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## **MONEY BOX**

**Presenter: PAUL LEWIS**

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LEWIS: Hello. In today's programme, people who've lost their pensions when their employer went bust are celebrating after the House of Lords backs more compensation. The Revenue tells us why it's targeting people with money abroad and second homes. Bob Howard's been looking into new laws about recovering debt.

HOWARD: It seems people who owe firms money are likely to be taken to court in ever greater numbers.

EDWARDS: Bureaux are reporting to us that they're finding it much more difficult to negotiate repayment arrangements with creditors. They want the sanction of a court judgement.

LEWIS: And how credit card costs have risen a year after providers were forced to cut penalty charges.

But we start this week with a vote in Parliament.

FEMALE SPEAKER : There have voted contents - 181; not contents - 126, so the contents have it.

LEWIS: Well in the rather quaint language of the House of Lords, that meant a government defeat as peers voted by a majority of 55 to introduce improved

compensation for tens of thousands of people who've lost some or all of their works pension when their company went out of business before April 2005. The Lords vote would give them the same compensation that's now given to those whose schemes went out of business more recently. Earlier in the debate, independent peer Lady Greengross said why she supported the change.

GREENGROSS: They were told that they should join the company pension scheme. They were told that this scheme was sound. They had virtually guaranteed that it would be sound and it would look after them when they retired. Maybe that was wrong, but that is what they were told.

LEWIS: Not everyone agreed with her. Labour peer Lord Howarth said he was sorry for the people who'd lost money, but he didn't see why taxpayers should pick up the bill.

HOWARTH: We know that it's the bedrock duty of the state to provide social security so that people don't have to eek out an old age in destitution, but on what principle do we judge what more the state ought to do? My lords, can any reasonable person have supposed that the state was always going to underwrite the whole of the private pensions system? I think not.

LEWIS: Well despite that, as we heard the amendment *was* passed, though it could be overturned by the House of Commons. Pensions campaigner, Dr Ros Altmann, told me her reaction to the vote.

ALTMANN: We certainly are pleased that the House of Lords has passed these amendments, but the stumbling block each time has been the government and MPs. This now has to go back to the House of Commons and we still need to get enough MPs to back it in order for it to become law, and that's obviously the final hurdle which we are now facing.

LEWIS: The government though on the day of this debate seemed determined *not* to move further when Tony Blair said it would be what he called "delusional" and I think later "irresponsible" to promise any more money.

ALTMANN: The extra cost of settling this properly is now at about £20 million a year. The idea that taxpayers can't afford that is just nonsense! The total cost to provide Pension Protection Fund level compensation instead of the inadequate Financial Assistance Scheme for the next 60 years amounts to around £640 million. That's on the government's own figures. And to put that in perspective, last year alone officials made mistakes which paid benefits out to people who weren't entitled to them, which cost taxpayers £725 million just in one year.

LEWIS: So given that the cost of this change is relatively small, what will it actually mean for the pensioners involved?

ALTMANN: If the changes do go through, it will mean a fair and final resolution of their fight, but it will also in practice ensure that the money gets through to them quickly because one of the biggest scandals amongst this whole scandal is that there are already about 10,000 people who are passed pension age and yet less than 1500 of them have had a penny of this assistance.

LEWIS: Well yes and the government accepts there have been delays, but the man who's investigating that for them - Alan Hyam, he's head of the review team looking into this - has put some of the blame on the professional administrators and the paid trustees of these defunct pension schemes. Here's what he told us.

HYAM: Some trustees have done an excellent job in providing information and acting in their members best interests, but government has been disappointed by the lack of urgency and concern for scheme members that have been shown by some of those who are overseeing the wind up of under-funded pension schemes. The coverage and the benefits of the Financial Assistance Scheme have improved significantly since they were first announced, such that now everybody in a scheme that qualifies can expect to be topped up to 80% of their pensions. And I think it would be helpful for those people to ask the trustees of schemes that they know of, have you provided all the information that you need to do; and if not, why not?

LEWIS: And what *is* the information trustees have to provide?

