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MONEY BOX

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NOTE: Due to technical problems a shortened version of Money Box was broadcast on Saturday 17th February. This transcript relates to the full length programme which was broadcast on Sunday 18th February.

LEWIS: Hello. In today's programme, Nationwide's customers will end up paying a near million pound fine after the society was penalised for losing a laptop containing millions of account details. Record numbers buy property to rent out, but with falling returns and rising interest rates, is now the wrong time to do it? Bob Howard's been with some workers determined to sort out their personal finances:

HOWARD: They don't even have to leave the office to get free help with their pensions and mortgages:

WOMAN: I don't really have a clue about money so it was really informative. I've really got to review my finances.

LEWIS: And when unmarried couples stop sharing their lives, how do they share out their property?

But first, Nationwide, Britain's biggest building society, has been fined nearly a million pounds for one of the worst ever breaches of data security. A member of staff took home a laptop containing information on millions of customers, which was then stolen. Money Box highlighted the loss of the laptop in November. Now the

Financial Services Authority has fined the society for its failings. Money Box's Chris A'Court investigated the story. Chris?

A'COURT: Paul, in November Money Box reported the very serious security issues facing Britain's biggest building society. Now the financial regulator has confirmed major failure at Nationwide that meant it didn't keep customer information safe - a catalogue of errors centred on sensitive failure to have enough IT systems and controls in place, potentially exposing 11 million customers to increased risk of identity crime. Now it was last August when a Nationwide employee was able to download millions of customer details onto a single laptop computer. Then when the employee took the laptop home to work on, it was stolen in a burglary. Now the theft was quickly reported, but for 3 weeks while the employee went on a foreign holiday Nationwide chiefs had no idea that customers' highly sensitive data was on the laptop and so did nothing. In that 3 weeks financial criminals getting the laptop could have wreaked havoc.

LEWIS: Yes, but although the risk of huge financial crime was there, Nationwide still firmly believes that didn't happen.

A'COURT: Yes, Nationwide has always said that the data on the laptop by itself wasn't enough; and in any case it always refunds any victims of fraud. Now we know that it does. But the point is that criminals have the ideal starting point when they can get hold of names, addresses, account numbers and dates of birth all in one place like on a stolen laptop. Now they need only a little more information to succeed in hijacking bank accounts or stealing identities. This is really serious and if customers are told such information could be in criminal hands, then at least they're put on increased guard. This happens in America, but here all Nationwide would ever confirm is that there were no personal ID numbers, account balances or passwords on the stolen computer.

LEWIS: And Nationwide customers who've e-mailed us about this, they've tried to find out more but they've come up against a wall of silence.

A'COURT: Absolutely, Paul. After our November report, Nationwide somewhat grudgingly wrote to all 11 million customers to declare the security breach, but still not revealing anything about information that was on the laptop – for security reasons, it said. Now some customers strongly support that say as little as possible stance, but others don't. Simon Fearn, a very long-time Nationwide customer from Bournemouth, has failed time and time again to get Nationwide to tell him anything more.

FEARN: I felt it would be reasonable to tell the members what data they had lost and I don't think that is asking too much. And the fact that they couldn't see it from the members' point of view, and I do know I'm not alone in feeling this, disappoints me because they tell us they're different and I don't think they are. I don't believe in any way, shape or form, I would have been more at risk had they published that information. I mean if they didn't want to tell everybody through public channels, they could have at least told individuals on a direct basis. The only reason they've given is police advice. Whether that's true or not, probably we will never know. And the fact that they've just sort of sat in their bunkers and waited for this to die down, I think is extremely disappointing and it's been very bad for a society that many had some respect for.

A'COURT: Well of course Nationwide under Chief Executive Philip Williamson, is a highly respected and successful business planning to merge with Portman later this year. Nationwide again refused all requests for interviews this week. In a written statement, the Chief Executive accepted the society's systems of control were "found wanting" and said that it had made changes since. The financial regulator won't talk because this is "a sensitive topic" and says people must read its website. That wall of silence up again, Paul.

LEWIS: Yes, indeed. Well someone who was prepared to talk is Phil Jones. He's Assistant Information Commissioner. He said this week that breaches of personal information like the one at Nationwide are completely unacceptable and he told me he hoped the fine would bring about changes.

JONES: We think that this sends a very important wakeup call, particularly to banks and organisations in the financial sector but actually wider than that – to all of us, all organisations that hold personal information.

