MONEY BOX

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LEWIS: Hello. In today's programme, why does it still take up to a month to transfer money from one cash ISA to another? Why do strangers get paid more than relatives when they care for a child whose own parents can't cope? House prices down, fewer houses sold, mortgage costs up – the housing market has its worst summer for decades. And Bob Howard's been hearing one estate agent's tale.

HOWARD: I've been to Southampton where like many parts of the country they're really feeling the pinch.

WEEKLY: Small independent estate agents are very vulnerable. I can't see how we're all going to survive. There's too many estate agents for a shrinking market.

LEWIS: And what does the future hold for Britain's smallest high street bank as Bradford & Bingley announces a loss in the first six months of the year. But first those ISA delays. There's more than £150 billion saved up in cash ISAs and as the competition for our savings hots up, many savers are moving their ISAs to chase the best rates but there have been numerous complaints this summer about the long time it takes to move money from one ISA provider to another. Money Box listener Ramnik Shah from Surrey and his wife tried to transfer their ISAs in April.

SHAH: We applied for the ISA accounts on the 11th of April. It was not until the 3rd of July that Birmingham Midshire wrote to us confirming that the accounts had been opened and that they had received the funds, so it took something like two and a half to nearly three months. It seems to me there is something fundamentally wrong in the ISA transfer procedures.

LEWIS: They were moving their money from Abbey which told us it had what it called robust procedures in place for ISA transfers, but complaints have been coming in about many others including Barclays, Lloyds, Halifax and Nationwide. The British Bankers Association has responded with new guidelines, setting down how long each stage in the process should take but add them up and they come to more than twenty banking days which is a month or more of real time just to move money from one bank to another. One source of the delay is that the banks transfer ISA cash by cheque rather than electronically. I asked Angela Knight, chief executive of the British Bankers Association, why such an old-fashioned method was used.

KNIGHT: It all started as a paper-based system and there hasn't been until very recently an undertaking given that ISAs are going to continue. We got that –

LEWIS: But I mean even if, even if ISAs are going to last for a year, surely the sensible way to move money from one bank to another is electronically rather than putting a cheque in the post?

KNIGHT: Life, you're absolutely right, has changed. Now some of the, where we're looking as you rightly say, bank to bank transfers, don't forget it's much much broader than that. There's a lot of ISA managers out there and the next steps that we'll be taking and are already taking now is putting together a working party to look at the electronic transfer. Can some do it and maybe others not, not yet? The answer is possibly yes to that but what we want to do is we want to move to electronic transfer now we know that we've got a product that is going to stay and is not going to change.

LEWIS: What's the maximum time it will take under these guidelines to transfer a cash ISA?

KNIGHT: Well what we're intending to do is for the ISA transfer period to be at or around three weeks. That is shorter than it is at the moment and shorter than the law requires. I can't promise that that will be the case in every instance because not everybody is necessarily going to be able to meet on day one what is in this guideline but an awful lot are, and indeed some are able to do it quicker than that. Where there can be delays, sometimes where the information isn't right, is often you know one of the reasons why there's delays can take place. What these guidelines do is that's a trigger point where instead of a wait taking place, queries are raised so that any of the blockages that can result from maybe the wrong information having been put on by somebody onto a form, that blockage gets shifted straight away.

LEWIS: So three weeks, I mean adding up the figures in the guidance to me it seems like twenty-one days but of course those aren't real days, are they? They're banking days so that's about a month really isn't it?

KNIGHT: Yes, I am talking about the working days. There are non-working days for all of us, banks or otherwise, and another part though of how these guidelines fit together is to remove any dead periods as far as interest is concerned.

LEWIS: So even under the new guidance, it will take typically a month to transfer an ISA. Will people get interest during that period?

KNIGHT: Well that is what these guidelines set out and that, it is not the intention for there to be any dead areas as far as interest is concerned.

LEWIS: So people will get interest, in the bank they've got the ISA in now, they'll get interest up to a particular date and the next day they'll get interest from the new bank?