HYAM: The trustees will need to tell the government how much would the member have received had there been sufficient assets to pay the pension in full - in other words, the pension that the member was expecting to get - and what pension *are* they receiving or what pension do they *estimate* they will receive. And every pension scheme in this situation does have an expert professional trustee who is paid a fee from the scheme's assets to oversee this work, so in theory they all should be more than competent to do this.

LEWIS: Well that was Alan Hyam. We also heard from one of those people waiting for a payment: 68 year old John Brooks. Now the firm he worked for went bust 5 years ago. He wants the government to do more, but he agrees that his scheme's independent trustees and administrators are partly to blame for the delays, but he told me why he's reluctant to chivvy them along.

BROOKS: I haven't addressed it with them because of the cost. They are very expensive. Even if you talk to them on the phone or require an answer to a letter, it costs money. And the fund that I was in isn't very rich, so the less you could take out of it, the better it was for all the pensioners. I'm looking forward to the receipt of something, but *when* is just another question. That's what we've been saying over the years, is *when, when, when?*

LEWIS: So Ros Altmann, if these paid pensions professionals did their job properly, things would be a lot better, wouldn't they?

ALTMANN: It's very easy to blame the trustees, but the fact is that from my experience the real problem is the way the Financial Assistance Scheme has actually been set up. If it had been set up in a way that would ensure maximum help and recognition of the urgency for the people who are already in need of their pensions and in the case of John Brooks' scheme, for example, I have spoken with the trustees on a number of occasions and they simply do not know what Mr Brooks will ultimately get from the scheme because that figure depends on the outcome of a court case which hasn't happened yet.

LEWIS: So when Alan Hyam says that he and the government are disappointed by the lack of urgency and concern shown by those running these schemes, you would say that that's not their fault; that's the fault of the system the government's devised?

ALTMANN: In my experience, the trustees are *desperate* to be able to get help to the members. They would *love* to be able to pay them out of the money that they have sitting in a bank. They are *not* in a position to provide the data that the government needs, so why not take the practical option, which is the one used in the Pension Protection Fund and is the one that has been proposed by the amendments, which would allow the trustees to pay them and then settle the difference later when all the data problems and records have been sorted out?

LEWIS: Ros Altmann.

There's just two weeks to go if you have money or assets abroad and haven't told the Revenue about them. Any not declared by June 22<sup>nd</sup> will be subject to extra penalties if the Revenue later discovers you haven't paid the right tax on interest or profit earned outside the UK. The Revenue says it has details of hundreds of thousands of taxpayers with offshore accounts. I asked HM Revenue & Customs' Director General Dave Hartnett if they were all paying too little tax.

HARTNETT: I'm confident that we have information about 400,000 individuals with offshore accounts. We simply don't know whether they've paid the correct tax or not. We're offering these people a chance to come forward and put things right if they need to and then after 22<sup>nd</sup> June we'll start investigating those who haven't come forward. If someone has paid the right tax, they won't hear from us at all. If they haven't, we'll be contacting them.

LEWIS: And how many *have* come forward because it's only a couple of weeks now till the deadline?

HARTNETT: We've had about 44,000 people ask for our booklets either over the Internet or by telephone and roughly 6,600 people have notified us so far that they have a disclosure to make.

LEWIS: That's a very small proportion, isn't it, of the 400,000 whose names and addresses you have?

HARTNETT: Well it is a small proportion, but there's still a couple of weeks to go and exercises like this in other countries have always seen most people come forward in the last few days.

LEWIS: But is it also because it's not really an amnesty, is it? You'll still make them pay the full tax and interest and a penalty of 10%.

HARTNETT: Well it's not an amnesty in any sense. The incentive to come forward is that they know what penalty they're going to pay if they come forward under the arrangements, and that penalty is lower than the penalty we would normally charge.

LEWIS: And what will the penalty be if they *don't* come forward and you *do* find they haven't paid enough tax?

HARTNETT: That will actually depend on the circumstances - what they've done to squirrel income and gains away; why they haven't told us about it; the extent to which they have taken steps in their business or elsewhere to hide that income. And I'm afraid some may well find that we are investigating them for a criminal offence.

