSBs bank account. Once that money is received the transfer is completed.
Newer methods such as card-to-card, cash-to-card and account-to-card are not used in the Nigeria corridor due to the lack of ATMs and card acceptance points in Nigeria.

(*South-South Remittances Bilateral remittance estimates using migrant stocks, destination country incomes, and source country incomes published in May 2007)

5.0 Methodology

The approach to this project was split between the send and receiving side of the transaction. The send side drove the path that the research took.

5.1 Questionnaire design

5.1.1 Send: A questionnaire was designed, Appendix 1, which followed the typical customer experience of making a transaction flow. The questionnaire was specifically based on the requirements of the UKRTF Customer Charter. This was split into two parts:

1) Prior to a decision being made:
   a. Was a fee quoted? If so how much?
   b. Was an exchange rate quoted? If so what was it?
   c. What information were you provided with about where the money could be collected?
   d. What information was provided on what the person picking up the money needed to do to collect it?
   e. Was advice provided on when the money would be available? If so, when?
   f. Was any information provided about cancellation or amendment fees?

2) During and after the transaction had been completed. Many of these questions were the same as in part one. One of the key aspects on part 2 was to see what information was provided in writing.
   a. What, if any, identification was asked for?
   b. Was a reference number provided?
   c. What was the exact amount that was sent?
   d. What was the fee?
   e. How much would the receiver receive and in which currency?
   f. What was the exchange rate?
   g. What information was provided on where the money could be collected?
   h. What did the receiver have to do to collect the money?
   i. When would the money be available? Was that time guaranteed?
   j. What is the procedure to query a transaction?

The questionnaire finished with the overall ranking of the money transfer experience from the customer's point of view.

The time spent in the location was also recorded.

5.1.2 Receive: A similar questionnaire to the send one was produced for the receivers. It covered the following areas:

a. Was the pick-up location information correct?
b. What type of location was it?
c. Were you asked to complete a form?
d. Were you asked for identification? If so, what sort?
e. How much did you receive?
f. Were you advised of an exchange rate (if relevant)?
g. What was the staff attitude?

The questionnaire finished with the overall ranking of the money transfer experience from the customer's point of view.

The time spent in the location was also recorded.

5.1.3 Selection of money transfer method

Given the nature of the UK to Nigeria money transfer market the following methods were surveyed:

Cash-to-cash
Account-to-account
Internet/phone-to-cash

These represent the most common formal mechanisms for transferring money to Nigeria. As noted above, a large amount of money is transferred through informal channels.

5.1.4 Selection of companies to be surveyed

It was decided to survey nine cash-to-cash
three account-to-account
eight Internet/phone-to-cash
services. It was felt that these would be reasonably representative of the choice in the market place.

The companies chosen were a mixture of the major global brands, high street names and some individual corridor players. As there is no market share data available the companies were chosen based on the market knowledge of the DMA team.

The transaction

The researchers were briefed to enter or contact a location and follow a consistent line of questioning in respect of transferring money to Nigeria. They were provided with £100 in cash. The amount sent was the original £100 less the fee that was charged.

6.0 The Customer Charter

The UK Remittances Task Force plans to introduce a Customer Charter in the last quarter of 2007. The Charter, see Appendix 2, sets out the information and service levels that a customer can expect to receive from any organisation that chooses to offer it.

The Charter is being introduced in order to achieve consistency of service across the industry and to build trust between the money transfer industry and the customers. It covers all areas of a typical remittance and its contents are to some extent driven by the Payments Services Directive (PSD) that will be introduced by November 2007.

Currently, organisations such as MoneyGram, Coinstar, Chequepoint, HSBC and the UKMTA have already committed to the Charter. A number of organisations including Royal Bank of Scotland, Barclays Bank and Western Union have advised that they will not be committing to comply with the Charter.

Part of the purpose of the research was to examine how prepared the industry is to meet the terms of the Charter and, by implication, the PSD.

7.0 Results

7.1 Sending perspective

This section covers the key results from the perspective of the sender. In particular, the time taken, fees charged, exchange rate provided, information about the collection and compliance with the Charter.

7.1.1 Summary

20 transactions were sent from 19 different MTOs and banks. The services ranged from cash-to-cash to account-to-account and internet/phone to account. As the following sections will show there were some wide ranging results seen. However, in general the overall service levels were acceptable and the level of information provided was reasonable. There were clearly a number of exceptions which will be highlighted but overall the consumer can feel reasonably comfortable that the information they are given on the send side matches the experience on the receive side. There were a number of areas that a consumer needs to be aware of.

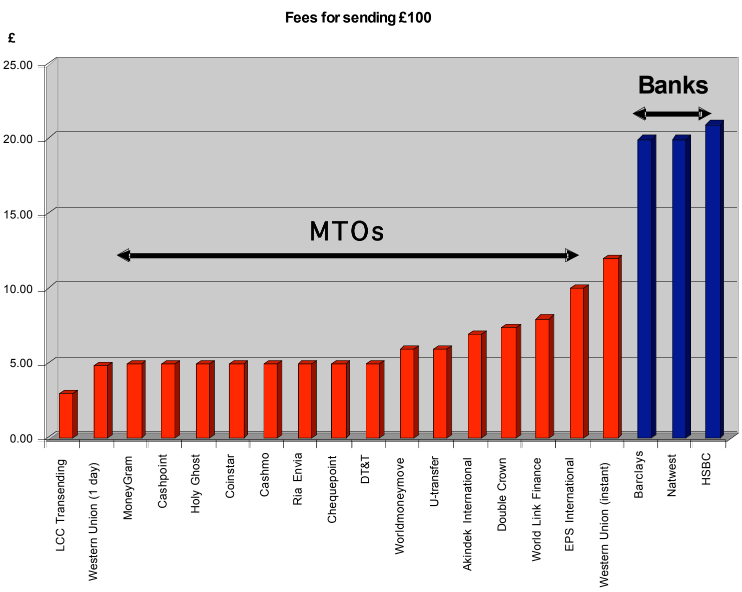
These include:

1) Fees range between £3 and £21 to transfer £100
2) FX margins vary even more widely. Only seven of the companies surveyed were offering rates based on the official Central Bank of Nigeria exchange rate. 13 companies were offering rates better than the Central Bank rate which means that they are operating in the informal market
3) Time taken was broadly as advised, with one notable exception: cash-to-cash transactions are considerably faster than account-to-account. The difference can be between a few days to over a week
4) Using online/phone services for the first time is quite time consuming. In each case the customer has to go to a bank, usually Barclays, to deposit money in person into a bank account.
5) Most organisations did not provide any information about refund, cancellation or amendment procedures or fees either before or after a transaction.
6) Sending money via a bank is only possible if you have an account with that bank. Banks can only send money to an account.