LEWIS: Did Nationwide breach the Data Protection Act?

JONES: Almost certainly they did. But we had contact with the FSA, we knew they were looking into the matter, and in the light of their very special powers in this area it didn't make sense for both of us to pursue the same breach. But, yes, almost certainly they will have committed a breach of the Data Protection Act because they didn't take proper care of customer information.

LEWIS: Would it be possible for you to force Nationwide to tell customers what data they held on that laptop that went missing?

JONES: No, I think the technical problem here is I don't think it matters much exactly what information was on that laptop.

LEWIS: Well it matters to customers!

JONES: No, I understand it. What I'm saying is we don't need to know exactly what bit of information went missing to know that if some information has gone missing, there's been a breach of the Act. And so it's perfectly possible that if we went down that road, that this could be challenged by an organisation such as Nationwide and there's no guarantee therefore that we would be able to demand it even if we chose to go that way.

LEWIS: Under the Data Protection Act customers have the right to ask what data is held, as I understand it. Could a customer contact Nationwide and find out what data was held on a particular computer – i.e. on that laptop itself?

JONES: The simple answer to your question is no, you and I don't have right enforced in law under the Data Protection Act to require somebody to tell us what data is held in what particular kit in what particular place. What the obligation is is to

tell you what information they hold in general, and it may well be therefore for example that a sub-set of that information was held on the laptop that went missing but the Data Protection Act doesn't actually require them to go into that sort of detail. I would stress it doesn't stop them doing that, and if they have customers who want assurances in that area then there's nothing in the Data Protection Act that would stop them passing that information onto them.

LEWIS: Phil Jones. Well although Nationwide has been fined nearly a million pounds, some listeners are concerned that it's the 11 million customers who own the society who'll end up paying it, a point made by Jill from Eastbourne.

JILL: Because it's a mutual society, any fine has to be picked up by the members. They will actually lose out because there are no shareholders. It's what I regard as a double whammy. It's bad enough as a member thinking that your details may have been spread across the globe unnecessarily; and then to be told that as a member of a mutual society you're going to be fined, that seems a little unfortunate.

LEWIS: And Chris, you put this point to Nationwide.

A'COURT: Yes and the society replied that it has around £135 billion in assets and reserves, so a million pound fine isn't going to impact much. It works out at around 8p for each Nationwide customer. Some customers though, like Bob Dee who e-mailed this morning, would like those in ultimate charge at Nationwide, the directors, to pay the fine out of their six figure salaries, pension pots or bonuses. Now we've asked Nationwide about this and that won't be happening because it says that would be unfair punishment on people who've done a lot to build the success of the society. And that laptop is still missing, Paul, but one fear that Nationwide customers shouldn't have is of increased mortgage or poorer savings rates as a result of this near million pound fine. The society says it'll make no difference to customers' rates.

LEWIS: Thanks very much for that, Chris, and I'm sure we'll be keeping our eye on what happens over the next few weeks and months.

Buying homes to rent them out is more popular than ever. Figures for 2006, released this week, show 330,000 new buy to let loans were taken out – a 48% increase on 2005. More than half of those were remortgages, but the total number of buy to let properties did grow by nearly £150,000. Many new landlords say they'd rather invest in bricks and mortar than a pension, but with interest rates rising three times in less than a year are they putting themselves at risk? Gus Park is Head of Buy to Let at Bradford & Bingley, which overall is the UK's biggest buy to let lender and he says not.

PARK: Well in many ways 2006 was the year in which the buy to let market grew up. A lot of landlords who've been in the market for quite a few years now have chosen now to really expand their portfolios and I think a lot of people just like investing in bricks and mortar as something they can touch and feel and generally they're in it for the long-term. We've surveyed landlords and a large number of them are providing for their pension.

LEWIS: But given the returns that landlords are getting (the rental yields as it's called) is going down and of course interest rates have risen three times and may rise again, isn't this just the wrong time to be in the market?

PARK: Rental yields have come down a little bit, but that's because house prices have grown so much. That's a good thing for buy to let investors.

LEWIS: Right, so the yields have fallen because although rents have risen house prices have risen much more, so rent divided by house prices has gone down?

PARK: Absolutely right. I think most buy to let investors at the moment are comfortable with relatively low rental yields. So long as the rent is enough to cover the mortgage payments with a bit to spare, they're comfortable with that so long as they believe they'll still get a good capital gain. I think what may happen with interest rates rising is that property prices cool a little bit and at that point buy to let investors start seeing buying opportunities and coming back into the market.