LEWIS: Yes, I can see it can stretch to that, but it could be very harsh on some people, couldn't it? They've been tempted into offshore accounts with newspaper adverts promising interest paid gross. Some of them may genuinely have been misled to think no tax was due.

HARTNETT: I hear stories like that. We will test those stories to find out

whether it's true. Some of the disclosures we're seeing are really very significant indeed - a doctor with £3 million in fees hidden in an offshore bank account; a retired businessman with £3½ million diverted from his company hidden in an offshore bank account; the chip shop owner with a million pounds hidden in an offshore bank account.

LEWIS: But what about the people, the pensioners who've got a few thousand pounds abroad, people who might have a property abroad, and have been taking a bit of rent and paying some bills with it? Those people are not really going in for tax evasion in the way you've described.

HARTNETT: No, that's absolutely right, but we've made it very clear in the material we've made available that people with small amounts of tax to pay can just pay their tax and have nothing more to fear from us. We've set up a telephone helpline for people who've got queries and actually people are phoning us to try and clarify their position to establish whether they've got a disclosure to make. And it's the whole range of taxpayers from people with small amounts in offshore bank accounts to business people with very substantial amounts.

LEWIS: You want people with offshore interest to pay the correct tax, but just looking at people who live in this country and save here - with their savings, you automatically take 20% off whether we owe it or not and your own figures in the past showed you'd taken £300 million too much. Why are you not giving that back to them?

HARTNETT: We make *huge* strides to give money back to people who've paid too much. We've got people who are out there talking to the elderly, talking to other groups of taxpayers, helping them to reclaim their tax.

LEWIS: It was 2004 when you last had a campaign on this and you only managed to give back a few tens of millions out of the hundreds of millions that you say you've wrongly taken.

HARTNETT: Well I think it is a little while since we had a campaign. We're looking at the moment to see how we should direct the campaigns we want to run and there's a real possibility that we'll run another one.

LEWIS: But to take another area where you automatically take tax off us - PAYE through our wages and pensions - your own research shows you collected £500 million too much in 2005/6.

HARTNETT: And we're doing everything we can to put that right. We've big teams doing that and we're determined to get it right.

LEWIS: And when you *do* get it right, when you *do* repay money, do *you* pay penalties or interest?

HARTNETT: We certainly pay interest to people we make repayments to.

LEWIS: Yeah, but at 3%; whereas you charge us 7½%.

HARTNETT: Those are statutory figures.

LEWIS: But does it worry you when newspapers ... The Times this week was saying that you're treating customers as "suspects"; that you enjoy your work of collecting tax a little bit too much and this arouses the hostility of taxpayers.

HARTNETT: Well I sometimes think we can't win. We started an initiative to try and help people who are landlords get their tax affairs right. What happens (because we want to help people get it right) we're castigated as being too determined to raise tax. I think we need more recognition for what we're trying to do to help people.

LEWIS: Dave Hartnett of Revenue & Customs. And later today, there'll be a longer version of that interview on our website: [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox). And you can have your say there now on the Revenue's campaign. Some of you already are. There are also details there and with the helpline of the Revenue's campaign and how to claim back and tax paid on your savings.



More people in England and Wales will find themselves in court as the result of a proposed new law about recovering debts. Citizens Advice has told Money Box that the change could also mean people in debt are at greater risk of losing their home. Bob Howard's with me.

HOWARD: It seems, Paul, that firms that are owed money are now relying less on talking things through with the people who struggle to make payments. The firms, the creditors are going swiftly to court to get what's called a County Court Judgement or CCJ, which basically details how those owing money - the debtors - pay it back. If you miss payments and you're a homeowner, the court can also impose a charging order, which means the lenders get their money back first when you come to sell your property. But proposals in a new bill mean this could happen even if you're keeping up the CCJ repayments. Here's Sue Edwards from Citizens Advice.

EDWARDS: The County Court rules actually require people to try and do everything they can before court to try and solve the problem. Bureaux are reporting to us that they're finding it much more difficult to negotiate repayment arrangements with creditors. Creditors are refusing offers of repayment. They want the sanction of a court judgement and particularly if the debtor owns their own home.