KNIGHT: That is, that is what we're intending to do, yes.

LEWIS: And that will happen in every case without needing people to complain as they do at the moment?

KNIGHT: Well I cannot promise that in a very large industry everything will be perfect with every ISA manager every time. What I can say is what these guidelines are there to do, is to avoid wherever possible any problem arises.

LEWIS: And when somebody finds that the guidelines haven't been met, yes they contact their ISA manager but what enforcement powers are there? Can they actually say I want step one two three four and five as set out, and I want it in those timescales? And if they don't get it, what redress is there?

KNIGHT: These are guidelines.

LEWIS: So they're not enforceable?

KNIGHT: The, the actual enforceability surrounds that which are the rules of the Inland Revenue. What we are doing as an industry is saying we recognise that the individuals, they want something more. These guidelines will be kept under constant review. You know this, this is not something that's just going to be left and secondly, that the electronic transfer, what we can do about electronic transfers, the work on that starts in September so only in a few days' time.

LEWIS: Angela Knight. Well it's not just ISAs where people keep their cash. There's even more in instant savings accounts and with banks fighting for our money, it's a good time to review what your cash is earning. Money Box's Bob Howard is here. Bob, any significant changes to savings since the programme took its summer break?

HOWARD: Well new savings accounts have continued to be launched, Paul, though some are getting ever more complicated as banks try and top the best buy tables. There are still some eye-catching rates but sometimes only because there's an interest rate bonus for a limited time, and with inflation now a big consideration, you need a very good rate if you're a taxpayer just to ensure your savings are not declining in value. So there's attention again on products like National Savings index-linked savings certificates. If you've a long memory you'll recall these were introduced and popular at another time of increasing inflation back in the 1970s. These pay interest at the rate of retail price inflation plus one percent so at the moment they're looking good particularly if you're a higher rate taxpayer as the interest is paid tax-free. You can put up to £15,000 to both the three and five year certificates but if inflation falls back again before your certificate matures, so does the interest you get so that's a risk to consider.

LEWIS: Ah the 1970s, thanks Bob! If you have questions on saving or investing, that's the topic for Money Box Live this Monday.

Bad economic news seems to arrive every day and this weekend the chancellor has warned us that the current crisis could be the worst for sixty years. His assessment comes after news that house prices are sharply down by 8.8%, 10.5% or 2% on a year ago and those slightly confusing figures are from Halifax, Nationwide and the government's Land Registry but whatever the actual figure is, there's no doubt the price of houses and flats is falling and sales too are sharply down. Land Registry says that from May last year to May this, sales are 43% down. Earlier in the week the bank said the number of mortgages for house purchases was down by 65% on a year ago. Well earlier Bob Howard went to Southampton to find out how estate agents there were coping.

HOWARD: I'm in the centre of Southampton and I'm on a street which is the local estate agents' row. Most towns and cities have one, the one part of town where all the estate agents tend to congregate and I'm with Toby Weekly, who's the managing director of Floyd Independent Estate Agents and Toby has been an estate agent since 1975. Just tell me about the last year and how things have changed.

WEEKLY: I started my career in 1975 in the office that we're in fact parked outside of. I believe there have been several closures. All the agents without question are struggling at the moment. Personally my confidence in the market didn't really go until February. Buyers were finding it much more difficult to fund purchases. Typically a building society is expecting a 10% deposit which represents probably nine months' wages for a first time buyer. A first time buyer might be on £22,000 a year which I think is near the national average. First time buyer houses at £150,000 require a fifteen thousand deposit. On top of that you've got the legal fees. A lot of building societies and banks are now charging arrangement fees and so everything has become that little bit more expensive.

HOWARD: All this has amounted to you having to take a pretty radical change of direction last month?

WEEKLY: Looking how we could cut down our overheads and so on, and unfortunately that's led to us having to lay staff off. From a survival point of view one still needs an income so therefore we've now switched to doing an awful lot more in terms of property letting and property management. Traditionally I've been a selling agent. I would now say that the vast majority of my time is now spent with managing property rather than selling it, certainly a lot more livelier market.