LEWIS: Do you think the growth in buy to let is pushing up the price of houses, particularly for first time buyers, and that for them this is bad news?

PARK:I don't think so. There is no doubt that buy to let investors and first time buyers often want to buy the same types of properties and so will sometimes find themselves in competition with each other, but that doesn't mean that it's buy to let investors who are driving up house prices. Buy to let investors can't afford to overpay for a property. They have to get enough rent in to pay for the mortgage and so it's very difficult for buy to let investors to fuel house price inflation. House prices have risen because of low interest rates and because there aren't enough houses being built.

LEWIS: The market is obviously growing very strongly. Do you think it can keep on growing at that kind of pace?

PARK:I think the market will certainly keep on growing. I think 2006 was a particularly remarkable year, but still only about a third of the private rental sector is owned by buy to let investors and that will carry on growing.

LEWIS: Gus Park from Bradford & Bingley. Well with me is John Socha who's Advice Chairman of the National Landlords Association and the owner himself of 21 buy to let properties. John, Gus Park very confident there the buy to let market will grow, but it's not right for everyone, is it?

SOCHA: No and in fact that's one of the things that we try to ... Certainly as a landlord myself, I sort of speak to other people who want to come into it, I ask them "Why are you doing it? Are you in it for capital growth? Are you looking for a revenue stream and have you got the funds to actually cope when things go wrong?"

LEWIS: And what sort of people do you find go into it though because he's very confident people see it as an alternative to a pension? Are these the kind of people who should be going into buy to let?

SOCHA: People who are worried about their pension certainly come into it, but not everyone is cut out for the actual stresses and strains of what goes wrong, especially if for example you get a tenant who won't pay the rent and you've got to evict them because the process in this country can take up to 7 months. And often people, I've found what I've christened the "knife edge" landlords, these are people who actually don't have the access to any funds to cope with that sort of disruption to the revenue stream and they need to be able to cope.

LEWIS: Because they go into these deals assuming that rent is going to come in every single month and of course it doesn't, does it?

SOCHA: Precisely. And if something goes wrong, you get a void. I mean all those figures show that ...

LEWIS: A void – when it's empty for a month or two?

SOCHA: When it's empty. It shows on average in the UK it's around 26 days now, which is almost one twelfth of your whole revenue stream.

LEWIS: So you've got to make sure the rent more than covers the mortgage, as of course you're supposed to anyway?

SOCHA: Yes.

LEWIS: But does this mean that with three interest rate rises in the last year and another one possibly on the cards, many economists tell us, those people could just be pushed over the edge if their finances are really that tight?

SOCHA: That's the worry. But at least property's not as it was when I came into this business ten years ago when selling a property was a really difficult job, trying to get rid of it. Stuff does sell if you put it back into the market.

LEWIS: Yes. Now you're very much in favour of it, Gus obviously is in favour of it – it's both your businesses – but we did have an e-mail this morning from

someone and this is typical of many comments. He says, 'Buy to let is a blot on the landscape'. And the main point he's making, which I did put to Gus earlier, is that it's pushing up prices. There are so many people trying to buy these properties in competition with first time buyers, inevitably the prices go up, and that pushes the whole market up and raises prices for everyone.

SOCHA: I think Gus was very right in saying that a landlord or an investor cannot afford to overpay for a property because that then puts the yield down even further. And in fact one of my own daughters recently bought a house and she bought a completely renovated property. She wouldn't take advice from dad. She actually went out and bought a complete renovation. I wouldn't buy that sort of property. I would have bought the house in the rundown condition and done it up and that's what investors tend to do.

LEWIS: And very briefly, what's the secret of success buying to let?

SOCHA: Don't panic.

LEWIS: (LAUGHS) That was nice and brief. John Socha, thanks very much. John Socha from the National Landlords Association. And if you're interested in buy to let or have tried it, you can have your say on our website, which is bbc.co.uk/moneybox. Now many of us struggle to find the time or motivation to sort out our personal finances. But some people are getting help with it free - at work in company time. It's part of a £10 million Financial Services Authority scheme to give hundreds of thousands of staff the opportunity to learn about managing money. Bob Howard sat in one firm's seminar

WOMAN: Good after, order line, Sam speaking, how may I help...?