7.1.2 Fees

The fees charged varied significantly depending on the type of MTO being used as can be seen from the following chart:

Figure 1



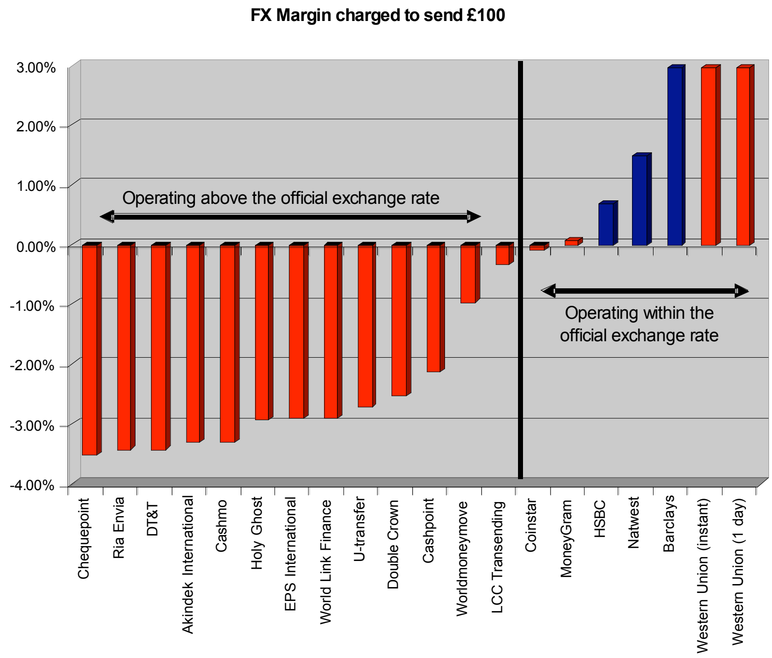
There is a clear split between the amounts charged by the banks and those by the MTOs. The MTOs range from £3 to £12 (3% to 12%) depending on the operator. Clearly this is quite a range with the most expensive service being four times the level of the cheapest. Price is not the only determinant for the consumer but there does not appear to be a correlation between price and service delivery, as will be shown later in this report.

For banks the amounts were either £20 or £21. The banks have adopted a minimum charge policy which amounts to over one fifth of the cost that is being sent for an amount as small as £100. For higher amounts the percentage cost is lower and the fees charged by banks are more competitive when compared to MTOs.

7.1.3 Foreign Exchange Rates

Exchange rates for transfers to Nigeria have been a contentious issue for many years because of the parallel market. In Nigeria there is an official rate which is set by the Central Bank of Nigeria. However, due to exchange control restrictions a parallel market developed which offers people who use it a better exchange rate than the official one. The gap between the official and the black market has closed to around 4 or 5% from a level of over 10%. However, it is officially not permitted for organisations to be offering rates that are better than the Central Bank rate. One of the key findings of the research was that 13 of the 20 companies surveyed were offering a rate better than the official rates at the time of the survey as can be seen by the chart.

Figure 2



It can be observed that the companies that are working within the official exchange rate are the banks that were surveyed, Western Union, MoneyGram and Coinstar. All of the others were operating outside of the official rate. This latter group are more attractive from a pricing viewpoint and most of the transactions sent through them were sent were collected from Nigerian Banks. This provides a level of comfort to the customer. There is a clear inequality in the market place which results in an exchange rate difference of 7.5% between the best and the worst rate. This is equivalent to £7.50 on a £100 transaction and should be seen as significant.

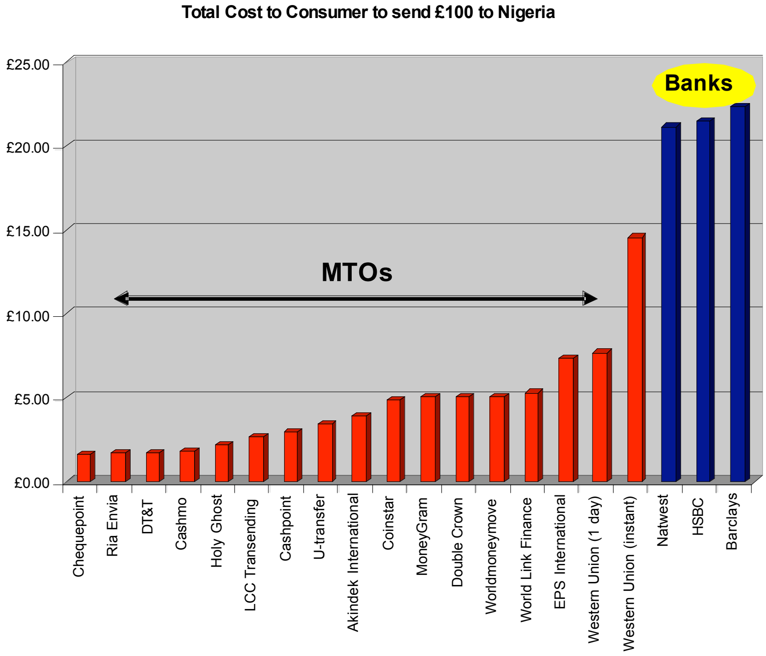
It is recommended that the results of this survey are shared with the Central Bank of Nigeria to understand the official position in respect of exchange rates and also to try and establish a level playing field for the MTOs.

7.1.4 Total cost to the consumer

This area takes into account all of the costs relating to a transfer that are incurred, whether knowingly or not, by a consumer. In practice this means taking into account the fees that are charged and the foreign exchange margin. The foreign exchange margin is calculated by taking into account the total amount that was received and the official Central Bank exchange rate that was used on the date the transaction was made.

The calculation is made more complicated for Nigeria because of the parallel market which was covered earlier as can be seen in the attached chart.

Figure 3



The total cost to the consumer ranges from £1.67 to £22.36 to transfer £100. In percentage terms this difference looks very large. The banks are the most expensive because of the initial flat fee and also because their rates are based on official rates. Even within the MTOs there is a big range from £1.67 charge by Chequepoint to £14.61 charged by Western Union for their instant service. If that transaction is ignored there is a range from £1.67 to £7.72 for the MTOs. For a consumer this difference of £6.05 or just over 6% is significant even on a small value transfer.

Even taking the above analysis into account the above chart seems to indicate a broadly competitive market between the MTOs themselves. However, if banks wanted to target this market they would need to dramatically change their pricing approach.

7.1.5 Pricing index summary

The table shows a summarised position for costs in respect of the composition of the cost and split out between banks and MTOs. This could prove a baseline for comparison with other markets and also to measure the change in transactions to Nigeria from the UK over time.

Figure 4

Business type	*Fee*	*FX*	*Total*
MTOs	6.13	-1.67	4.46
Banks	20.33	1.71	22.04
Total	8.26	-1.16	7.10

The survey covered one transaction with 20 different companies. The results are indicative only and therefore consumers should shop around for the best overall deal that meets their needs.