HOWARD: Sue Edwards is particularly concerned because although in most cases a charging order means the debt is repaid only when an owner chooses to sell the property, in some cases people can be made to.

EDWARDS: If the government feels it's necessary to change the law in respect of charging orders, then it does need to make sure that people who do want to repay but can only afford a little bit don't end up losing their homes because of it. So we would like to see some restrictions on the amount of debt that the creditors can apply for a charging order for. We have seen some cases where creditors have applied for charging orders for debts of not much more than £100 and that's completely disproportionate.

HOWARD: So why is this change happening? Well the government says it's closing a loophole which allows people paying off big debts in small installments to still benefit from the sale of a property and yet be under no compulsion to repay the outstanding sum owed from the proceeds. Debt councillors concede there are cases where court action is the only option left open to a creditor, but they're concerned that where loans are not initially secured on a property then they're becoming so. Malcolm Hurlston from the Consumer Credit Counselling Service is urging companies to use any new law with restraint.

HURLSTON: It all depends on whether creditors are successful in identifying the 'won't pays' who really do need to be sued quickly and efficiently. If it's used as a very blunt instrument, then it could be quite dangerous because it gives creditors the power to turn debts which are effectively unsecured into secured debts.

HOWARD: As a safeguard, the Ministry of Justice told Money Box it intends to introduce minimum thresholds below which a charging order on a property cannot be imposed or an order for its sale made. In the meantime, figures issued last week showed the number of debtors taken to court has reached a 10 year high. Jeremy Sutcliffe is the Chair of the Civil Court Users Association, which represents companies like banks and utility firms. He says creditors are frustrated by clients who own expensive properties but say they don't have the cash to pay their debts.

SUTCLIFFE: People's assets are now in their homes. They tend to treat paying the mortgage as an absolute priority and indeed debt advisors do as well and in many cases it leaves little else to go for. So the government agrees with creditors that it's fair that creditors should have a reasonable chance to obtain payment of their debts by the use of this asset provided the procedures are reasonable.

HOWARD: In fact the Ministry of Justice says the court should only be used to reclaim debts as "a last resort", but Jeremy Sutcliffe says creditors have noticed a distinct change in government emphasis.

SUTCLIFFE: The Ministry of Justice has lifted its foot off our neck as regards what it's been doing in recent years, which is telling everybody that litigation is a last resort. What they're doing is now saying that litigation in the right place is right and they'll help us to get a more efficient service, but they're doing their best to get away from the litigation which *isn't* necessary and we're very happy about that.

HOWARD: Paul, the Ministry of Justice told Money Box in a statement that its policy *hasn't* changed, but Citizens Advice is now contacting MPs to highlight its concerns ahead of the law's expected introduction later this year.

LEWIS: Thanks, Bob. And if you have questions on credit or debt, there'll be experts on hand to answer them here on Money Box Live on Monday afternoon.

A year ago credit card providers were forced to cut the penalties they charged customers who missed a payment or went over a credit limit. Typical charges of £25 were cut to just £12. But a year on, it seems the providers are getting that money back by putting up other costs of using your card. Research out this week by uSwitch.com shows that interest rates are up, some cards have introduced fees, and others have raised the cost of taking out cash. With me is Mike Naylor of uSwitch.com who did the research. Mike, what charges *have* been raised?

NAYLOR: Essentially we've seen balance transfer fees become standard and increased, typically to 3%, or companies have also removed the balance transfer fee cap, which set a maximum amount. We've seen cash withdrawals interest rates go up by 3% and also the fees for taking out cash have gone up. This is important as more people are using their cards to take out cash because they need them for their Chip and Pin.

LEWIS: Give me some examples.

NAYLOR: I mean average purchase interest rates have also gone up significantly by 1.7% up from 1% ... Sorry, up by 1.7%. The base rate's gone up by 1%. And there are signs that companies may actually introduce fees for their credit cards. For example, Lloyds has started charging some of its customers £35 for not using their card.

LEWIS: So they charge you if you *don't* use it?

