29) BANK AND BANKING - The latest in a series of articles by Iain Gregory of Caithness CAB

Today we start with another amusing story from the USA. A recently retired American police officer told me about a chap who decided to hold up a bank in the city. He made careful plans complete with a checklist – mask; gloves; bag to put the money in, and a gun. He marched up to the teller's window and announced – with a regrettable lack of originality – "This is a stick-up. Hand over the cash". The teller explained that she just happened to have a satchel of money beside her and she gave it to him, wished him a nice day, and pressed the bandit button on the floor as she did so. At this point our hero realised the flaw in his scheme. This was a drive-in bank and he did not have a getaway car. He duly waved the gun at a lady customer, heaved her out of her vehicle, jumped in and took off. After a few yards the pyrotechnic charge in the satchel discharged and the criminal genius was sprayed with red die, as was the windshield - and the cash. He crashed into a snow bank and leapt out – still clutching the bag and his pistol – and was just in the process of holding up another lady when my friend arrived and made it quite clear that he was under arrest – utilising a form of words perhaps a little stronger than the Miranda ruling actually called for.

As we all know it would not be unreasonable to take the view that the great financial crash of 2008 resulted, very largely, from something of a role-reversal where certain banks and bankers were allegedly responsible for holding up the customers, and not the other way round. I don't think that many people realise just how close we came to complete economic collapse at the height of the crisis and even now we still see the effects and can only hope – probably forlornly – that both our politicians and our bankers will learn from the lessons of history. So what can we do to protect ourselves and our own financial interests in the new landscape of ultra-low interest rates and loss of trust in financial institutions?

Firstly, let's have a look at banks and the protections that exist for savers. If an authorised firm (think bank or building society) goes under then the current limits are £85,000 per person (so up to £170,000 for a joint account) but remember this is per "firm" so if you have deposits with two or three different "brands" operating under the same banking licence then your compensation will be restricted to these limits in total – not for each "brand" separately. There are also provisions for "temporary high deposits" – for example: if you have just sold your home and the money is temporarily held by a bank. If you want to know more about this, go to the FSCS website at https://www.fscs.org.uk and check. And remember, there are different limits for different kinds of products so please study the website carefully or contact CCAB for more help. So what about other types of deposits, such as National Savings? This is the statement on the NS&I homepage – "We're 100% secure. We're backed by HM Treasury. So all the money you invest with us is

100% secure. Always." Well, that sounds clear and unambiguous, but if you are looking at any other type of savings account – perhaps offered by large, well-known organisations – do have a very careful look at the brochure or advert and find out who is actually behind the product. Is it someone you are happy with? Where is the bank based? In every case research first and then it is really a matter of deciding for yourself & following Grannie's advice about eggs and baskets.

But what about all the marvelous investment opportunities we hear about and see advertised? The thing to remember is this. Firstly, if you invented a foolproof way to make huge sums of money with no risk, would you tell everyone? Secondly, you need a very full understanding of whatever financial vehicle you are considering investing in and, thirdly, compounding of interest and reinvestment of income and dividends invariably wins out in the long term and, whilst it may not be exciting, it can save you a fortune and also prevent a nasty hangover. Think of it this way – the main reason that the banks got into such an appalling mess was because, greed and stupidity aside, they tried to be too clever. The simpler, and more reliable the product, the less the chances of things going wrong.

We spend a fair bit of time at CCAB trying to help people who have come a cropper after being persuaded to invest in something of questionable benefit – for example you may be offered the "opportunity" to purchase fine wines, rare earth metals, foreign property "investments", gemstones, and shares about which one knows nothing. Whilst an expert investor might make the odd purchase it will always be with a known and reputable broker or firm and never, ever as a result of a cold call or email, which is how most of these schemes are promoted. The" hook" used is invariably to tell you that the "investment" offers an amazing return in terms of income, profit or growth and when bank interest rates are at an all-time low people get tempted. Please don't be – there are far too any people getting caught out and losing a fortune This subject is highly topical at the moment and CCAB work closely with Trading Standards to identify and flag up dodgy schemes and to make sure that they go into the intelligence system and, where possible, are pursued. The problem is that within minutes of "investing" your money has probably gone through several different accounts and is sitting in a bank in an offshore tax haven, where it will remain. If anyone tells you that you "have to act quickly" or "do not tell anyone – this is a confidential offer" then rest assured that it is iffy – very. Always check with CCAB or a trusted local financial professional and remember there are a lot of crooks out to lay hands on your pension savings these days so once again your default position should always be that the caller or the sender of the email is a scammer and exercise extreme caution. We are a phone call away.

So the summary is this – there have been huge upheavals in the financial sector over the last ten years – most of it quite predictable – and today we have much tighter regulation and controls, but low interest rates will probably persist for a good while to come and we need to get used to it. The danger is that people are tempted to seek higher returns and are targeted as a result. Please just be careful, do your research, and speak to CCAB if you need any guidance – we are happy to advise at all times.

And now I am going to attend to my own investment strategy, which involves asking Liz for my weekly pocket money and deciding what motoring related item I will spend it on.