7.1.6 The sending experience in relation to the Charter

This section covers some other aspects of the service experience that occurred during the survey. It provides an overall summary and then describes the experience by splitting the types of agents into types – cash-to-cash, internet/phone-to-cash and account-to-account.

Compliance with the Customer Charter

It needs to be stressed that at the time of the survey the Customer Charter had not been launched in the market place and this section merely tests a sample of MTOs and banks against the contents of the Charter.

7.1.6.1 Summary – before the transaction occurs

This element covers the provision of information around fees, exchange rates, the time a transaction will take, what to do to collect the money and also any charges for cancelling/amending a transaction.

As can be seen from Appendix 3 there was compliance by all of the cash-to-cash and most of the internet/phone MTOs for this aspect. The banks had more difficulty in supplying the exchange rate that would be provided for a transaction. In addition 17 out of 20 organisations surveyed did not provide any information about their policy in relation to cancellations or refunds at this stage (many did once the transaction was complete) and it is recommended that this area is looked at by MTOs.

Not one of the companies surveyed provided the amount of Naira that would be received prior to the transaction occurring. Whilst this is not a written part of the Charter it is an implicit requirement.

7.1.6.2 Summary – after the transaction has occurred

This area of the Charter covers most of those that are provided before a transaction takes place but requires that it is provided **in writing**. It also requires the provision of a reference number.

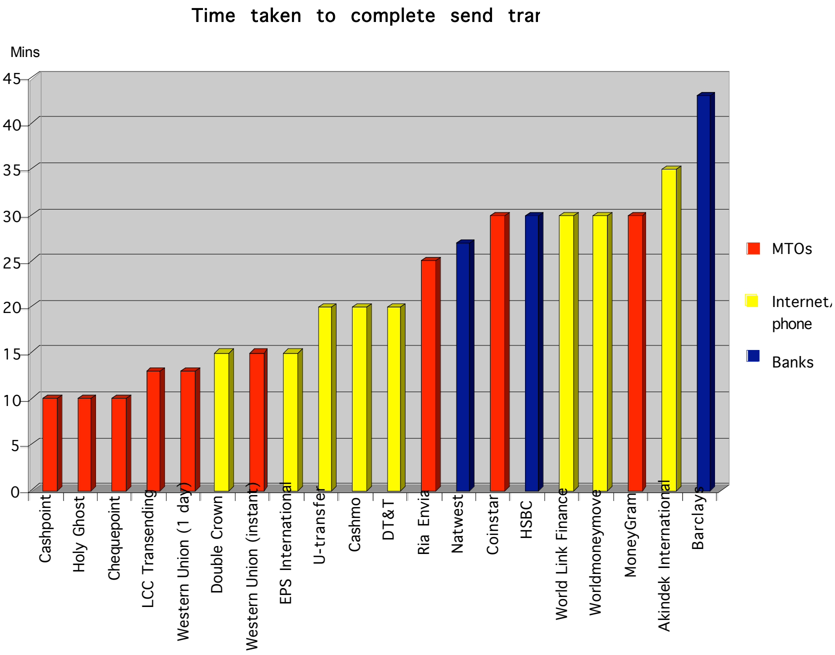
Appendix 4 shows that compliance with this section splits into three groups:

1) **Cash-to-cash MTOs.** Broadly speaking these organisations do comply with the Charter. They provide the required information and they provide some sort of form. Only the larger international companies seem to have a written complaints or redress procedure though.
2) **Internet/phone MTOs.** With the exception of Worldmoneymove these businesses did not provide anything in writing, for example via email, and the sender received no documentation concerning their transaction. A number have websites that contain information but the consumer receives very little by way of confirmation. Three of them sent an SMS with basic information on it.
3) **Banks (account-to-account).** Two out of the three surveyed were not able to advise what the exchange rate would be as the amount was sent in pounds sterling. They were able to provide a best estimate of when money would be credited to an account but not a guaranteed date. They have documented complaint procedures.

7.1.7 Time taken to complete a send transaction

The time taken to complete a transaction varied between 10 minutes and 43 minutes. Time is important to many people so this is an important factor. In general the cash-to-cash MTOs required less time to complete a transaction than the other categories of business. The internet/phone company process required a visit to a location in addition to the time spent providing instructions. The banks took longer than MTOs largely because of the significant queues in those locations.

Figure 5

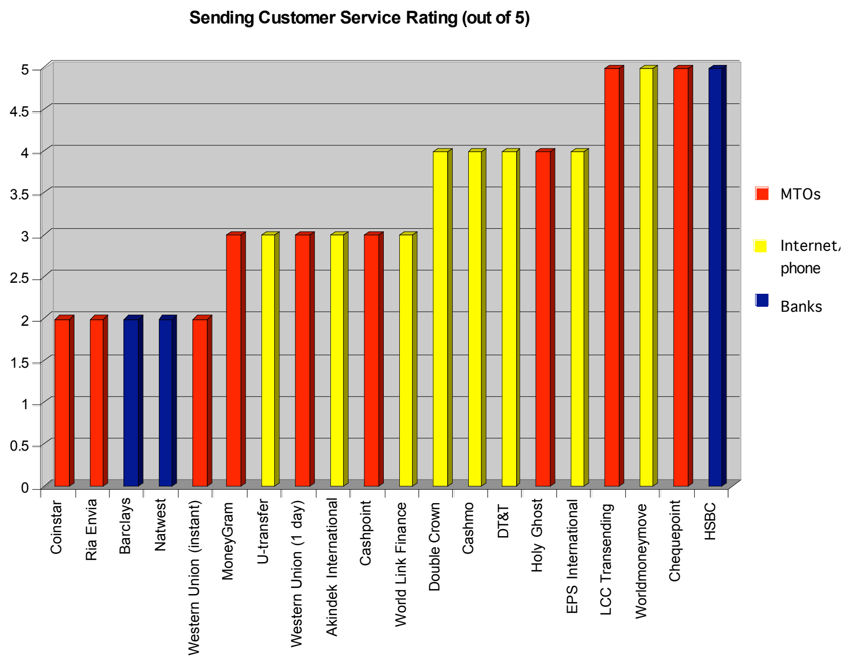


7.1.8 Overall send customer service rating

To complete the analysis of the sending customer experience a subjective rating of between one and five was applied to each transaction. Whilst this can not be scientific it does provide an indication of the overall customer experience, taking into account the transaction process, the type of premises (where appropriate) that were visited, the level of customer service and the time taken to complete a transaction. As can be seen from the attached chart there is a mixed picture. A quarter of the sample scored two which means less than satisfactory and a further six were described as average. A quarter were above average with a further 20% in the excellent category. What is interesting is that quality of service varied across the types of outlets and categories of businesses. This seems to show that selecting a particular method of sending money does not guarantee a particular level of service.

Customer service experience for each category of business are provided below the chart. It should be emphasised that this survey was conducted by undertaking one transaction only per supplier and therefore it is not reliable to draw conclusions concerning the total operations of that company from one transaction alone.