HOWARD: On a normal day here at the cosmetics retailer Virgin Vie in Chichester staff would be manning the call centre phones. But today they're being invited to ask the sort of questions many of us constantly put off:

MOTSON: My name is Darren Motson, I work for the Financial Services Authority and am looking to really give you guys some hints and tips when it comes to money matters

HOWARD: Darren Moxon and his colleagues from the FSA are giving these free seminars up and down the country. In 45 minutes he covers a wide range of subjects from credit cards and pensions to loans and getting out of debt. Laura wanted to know the answer to this question:

LAURA: I tried to get a loan. Lots of people denied me just because I've never had a credit card, never had an overdraft

MOTSON: So there's no proof of you being able to pay back the loans effectively. Okay.

HOWARD: Darren's not regulated to give advice to employees about their individual circumstances or recommend particular products. Instead he directs the staff to use the tools on the FSA website or if they need further help to contact a regulated financial adviser. That means few staff have a concrete answer to their questions at the end of a session but they at least have an idea of where to start. Darren says the same subject areas come up time and again:

MOTSON: What should they do when they've fallen into debt; what does shopping around really mean; how can they pull out the wheat from the chaff in terms of information that's provided by a product provider. Wherever possible we do look to give as clear information as we possibly can. We have to also be very careful not to stray into the area of giving personal advice.

HOWARD: And the FSA is keen to stress its offering financial education not financial advice. Despite these limitations, Virgin Vie employees Laura and Chlorinda told me they'd found the session very useful:

LAURA: I don't really have a clue about money so it was really informative. I've really got to review my finances – where my money's going, when it's coming in so I'm a lot more aware now

CLORINDA: If I wasn't here at Virgin today I wouldn't have picked this up at all. I feel very confident now. I know what to do for the endowment part of it and I know for my mortgage part of it and also my pension and SERPS which I was really quite confused about.

HOWARD: The seminars are entirely free for staff and their companies, so there's been a good take up. Lloyds TSB, Stagecoach, Centrica and The British Medical Association recently have all taken part. The BMA's Jean Slater Romp says it was a big success:

SLATER ROMP: What the FSA are doing is a very important initiative. It educates people about their own finances, and then by having that education you are able to make informed decisions about how you spend your money in the future.

HOWARD: Although the seminars have been widely welcomed, some consumer advisers feel the FSA should focus on its core responsibility of regulating the financial services industry and getting companies to explain their products clearly. Mick Macateer is a former principal policy adviser for the consumer organization Which?

MACATEER: I do think the actual materials the FSA is producing are actually quite good. My personal view really is that the FSA's main priority is to make sure the market actually works for consumers, to make sure the products are simple, that the communications are clear and fair and not misleading, I think if the FSA focuses on that, it'll actually be easier for any financial capability strategy so I would advise really the FSA should get on with the priority of making the market work

HOWARD: But Vernon Everitt, who's in charge of the FSA's financial capability programme, says it has a duty to make sure consumers are better able to choose between financial products.

EVERITT: basic products

HOWARD: The FSA wants the seminars to reach half a million employees by 2011. Earlier this month it announced a ten per cent increase in the fees the industry pays to fund it, in part to expand it's financial education programme further.

LEWIS: Thanks Bob. A couple were in the House of Lords last week fighting over their assets. Their relationship had ended after more than 20 years, but they weren't married so what share could each claim of the property they bought while they were together? It's important because unmarried partners in England and Wales, though not now in Scotland, don't have the legal rights in each other's properties which married couples normally do. The judgement in the case is still awaited, but meanwhile what can unmarried partners do to protect their own share of the property when they move in together and don't marry? That's a question posed by Money Box listener May from Herefordshire.

MAY: My son and his girlfriend are hoping to buy a property and he will be providing the £50,000 deposit and then they will share the mortgage payments. We are interested in making sure that should they split up that money is protected and the value of the property can be easily divided. Is there something like a contract that can be drawn up by a solicitor to help us achieve this and how much is it likely to cost to get this done?

LEWIS: Well with me is Jane Craig, a lawyer, who's a partner with the law firm Manches. Jane, this is a common thing, isn't it – a couple want a house, one of them has the deposit (or their parents provide it in many cases) but they want to protect it if that relationship goes wrong. What can people like May's son do to protect themselves?

CRAIG: Well the first thing that he needs to do is to sit down with his girlfriend and talk about the fact that he's putting in more money and therefore that it's fair that if the unthinkable happens and they split up, he should get back that money before they divide up the rest of the proceeds of sale of the house.