HOWARD: From where we're sat here, we can see fifteen different estate and letting agents along London Road. Realistically in six months' time do you think there will still be fifteen open?

WEEKLY: I'd be surprised if there were a dozen. I would think that a third of them must be very vulnerable because the large multi-office corporate agents can possibly afford to cross-sell with financial services and conveyancing products and so on. The small independent estate agents are very, very vulnerable at the moment and I can't see how we're all going to survive. There's too many estate agents for a shrinking market.

HOWARD: You will not be stepping back into the selling market big time for the foreseeable future, will you?

WEEKLY: No, I don't think that the market's likely to recover in the short term.

LEWIS: Estate agent, Toby Weekly. Well with me is Ray Boulger from mortgage brokers John Charcol. Ray Boulger, is business just drying up when it comes to property sales?

BOULGER: Well it's been drying up for some time. I don't think it's getting a lot worse at the moment but clearly the government's inept leaking of the possibility they might suspend stamp duty has put some buyers off so at the moment transactions are about sixty, sixty-five percent down on where they were a year ago.

LEWIS: But assuming we get an announcement on that in the pre-budget report, which is what the normal place it would be for a tax measure, do you think sales will pick up after that?

BOULGER: I do think there are signs that we're bumping on the bottom, yes. There are plenty of potential buyers out there who are looking for the right time to buy. They're not in general going to start buying until they've got confidence back that the property market has stopped falling so the key is when there's a reason for them to think that, and I think probably that's going to be early next year when bank rate starts falling sharply.

LEWIS: Yes but the reason, the reason that house prices are falling is because, because people aren't buying and people aren't buying because house prices are falling. It's just going in a circle isn't it? People aren't going to buy until they're sure that they couldn't get it much cheaper in six months' time?

BOULGER: That's absolutely the point. Confidence is absolutely key in this market and so it needs something to restore confidence to people and that will be when enough people take the view that prices have fallen far enough to actually make it worth buying. There's plenty of pent-up demand but it's not going to come through to fruition until people take up the right view.

LEWIS: But it's also mortgages isn't it, because you can't buy a house unless, most people can't anyway, unless they can borrow the money to do so and those mortgages have really been drying up and people have been charged much bigger deposits or bigger arrangement fees and they see the cost as just too frightening.

BOULGER: There's no doubt that the shortage of mortgage finance is a major problem at the moment. It's not actually as big a problem as some people may think. We get lots of stories in the press of the fact that to get the best mortgage deal now you need a forty percent deposit. Whilst that's true, if you've got a twenty-five percent deposit, you'll only pay about 0.05% or so more and even with a ten percent deposit, you only have to pay about half or three-quarters percent more so as long as you've got a ten percent deposit, and you've got a good credit status, you can get a mortgage but it will be more expensive than this time last year.

LEWIS: Yes, good credit status being the key thing. One of the things the government is thinking of and may indeed be saying something about next week is using local authorities to sort of step in and somehow fill the gap when people can't afford a property. Do you think there's any future in that?

BOULGER: Well I think it's an interesting idea. The Council of Mortgage Lenders looked at doing this in conjunction with mortgage lenders some years ago and decided it was going to be rather too difficult but one of the big problems is that most of those people who can't pay their mortgage in full and are in danger of repossession will have relatively little equity so if the government either through a local authority or through a housing association was to step in and buy part of those properties, the mortgage would have to be at least partly repaid and if there's equity that should be OK. If there's not, it's going to be a problem.

LEWIS: And very briefly Ray, the chancellor said this morning the economic crisis would be more profound and long lasting than people expect. You said you think things are bumping along the bottom. Is it going to be more profound and long lasting than you think?

BOULGER: Well bumping on the bottom in terms of house, housing transactions was what I was talking about. I think the silver lining of a deepening recession is that providing we don't get too big an increase in redundancies, interest rates will have to come down quicker and further than expected, and that's the catalyst that will be needed to actually stimulate the property market.