NAYLOR: Yeah, which is a bit strange. You know it's not necessarily explained in their terms and conditions. And also increasingly we've seen 0% deals that have got a 9 months length but also 3 months for purchases. This is a very sort of sneaky way of catching people out as the purchase is paid off last, so it sits there and incurs a lot of interest.

LEWIS: Yes, although it seems you're getting 0% on your balance transfer - well you are - but you have to make purchases, or you're encouraged to and you're paying interest on those.

NAYLOR: Exactly.

LEWIS: Yes, so it's a kind of back door way of getting money back. Do you think they're doing this, raising charges to recoup the money they lost by cutting penalties?

NAYLOR: Yeah, absolutely. It's estimated that they lost £300 million as a result of this, but that was really money that they should never have had, so it shouldn't really be that they're claiming it back. But people really should take some action and vote with their feet, do something about it. People are very loyal to their banks and the banks are really relying on this. You know there are lots of great deals out there, but you know you need to look very carefully and choose the right one.

LEWIS: Yes. And of course people who didn't incur penalties and who didn't benefit from this cut are going to feel well we're being penalised now because other charges that we didn't have to pay, or other good deals we used to take advantage of just aren't there. So the good guys are losing.

NAYLOR: I mean possibly. I mean the banks really rely on people's loyalty

and exploit it, and although you know there are ways to avoid these charges by setting up a direct debit, we all pay for these fees and charges so people need to be aware of that. Read the small print. It's very boring, but you know watch out for this and don't be caught out.

LEWIS: Yes, boring and very hard to understand sometimes. It's not just credit cards though, is it? You've also been looking at the way banks have passed on the recent rises in interest rates.

NAYLOR: Yeah, absolutely. In light of the OFT's investigation into the overdraft bank charges ...

LEWIS: Which we're expecting at the end of the year.

NAYLOR Yeah. ... it's likely that the banks will have to be forced to cut those charges as well. We've seen them copying the credit cards really - increasing overdraft rates significantly at the same time as keeping credit interest rates very low. For example, Lloyds has increased on average 1.31%; their credit interest rates have only gone up by 0.12%. Most people with a bank account from one of the high street banks is only getting 0.1% on their credit interest.

LEWIS: So they should be looking to change that. I mean one other example?

NAYLOR: Yeah, new charges for using your cards abroad and we've seen those increase. Lloyds and NatWest charge us for using our debit card overseas, whereas normally most other ... you know every other bank would *not* charge us - £1.00 and £1.50.

LEWIS: Mike Naylor, thanks very much for that.

NAYLOR: Thank you.

LEWIS: And on the subject of reclaiming bank charges just before we go, it

seems so many people are trying to do that. The government's Money Claim Online service has been slowing down. The online service is an alternative to physically going to court. Kevin Westall runs it for the Courts Service.

WESTALL: What is happening is the same as happens with any website if large numbers of people access it, is the service becomes slow. The latest figures I had for last week, we're looking at around about 600 claims a day going through Money Claims Online.

LEWIS: And how does that compare with say this time last year?

WESTALL: Oh certainly it's an increase. Last year we had in the whole calendar year about 100,000 claims.

LEWIS: So that's about 300 claims a day.

WESTALL: Er something like that, yeah.

LEWIS: If somebody does try and get on the website and it's very slow, what's your advice? What's the best time to come on?

WESTALL: What I would suggest they do is if they find it's difficult at any particular time is to come off and try again a little bit later. It's not as if it works to banking hours. It doesn't just depend on businesses being there 9 till 5. People can use it 24 hours a day 7 days a week, so you can access at any time. My advice to people would be just to keep trying at different times of the day.

LEWIS: Kevin Westall of the Courts Service. And there are links to Money Claim Online and how to claim through the Financial Ombudsman Service on our website and with the helpline. But that's it for today. And the helpline number where you can find out more about anything on the programme today is 0800 044 044 and of course our website, [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox). There you can contact us, listen to the items on the programme again and - as many of you are - having your say on that tax clampdown. Don't forget our phone-in Money Box Live Monday afternoon. As I said, I'm here to take your calls on credit and debt. I'm back next weekend with Money Box. Today the reporter was Bob Howard, the producer

Chris A'Court, and I'm Paul Lewis.