Figure 6



7.1.9 Cash-to-cash MTOs

The overall experience here ranged dramatically by service provider. At the high end were organisations such as LCC Transending and Chequepoint. The LCC location was one of their dedicated offices which was bright and welcoming, was staffed by multi-lingual specialists who were able to explain all the aspects of the service very well. The process was quick and clear. The sender received a call on their mobile phone to advise of a change to the reference number which was well received.

Other businesses did not score as well. In the case of Coinstar, a visit was made to a location that was listed on their website. Unfortunately the owner stated that he had never offered the service. A further 10 locations that were listed on the website were then contacted and all of them advised that they did not offer the service. The eleventh store contact did do the transactions. It was an involved process involving a phone call to find out the rate and then faxing a form to an operating centre. The sender had to wait for 20 minutes from this point before receiving confirmation that the transaction was complete and that the details were relevant. All in all this was not a positive experience.

Some of the other average or unsatisfactory experiences in this aspect of the study were as a result of transacting via agents of the service provider. There appears to be a knowledge gap with some of the agents. Most were able to transact satisfactorily but did not know other details about the service they were offering. This in turn led to an uneasy feeling for the consumer.

7.1.10 Internet/phone to cash

These businesses are relatively new in the money transfer business. They work by a customer either phoning or using the internet to register themselves to use the service. Transaction instructions are provided on line or to an individual at a call centre. In each case once the amount to be sent is confirmed the sender then has to go to a bank (nearly always Barclays) and queue up to deposit funds into the company's account. Once this has been done the sender contacts the company and the money is sent. A reference number is provided to the sender over the phone or the internet.

The service levels were at least satisfactory for this category of operator. It should be pointed out that at no stage was identification required. This is probably because the amount being sent was low. Only one company, Worldmoneymove, provided written confirmation of the transaction. They were also proactive and advised on a collection location because the network that was chosen originally to receive the money was not operating properly at that time. The lack of documentation should be a concern for consumers with these types of business.

Overall this type of service delivers at least a satisfactory level of service. It is understood that once someone becomes a repeat customer the process is a bit smoother but money still needs to be deposited in to company's account so it will be a two-stage process.

7.1.11 Banks – account-to-account

Most UK banks do not offer cash-to-cash services. Therefore many would argue that they do not actively participate in the remittances market. They do, however, offer account-to-account transfer services for their **own customers only**. These are made via SWIFT and clearly they flow through the banking system.

Three transactions were made via banks, using HSBC, Barclays and Natwest. The experience was good at HSBC where the staff were attentive and knowledgeable. They were able to tell the sender how much money would be received and by when. The experience with Barclays and Natwest was disappointing. In both cases it was a matter of joining a general queue. In each case this meant a wait of between 25 and 40 minutes. Then a form had to be completed. It was not possible to tell the sender how much would be received as the exchange would take place in Nigeria. In addition, at Natwest the form was not going to be processed at the branch and was instead sent to 'Head Office' for processing. The sender was told that the cost would be £23 but the actual cost turned out to be £20 (a lower amount) and a confirmation was sent through the post.

The bank service seems to be aimed at businesses rather than individuals and the knowledge level was low. It was not a very satisfactory experience.

7.2 Receiving leg of the transaction – the last mile

7.2.1 Summary

With the exception of the three transactions that were credited to bank accounts all of the other payments were collected in cash. The majority were sent to Lagos but some were sent outside as follows:

Lagos	13
Ibadan	2
Benin City	2

This provided an understanding of whether service varied between the commercial heart of Nigeria and regional towns. In addition, within Lagos a variety of locations were used including city centre and suburban locations.

The overall experience was generally favourable with most transactions being received on time and for the right amount. The length of time spent in a branch collecting money was significantly longer than a transaction on the send side. This is probably a reflection that nearly all of the collections were made from a bank and that the Nigerian approach to processing a remittance pay out transaction is different to the UK approach.

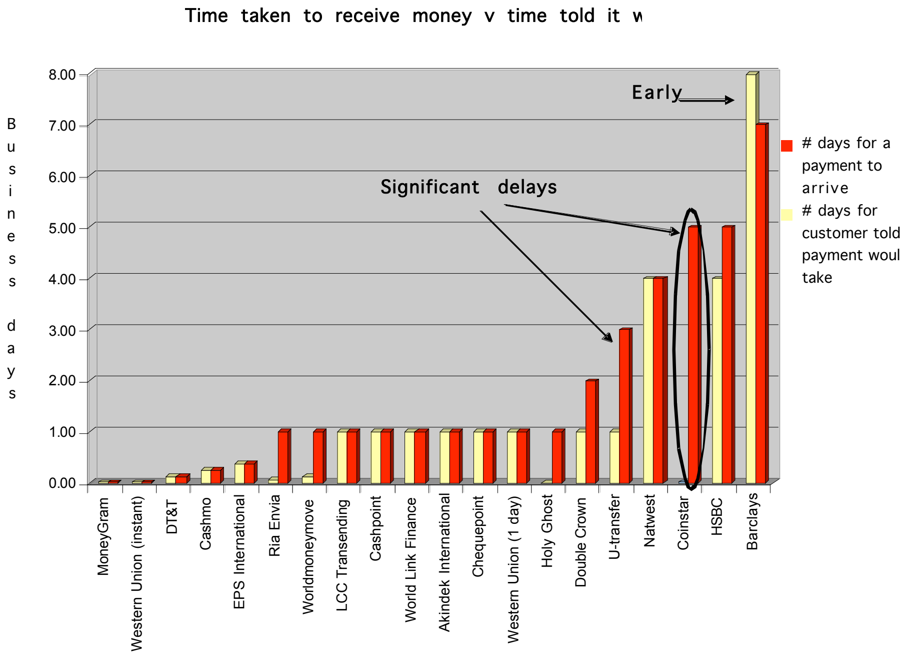
In all cases identification was asked for although a form was not always required and the receiver did not always get documentation with the transaction.

The following section provides more details and some illustration of the types of location used.

7.2.2 Time taken for money to arrive

The chart compares the time that the sender was told it would take to arrive compared to the actual experience. Time is expressed in number of business days.

Figure 7



Overall it can be seen that of the MTO payments all should have been available within 24 hours of being sent and some within as little as 10 minutes. In all, 14 of the 17 were available within one day although some of those that should have been quicker than this were not available.