LEWIS: Ray Boulger, thanks. We'll see if that happens. Now people who look after the children of close relatives usually get nothing to help them with the cost but two London boroughs have been forced by the courts to pay hundreds of pounds a week to two people who care for the children of other family members. The cases were taken by Nigel Priestly, senior partner with solicitors Ridley and Hall.

PRIESTLY: The people who I help are those who have often gone to the local authority and said, you asked us to care, our lives have changed, one of us has given up work to care for this often quite badly damaged child and we need your support. They find, sadly, that very often Social Services just turn a deaf ear and many of the people that I'm talking about are not what you would call the normal users of Social Services. They're people to whom taking on a child has resulted perhaps from their son or daughter's involvement in drugs, from mental health issues, and these are not people who understand the system and they certainly don't know about how to get financial support.

LEWIS: So what have you been able to do for people in this position?

PRIESTLY: Over recent years I think we've got back pay now for people in excess of £500,000 and that's just a lump sum. Recently we brought cases against two local authorities in London. In one case they paid back pay of £37,000, in another case almost £50,000. We also seek to achieve getting people paid as foster carers so in one of the cases that we dealt with, they've leapt from £85 per week to £410 per week. Now that might sound like a lot of money, but if you had a teenager in residential care the figures now for local authorities are that they're paying out £5,000 a week to keep a teenager in residential care so although the figures might seem large, proportionately they're still saving the local authority a lot of money.

LEWIS: Now I understand cases like this have been brought for some time. I think the first one was some years ago. Why is it still necessary to go to court? Cases having been won, why aren't all local authorities just paying these people what they should pay them?

PRIESTLY: The reality is seven years on from what was called the Manchester Judgement or the Mumby Judgement, where Mr Justice Mumby ruled that local authorities should pay kinship carers the same amount as foster carers, it simply isn't happening. I've recently been involved with a northern authority where I have seen a confidential memo which accepts that they are still breaking that judgment seven years on and sadly local authorities have got to be challenged because they don't back down very easily.

LEWIS: Nigel Priestly. The local government association which represents councils in England told Money Box that where Social Services place a child with relatives, then they should get the same as other foster carers. But what about the family members who have more informal arrangements? There are up to 300,000 of them and I asked Cathy Ashley, chief executive of Family Rights Group to explain what they could get.

ASHLEY: Well it does depend on the situation, particularly whether the local authority is already involved. A parent can make an arrangement with for example the grandmother or the uncle and aunt that the child go and lives with them. Without any children's services involvement or if children's services are already involved then there may well be a child protection conference.

LEWIS: And how does that affect how much the new parents if you like, the carers get to look after that child?

ASHLEY: Well the answer is that unless the local authority has placed the child with the relatives, then those relatives don't have a right to any financial support for the additional costs of raising that child but they may be able to negotiate some financial support but they don't have a right to it.

LEWIS: Right, there is a discretionary scheme to give them something but not necessarily very much?

ASHLEY: It varies, it's a post code lottery.

LEWIS: But in many families if there was a problem with parents looking after their own child, relatives would want to step in, wouldn't they? What advice do you give them at that point?

ASHLEY: Well you're absolutely right, and it's often grandparents who are coming forward who have identified the problems in the first place and they do want to step in but they may be coming towards retirement, they may have to give up their job. Then they'd be living in very cramped accommodation, so at that point what we would say is, get in touch with us so we can go through with you exactly what case you can make to the local authority and think through fully the implications of that child's living with you because that is when you have in a sense the strongest bargaining position. Once you get a legal order for that child, the local authority is much less likely to be willing to support that child.

LEWIS: And those orders are what? The order that you get?

ASHLEY: Residence order or a special guardianship order.

LEWIS: And once you've got that, that stops you having any rights to financial support from the local authority?

ASHLEY: Well it's much more based on a discretionary system so your bargaining powers are considerably less at that point. Basically you're expected to get on with it.