LEWIS: Hardly a romantic move though, is it?

CRAIG: Well I know it's not romantic, but it's an awful lot better to be doing it when you're still in love than when everything's gone wrong and you end up spending thousands of pounds fighting it out in the House of Lords or the local county court.

LEWIS: Indeed. So how do they protect ... What agreements do they draw up?

CRAIG: They should go to see a solicitor and they should say to the solicitor that they want a document called a Declaration of Trust drawn up, and that's a document that sets out who put what into the property and what it is they've agreed should happen if they split up or if one of them dies. And you can provide for things like unequal shares in the property, so he gets his £50,000 back plus interest, then they divide the proceeds; you can say what would happen if they split up and one of them wants to buy out the other; you can provide for who pays the repair bills, insurance, that sort of thing.

LEWIS: Yes. Now that sounds like quite a long and complicated document. Is it something that any high street solicitor can draw up or do you have to find a specialist?

CRAIG: I think you'd need to find somebody who's got a conveyancing department and probably a family law department as well because it's the family lawyers who pick up the pieces and have to deal with people when their relationships break down, so they're probably likely to have the experience.

LEWIS: Do they need a solicitor each?

CRAIG: Yes. One of the solicitors will actually draw up the document, but to make sure that it's fair the other person needs to go and see somebody independent.

LEWIS: You're talking about quite a bit of money there, aren't you?

CRAIG: Well you may be talking about a few hundred pounds possibly, but if you think about it, if you're buying a house or a flat, it's the most expensive thing most people ever buy in their lives and surely it's worth spending a bit more to make sure that if things go wrong you get back what you put in?

LEWIS: Yes. And is there also a question about how you own the property because there are two ways a couple can own a house, aren't they?

CRAIG: Yes and that was the problem with Miss Steldon and Mr Stack because there's a box ...

LEWIS: These are the ones in the House of Lords earlier last week?

CRAIG: They're the ones in the House of Lords. Because there's a box that you tick on the transfer document – that's the piece of paper that you sign and it transfers the property to you – and there's a box that you tick that says that if one of you dies, the other one can inherit the property automatically; the survivor can give a receipt for capital money. Well they ticked that box and they thought that that meant that ... Well it did mean if one of them died, the other one would inherit it, but they also thought it meant if they split up that they got the property proceeds 50-50. The Court of Appeal said no because they didn't really understand the implications.

LEWIS: So should you always not tick that box? And I think the term is instead of being joint tenants, which is a very confusing term but that's what it is, you have to be what's called tenants in common and then you own half of it each or indeed 60-40, 70-30 or whatever it is?

CRAIG: My advice is you should always, always have a Declaration of Trust. You should decide how you want to own the property and you should have a Declaration of Trust that sets that out - so if it's 50-50, 30-70 or whatever it is, always.

LEWIS: So a good start and hopefully a good end to the relationship as well.
Jane Craig from Manches, thanks very much.

And Bob, Capital One's been fined £175,000 by the financial regulator as part of its crackdown over payment protection insurance.

HOWARD: That's right, Paul. Between January 2005 and April 2006, Capital One failed to give 50,000 customers key information about their PPI policy, meaning they couldn't check what was covered or whether it was right for them. Capital One says it's already started a £3 million programme to remedy the problems and pay compensation where necessary. Capital One is the fifth lender to be penalised over PPI. Last month, GE Capital Bank was fined a record £610,000 for similar failings.

LEWIS: And calls for the Banking Code to be strengthened?

HOWARD: Indeed. The Office of Fair Trading is calling on the Banking Code's review to raise the standards of fairness in the way banks treat their customers. It wants them to end their reliance on hidden charges and make it easier for customers to compare different banking products, and it wants the banks to give 14 days notice before any charges or interest is taken from customers' accounts.

LEWIS: Thanks, Bob, and hopefully more from Bob next week. And that's almost the end of the programme, but just time to say that after a week in which British Gas and Powergen tried to undercut each other, we've got a special phone-in on Monday to help you get the best deal. Money Box Live will answer your questions on saving energy and finding the cheapest provider. But that is it for today. You can find out more from our Action Line – 0800 044 044 – our website, bbc.co.uk/moneybox, where you can contact us, listen to the items again and have your say on buy to let as many of you are on many other things as well. I'm back next weekend with Money Box. Today the reporter was Bob Howard, the producer Jennifer Clarke, and I'm Paul Lewis.