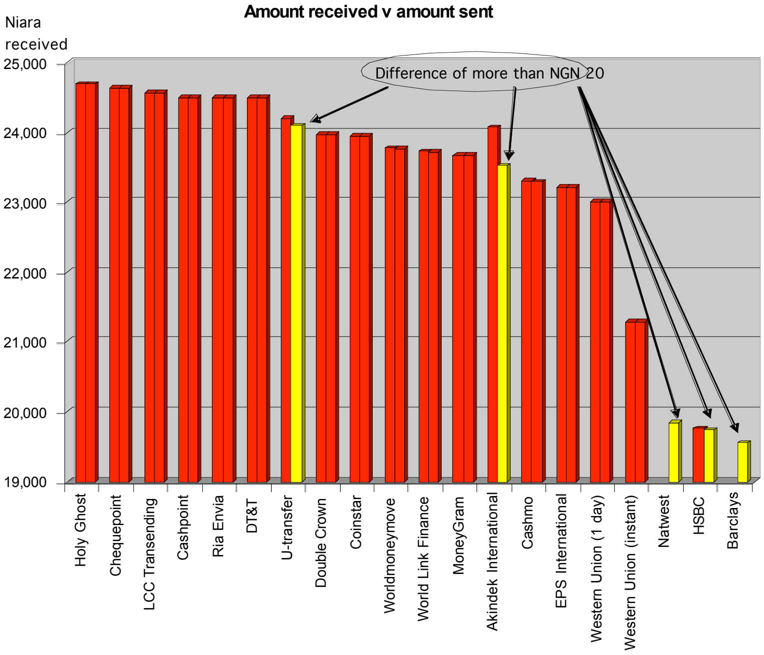
As far as the bank transfers were concerned these should have been available between four and eight days. This was reflected in the actual experience with the exception of Barclays where the payment arrived 1 day earlier than the 8 that were advised.

The chart shows that there were eight payments (or 40%) that were delayed. It should be acknowledged that six of these were delayed by a maximum of one business day. One of the others was delayed by two days. The most significant problem was with the payment that was sent via Coinstar. The receiver was due to collect the money on a Tuesday but was not able to collect this until the Tuesday of the week after. The delay was compounded by there being bank holidays on the Thursday and Friday and then the weekend in between. The service is supposed to take 10 minutes so had this been a crisis the customer would have been stranded. In all, eight attempts were made to collect that single payment. The receiver was told that the delays were caused by the system not working.

7.2.3 Amount received

The chart shows the amount that was received and also compares this to the amount that the sender was told would be received. In three quarters of the cases the correct amount was received, and in five of them a lower amount was received. Of these, two of the MTOs (Akindek and U-transfer) had differences of NGN 557 and NGN 94 respectively (£2.21 and £0.37).

Figure 8



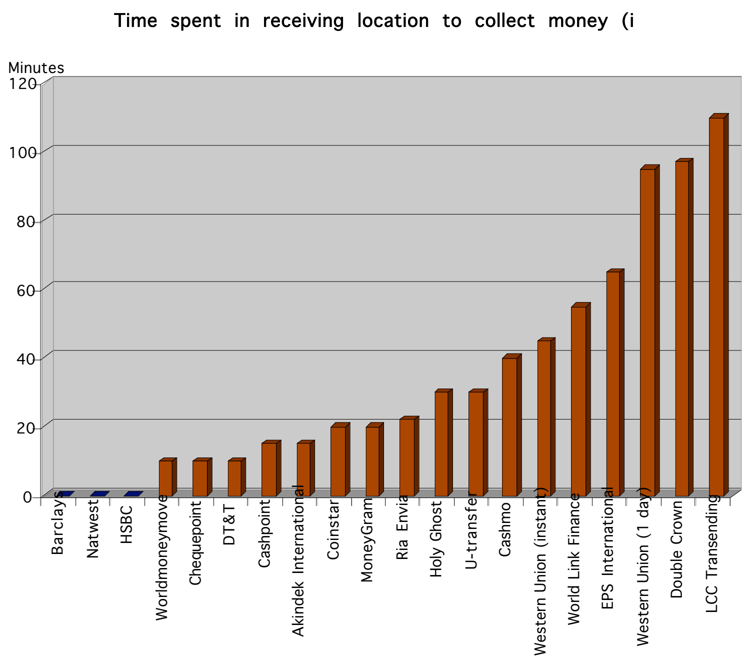
Only one of the banks, HSBC, was able to advise the amount to be received. In fact the actual amount that was received was NGN 21 (£0.08) short. The other two banks were not able to advise the amount that would be credited at the time of sending.

7.2.4 The receive experience

Time taken in branch

The chart shows the time physically spent in a location trying to collect money. It does not take account of travelling time to a location or the number of visits that needed to be made to a branch prior to being able to collect money.

Figure 9



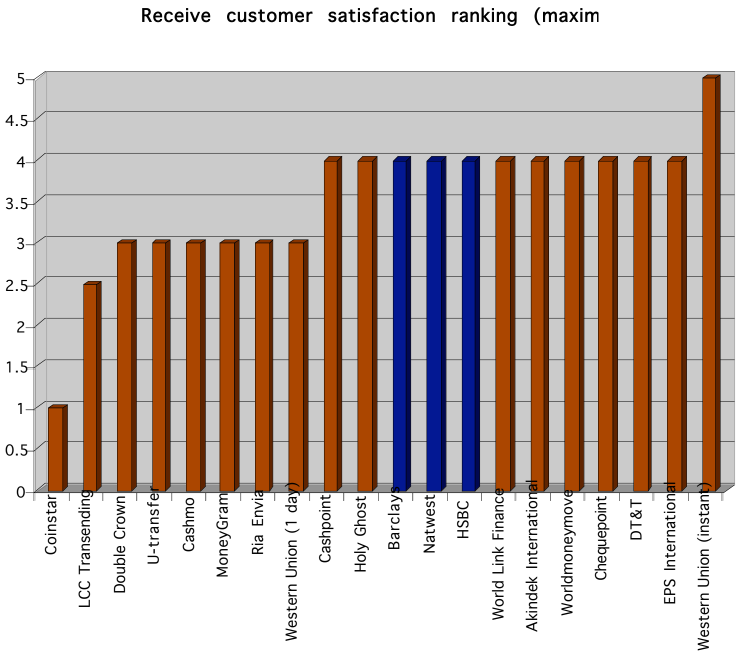
This is an area where the banks have a distinct advantage, Money credited to a bank account does not require any time to be spent collecting it.

The MTO services all required that cash be physically collected from an outlet. It can be seen that the time spent varied from 10 minutes up to 110 minutes. The average time spent on these 17 collections was 40 minutes which is nearly twice the 22 minutes spent in the send locations arranging for the transfer of the money. The main reason for this is probably the speed with which Nigerian banks operate compared to MTOs. However, this area was outside the scope of the project.

7.2.5 Receive customer service satisfaction

Each of the receive experiences was given a subjective score out of 5. Only one location scored the maximum and that was the Western Union instant payout service in Ibadan. On top of excellent customer service it also offered the receiver the option of being paid in US dollars as well as Naira.