LEWIS: What do you want the government to do?

ASHLEY: What we would like to do, to see is a national financial allowance that relatives receive who are bringing up children who cannot live with their parents, so where there is a professional decision or a legal order that the child cannot live with their parents, that there is a national financial entitlement to support carers to bring up those children.

LEWIS: Cathy Ashley of Family Rights Group. And the law is different in Scotland where relatives who care for children have more rights, and in Northern Ireland. More information on this tricky subject with the helpline and on our web site where you can also have your say on it. That's bbc.co.uk/moneybox.

Britain's smallest high street bank has turned £180 million profit into a £26 million loss over the first half of 2008. Bradford & Bingley specialises in buy-to-let mortgages and it reported this week that bad debts on loans had increased to nearly £75 million and it had lost £18 million due to what it calls "organised mortgage fraud". But the bank was positive about its future, saying it had raised extra capital and if you looked at the figures another way it had in fact made a profit. With me is Peter Harn, a banking specialist from the Cass Business School. Peter Harn, why has there been such a big turnaround in Bradford & Bingley's fortunes?

HARN: Well Bradford & Bingley basically played on the more aggressive edge of the consumer finance market, doing buy-to-let and also buying mortgages from all kinds of other institutions that provided mortgages for not always the best credits, and that's now turned out to be quite soured and is negatively looked at.

LEWIS: It's our smallest high street bank at the moment. It tries, it tried to raise extra capital. Most of that in fact came through other banks didn't it? About 30% of its shares are now owned by its rivals. That seems a very strange position to be in?

HARN: Well, they went out to seek capital from their existing shareholders and in fact that effort was beginning to fail and fail quite publicly and miserably, and the other high street banks came in in a way to rescue Bradford & Bingley. One could argue that they did that to preserve the stability of the British banking system and not raise costs for themselves at the same time.

LEWIS: Yes I can see why they did it, but it's strange for Bradford & Bingley, I mean you say they're all in a competitive market. It's now got, it's owned by its competitors or a third of it. It seems a bit odd.

HARN: It is odd, it's unusual. It probably will stay that way because none of the other high street banks will probably want to absorb Bradford & Bingley's book of business right now, so this is, it will stay that way.

LEWIS: So we are going to see a small, in fact it may be even a smaller Bradford & Bingley? I mean Richard Pymm, the new chief executive, said in the results he published this week that he'll set out its plans, his plans in the autumn. What should those plans be?

HARN: Well this is the really frightening thing in consumer banking is the scale of business. You have to be very big to do it and Bradford & Bingley was at the small end and they were more aggressive and that's how they made money. That strategy doesn't work. And one of the problems with the share offering was looking at Bradford & Bingley and trying to figure out what its future really is. And it doesn't appear necessarily to have one, so it looks like for the moment it's a shrink strategy to stabilise but Richard Pymm will have a very short time to come up with something that makes sense and convinces the shareholders.

LEWIS: Peter Harn, thanks very much. And Bob, big changes to what spouses and civil partners can receive if their partner dies without making a will?

HOWARD: That's right, Paul. Those surviving partners where there are no children, the limit will more than double to £450,000. It was 200,000 and if there are children it will double to £250,000 from 125,000. Those changes start in February next year.

LEWIS: Thanks Bob. Well that's it for today. The BBC Action Line has more information on 0800 044 044, that's 0800 044 044. And of course so does our website, bbc.co.uk/moneybox and there are new features there this year. You can watch the story I do each Saturday on breakfast television and you can of course download the podcast. Last season more than a million Money Boxes were downloaded. Why not give it a try? And you can also have your say on that tricky subject of relatives who look after people’s children. Vincent Dougleby’s here on Monday with Money Box Live this week as I said taking your questions on saving and investing. Working Lunch on BBC 2 on weekday lunchtimes. I’m back next weekend with Money Box. Today the reporter was Bob Howard, the editor of Money Box is Steven Chilcott and I’m Paul Lewis.