Figure 10

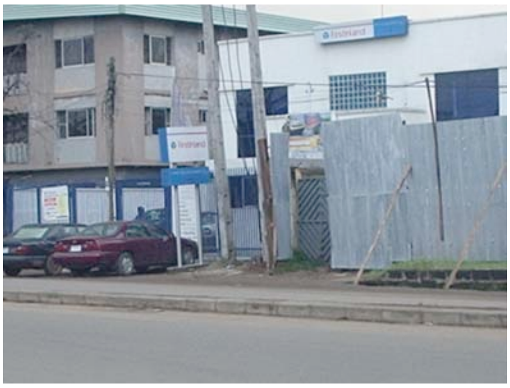


Most of the other services provided good or reasonable levels of customer service. The two services where service was unsatisfactory were LCC Transending at First City Monument Bank in Lagos where the customer had to wait nearly two hours to collect their money. The staff were inefficient and rude. The other agent who had real difficulties was Coinstar. It appears that their system was not functioning for a number of days and the customer visited eight locations in order to try and receive their money before it was successful. Further tests would be required to see if this is a normal feature.

7.2.6 Receive locations

The following section shows a number of photographs of locations that were used to collect the money. These were all, except for Akindek International, bank locations. Just as in the UK the quality of these branches varies but the pictures provide a feel for the types of location that a receiver needs to visit to collect their money.

The standard of service at these locations was generally acceptable and consistent with the level of service experienced by Nigerian bank customers.



First Inland Bank Isolo–Oshodi

Akindek International Lagos

Equitorial Trust Bank Ibadan

Union Bank – Falomo shopping centre

First Inland Bank

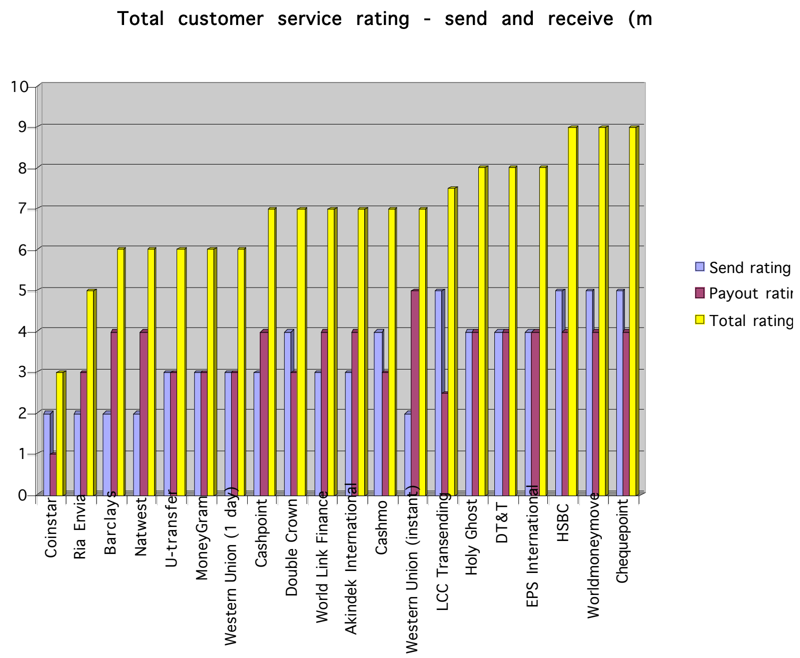
UBA Akpakpava Road Benin City

As an aside the difficulty that is experienced in receiving money should not be underestimated. Apart from some very difficult traffic situations, particularly if it rains, and limited branch opening hours one of the collectors was forced to lay face down in a banking hall for half an hour whilst an armed robbery took place!

7.2.7 Overall customer satisfaction level

An attempt has been made to determine the overall level of customer satisfaction by adding together the rating from the sender and the receiver for a particular service. The chart is shown below. Overall it shows that only two companies scored five or lower – Coinstar, whose difficulties we have already covered and Ria Envia whose service at both ends seems to have been disorganised and not customer focused.

Figure 11



The remaining companies scored at least satisfactorily. These figures do not take account of the cost incurred in paying for the service so it is interesting the cheapest service also gets the highest score for customer service. This was achieved by Chequepoint. Also of note is that HSBC, whilst being one of the most expensive services also gets the highest customer service score. This is due to a mixture of excellent service on the send side and no human intervention except for an SMS message acknowledging the crediting of funds into an account.

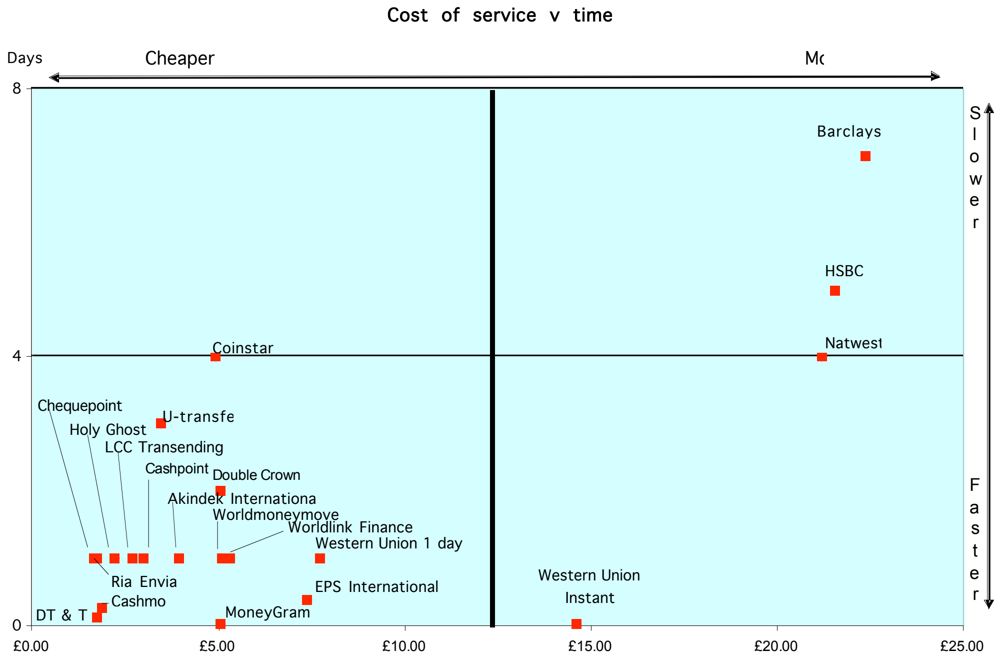
A caveat to these figures is that they are only based on one transaction per company and that the judgements are subjective. However, they do provide some directional input.

8.0 Conclusions

The study has produced a number of conclusions and observations which have not been produced or analysed before. These include:

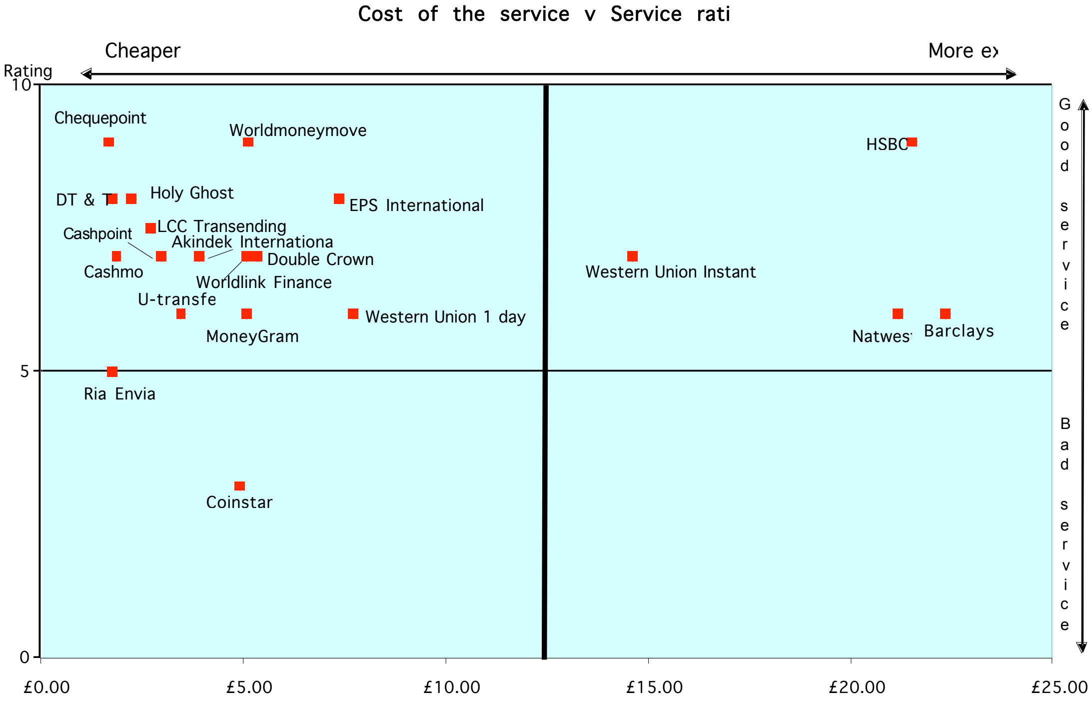
1) The fastest service is not necessarily the most expensive. Indeed the chart detailed below plots speed against cost and finds that the MTOs are almost exclusively in the 'least expensive and faster' quadrant while the banks are exclusively in the 'most expensive and slowest' quadrant. This raises a fundamental questions for banks as to whether they wish to participate in the remittance markets.

Figure 12



2) One other conclusion is that the most expensive service does not mean the best customer service. Generally, with the exception of Coinstar, the service of the MTOs was acceptable to good and was cheaper as well. The service from the banks was also acceptable although significantly more expensive.

Figure 13



Other key conclusions that are mentioned elsewhere in this report are summarised here:

3) There is a wide range of fees - between 3% and 21%. Banks fees are more competitive when higher amounts are sent.

4) FX margins vary even more widely:
   a) seven of the companies offered official rates
   b) 13 companies were offering informal rates
   c) FX margins ranged from -3.5% to +2.96%

5) The average total cost to the consumer was 7.1%
   a) Average total cost of using an MTO was 4.46%
   b) Average total cost of using a bank was 22.04%

6) The banks are significantly more expensive than all MTOs

7) Time taken was broadly as advised.

8) Cash-to-cash transactions are considerably faster than account-to-account, by as much as a week.

9) Many companies are complying with the transactional aspects of the proposed Customer Charter. However, the majority were not able to comply with the redress requirements of the Charter. Not one of the companies surveyed provided the amount of Naira that would be received prior to the transaction occurring.

10) The level of documentation provided by the internet/phone companies needs to be significantly improved.

11) The time taken to complete the send side of a transaction varied between 10 and 45 minutes.
12) The time taken to complete a receive transaction in Nigeria ranged from zero for account-to-account transfers to 110 minutes.
13) Service levels were generally reasonable at the 'point of sale' for both the send and receive locations. There is room for improvement.
14) In most cases the money arrived on time.
15) In most cases the correct amount of money arrived.

8.1 Recommendations

This report has been based on a limited number of mystery shopper transactions. However, it has drawn some useful conclusions. Some of the recommendations are:

1) The methodology to conduct the survey was sound and could be applied to other countries in a similar manner.
2) There is a significant amount of doubt about the majority of the exchange rates that were being applied. A dialogue should be established with the Central Bank of Nigeria to seek guidance in this area and work towards a solution that produces a level playing field.
3) The survey covered one transaction with 20 different companies. The results are indicative only and therefore consumers should shop around for the best overall deal that meets their needs.
4) An education programme will be required to ensure compliance with the PSD. This is particularly the case with the phone/internet services in respect of supplying documentation. The FSA will need to factor education and monitoring into its work in this area.
5) There will be a need to focus specific attention on documentation and redress procedures when rolling out the Customer Charter.
6) It is not clear whether banks wish to operate in the UK to Nigeria market for consumer payments. If so the results of this survey should be shared with them and they may wish to develop some more competitive and Charter compliant models.
7) A benchmark has now been established for the UK to Nigeria corridor. It would be useful to conduct a further survey in 12 months time to measure changes in the market place.
8) The UK to Nigeria corridor appears to be reasonably competitive and operating in an effective manner. It would be useful to conduct other surveys to other corridors to establish a benchmark for a specific corridor and also to compare the performance of that corridor to this one.
9) These results should be shared with the industry and the public at large.

Appendices

1 Researcher questionnaires
   a) Sender
   b) Receiver

2 UK Remittances Customer Charter

3 Charter compliance sheet – before the transaction was made

4 Charter compliance sheet – after the transaction was made

5 Summary of financial data captured

Appendix 1a

Brief

Nigeria Mystery Shopping Exercise

Objective

To test money transfer services by sending £100 (less than the fee) to Nigeria in a systematic, measured and regimented way.

The research will also test the compliance of each outlet to the Remittances customer Charter.

Methodology

All research will be conducted as if this were a real transaction being made by a new money transfer customer with particular emphasis on the total customer experience including the level of information provided, the attitude of the staff, the total cost for the service and the time taken both at the counter and for money to be received.

Each researcher will make a transfer to a nominated person in Nigeria by one of the following methods:

1) In person at an outlet
2) Over the phone with an organisation
3) Over the internet

Organisations to be sampled

The exercise will cover all of the main MTOs, some corridor MTOs and a sample of banks.

A list of suppliers and method of ordering will be provided to each researcher.

Specific instructions

These instructions are written as if the transaction was being undertaken in an outlet – please adjust appropriately for a phone or internet transaction.

A questionnaire is to be completed for each transaction or attempt at a transaction. In order to make the survey as realistic as possible please do not complete the form until the transaction is complete and you have left the premises.

Note the time that you enter the store. You will enter the location and say that you would like to send some money to a family friend in Nigeria. You should then ask:

- How much will it cost?
- Are there any fees for the person picking the money up and if so how much?
- What is today's exchange rate?
  (If they can not say that, then how is it calculated?)
- What does the person at the other end have to do to collect the money?
- When and where will it be available for collection?
- What happens if something goes wrong?
- Anything else?

Note all of the above should be made available to you before you agree to do the transaction.

Assuming all is order please complete the transaction. No doubt you will need to complete a form.

The person you are sending the money to is:

To be completed

You have a total of £100 to send and this amount must include the send fee. Therefore, if the fee is £5.00 you will have £95.00 to actually transfer.

Once completed please leave the store, note the time, and write up your notes and complete the questionnaire as quickly as possible.

Return the questionnaire as soon as you can and if you have any questions then please do not hesitate to ask.

Contact Leon Isaacs on 0207 700 2266 or 07909938305.

Mystery Shopping Questionnaire

Nigeria Corridor – September 2007

Name______________ Date __________________
Time __________________

Operator being surveyed ________________________
Name and address of location used ________________________
____

Before the transaction:

1a) Was the total fee that was to be charged provided? Yes/No

1b) If yes how much was quoted? ____________

2a) Were you quoted an exchange rate? Yes/No

2b) If yes, what was the rate? ____________

3a) What information was provided to you about where the money could be collected?

____

____

3b) What information was provided on what the person picking up the money needs to do to collect it?

____

____

4a) Were you advised when the money will be available? Yes/No

4b) If yes, when? _____________

5a) Were you provided with any information about cancellations, amendments or charges? Yes/No

5b) If yes, what? _____________

Other comments:

____

Mystery Shopping Questionnaire

Nigeria Corridor – September 2007

The details requested in this part of the questionnaire should be provided to you in writing. Please copy from the form and attach the form to the questionnaire. Where the information is not on the form please note this and provide any other relevant information.

6a) Were you asked for identification Yes/No
6b) If so what? ____________________
6c) Were you asked any other questions? Yes/No
6d) If so what? ____________________

7) What was the reference number for the transaction? ____________

8) What was the exact amount that was sent (in GBP)? ____________

9) What fee were you charged? ____________

10a) How much will the beneficiary receive? ____________
10b) Was this amount guaranteed? Yes/No

11) What was the exchange rate? ____________

12a) What information on where the money can be collected was provided to you? ____________________

12b) What does the beneficiary have to do to collect the money?
____

13a) When will the money be available? ____________

14b) Is this date guaranteed? Yes/No

15) Is there a procedure with time measurements on how to query a transaction? Yes/No

16) Attitude of staff
____
____

17) Total level of customer satisfaction on a scale of 1-5 (5 is high) ______

18) Other comments and observations

Time departed the location ______________

Appendix 1

Brief

Nigeria Mystery Shopping Exercise – collection of funds

Objective

To test money transfer services by sending £100 (less than the fee) to Nigeria in a systematic, measured and regimented way.

The research will also test the compliance of each outlet to the Remittances customer Charter which it is planned will be introduced in the UK in Q4 of 2007.

Methodology

All research will be conducted as if this were a real transaction being made by a new money transfer customer with particular emphasis on the total customer experience including the level of information provided, the attitude of the staff, the total cost for the service and the time taken both at the counter and for money to be received.

Money will have been sent to a nominated collector in Nigeria to be collected in person or credited to their bank account.

Organisations to be sampled

Money will be sent from all of the main MTOs, some corridor MTOs and a sample of banks. It will be collected at a variety of places in Nigeria – depending on the services offered by the suppliers.

Details of each transaction will be sent to the collector in Nigeria.

Specific instructions

These instructions are written as if the money is to be collected in cash. Some will be credited to a bank account so the responses will need to be altered for that.

A questionnaire is to be completed for each transaction or attempt at a transaction. In order to make the survey as realistic as possible please do not complete the form until the transaction is complete and you have left the premises.

Note the time that you enter the store. You will enter the location and say that you have come to collect some money that was sent to you from England.

No doubt you will need to complete a form.

The amount that will have been sent will have been £100 less any transaction fee.

Once the money has been collected (or you have been told that it is not available) please leave the store, note the time, and write up your notes and complete the questionnaire as quickly as possible.

Please note that should you not be able to collect any money then you should note down all the circumstances and any instructions that you have been given.

Return the questionnaire as soon as you can and if you have any questions then please do not hesitate to ask.

Contact Leon Isaacs on 0207 700 2266 or 07909938305.

Mystery Shopping Collection Questionnaire

Nigeria Corridor – September 2007

Name of collector ______________
Date when money was collected ______________
Date when money was available ______________
Time entered location ______________

Operator being surveyed ________________________
Name and address of location used to collect ________________________
____

1a) Was the address of the location correct? Yes/No

1b) If no – why and what happened? ____________

2) What type of location was it ____________
(if possible take a photo of the outside)?

3) Were you asked to complete a form? Yes/No

4a) Were you asked for identification? Yes/No

4b) If so what sort?
____
____

5) How much money did you receive? _____________

6) Were you advised of an exchange rate at any stage? Yes/No

6b) If yes, what was it? _____________

7) Attitude of staff (a simple narrative)
____
____

8) Total level of customer satisfaction on a scale of 1-5 (5 is high) ______

9) Other comments and observations __________________________________
____

Time departed the location ______________

Remittances Customer Charter

Any organisation that displays this Charter agrees to meet the following standards when sending money abroad (in a foreign currency) for individuals.

Our commitment to you is:

Before agreeing to undertake a transaction we will provide you with:

- ✔ An estimate of the total fee that you, the sender, will be charged by us for the transaction. If we believe that the receiver may also have to pay a fee, then we will tell you
- ✔ An indication of the exchange rate that we will apply to your transaction, if requested. If a further exchange rate may be applied we will tell you to expect this
- ✔ Information on where the receiver should collect the money from and what they have to do
- ✔ An indication of when the funds will be available at the organisation to which you are sending the money
- ✔ Information on cancellation procedures and any charges for cancelling or amending a transaction.

Upon completion of a transaction we will provide you with the following in writing:

- ✔ A transaction reference number that is unique to your payment
- ✔ Confirmation of the exact amount we are sending for you
- ✔ The fees that you have paid to us for this service
- ✔ The estimated amount that the receiver will receive and the currency that the money will be paid/credited in
- ✔ The exchange rate that has been applied to your transaction where this is available. Where this is not available or where additional rates will be used we will tell you how the foreign exchange conversion will be calculated
- ✔ Information on where the receiver collect it or confirmation of the bank to which the money has been sent
- ✔ When the money will be available for the receiver. Whether this timescale is definite or the best estimate that we can make
- ✔ In the case of cash collections, what the receiver has to do in order to collect the money.
- ✔ The procedure to follow if you have a need to query this transaction. We will advise you how long it will take us to provide an answer or an update.

Should you have any queries concerning this charter please contact xyz on xxxxxxxx or www.xxxxxxxxx@xxxx.com

Remittances Customer Charter