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MONEY BOX

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LEWIS: Hello. In today's programme, the most radical change in benefits since the 1940s replacing dozens of other payments for working age people. But how will the universal credit really work? Bob Howard's been trying to activate a credit card.

HOWARD: And hearing about a nasty surprise you may get when the firm your bank uses to do this tries to flog you ID theft protection.

PETER: You've only got the word of CPP to say that you said yes, and I definitely said no. I think it's all wrong.

LEWIS: And I'll talk to the woman behind this insurance sale. More than 1,000 obscure tax loopholes could be closed. And bad news if you bought your bicycle on the tax free Cycle to Work scheme. You may have to make a big payment at the end.

But first, here at Money Box we've been getting complaints from listeners that they're being charged £83 a year for insurance against identity theft which they didn't agree to take out. The sales have happened when they called to activate a new or replacement credit or debit card, but instead of speaking to their card provider they are in fact put through to a firm which sells insurance. Bob Howard's been investigating.

HOWARD: Paul, many banks require you to activate a new or replacement debit or

credit card when it arrives in the post. The number's normally on a peel off label. Just over a year ago, Peter from Cumbria rang the number on his replacement Asda credit card expecting to speak to Asda or Santander, which supplies the card on Asda's behalf. But the number wasn't for either of them. It was for Card Protection Plan Limited, which Santander and Asda has contracted to activate their cards. And as soon as the CPP staff member had done that, he made a pitch for Peter to buy identity theft protection insurance.

PETER: I phoned the number on the card to activate the card, and the person I spoke to asked me if I wanted an identity protection policy and I said no. I thought no more about it and then in October 2010 my wife noticed that on our Asda statement there was this £83.99 charge for ID protection.

HOWARD: When Peter checked his statement from the year before more carefully, he realised he'd been charged £69.99 then as well, putting him more than £150 out of pocket for a service he didn't want. Peter contacted Asda but was told he needed to speak to CPP. When he did, CPP said it would listen to tape recordings of his conversation with the salesman and refund him if he clearly said he didn't want the insurance. But Peter wasn't willing to trust the company's word on this and so phoned a government advice line.

PETER: Consumer Direct advised me to send a letter of formal complaint by registered post to the company CPP asking for the tape recording of the evidence. After about a week I received a letter telling me that they could not find the tape recording and the agent who dealt with me has since left. So as a gesture of good will, they will send me a cheque for £69.99 and they will credit my credit card with £83.99 some time soon.

HOWARD: It's not just Santander and Asda which have outsourced this function and the sales pitch that goes with it to CPP. Barclays, Barclaycard, NatWest, RBS and Yorkshire Bank have too, and Lloyds TSB gold card members are pitched a similar product by the bank's own staff when they activate their cards. Money Box has also heard from Graham, a Santander customer, and Pete, a NatWest customer who say

they too were signed up for ID theft protection insurance from CPP when they clearly said they didn't want it. Pete was offered a refund of the fee and compensation.

Graham got his bank to cancel the direct debit before any money was taken. And it's not just these mistakes which are making Money Box listeners angry, but the method CPP is using to try and persuade people to try and take up its products. This month Mark from London rang the number on his NatWest credit card expecting to have a short conversation with NatWest, but he too ended up speaking to CPP and getting a sales pitch so determined he couldn't believe what was happening.

MARK: What they were saying back to me was that the details I'd given them over the phone in order to activate the card would be enough for someone who wanted to commit fraud and to steal someone's identity. They started talking about things like "Are you on the electoral roll? Well that means that your details are in the public domain." They just were relentless really. The person was saying, "So you do want this cover, don't you, yes?" It was just very difficult for me personally because I'd already said no several times and I can imagine people caving in at this point. I thought it was bordering on unethical how they were doing that.

LEWIS: And Bob, what do the banks and the other card providers say about this?

HOWARD: Well, Paul, Asda has already acted. It has told Money Box that since last year when Peter phoned CPP, it's instructed the firm to no longer pitch identity theft protection insurance to its customers. But the banks seem to be very happy with these arrangements as they are. Perhaps that's no surprise as CPP confirmed to Money Box that they get a cut from every policy sold. None of the banks or their trade associations were prepared to be interviewed about this. However, Barclaycard and NatWest RBS said they approve all call scripts and monitor calls to make sure customers are treated fairly. Santander says it also monitors the service and says it believes the protection CPP offers is "relevant and cost effective".

LEWIS: Well thanks, Bob. Well live now to York to talk to Shirley Woolham, a divisional director at Card Protection Plan, the firm Bob mentioned. Shirley Woolham, we've had an email this morning from someone saying that they used to

work for you and he says that this activation process is in fact dummy activation; cards are ready to use anyway. Do you actually activate the cards?

WOOLHAM: We absolutely do. We run two ...

LEWIS: So unless people do that, they can't use their card?

WOOLHAM: There are two types of programmes that we run for our business partners. One form of the programme is where our partners decide to send the cards out not active - so, yes, the customer absolutely has to call in and advise us that they have received the card before the card is active. We run another programme where customers are invited to call us to help us understand that the card has been received by the customer, but they can still use the card without calling us.

LEWIS: Oh right. So they don't have to, but they're asked to do that. And why have your staff signed up people to these insurance policies when they clearly said no thanks?

WOOLHAM: In the instances that you outline in your show, we did have a listen with your listeners' permission to the calls identified and without question we did make a mistake. We take our customer service activity very seriously. We offer a very separate process to the call. We provide the activation service for our business partners and then we ask the customer explicitly if they would like to entertain a conversation about ID theft. If they say no, we do not proceed with the call.

LEWIS: Well that's not the impression of some of our listeners. I mean Mark has said it was "unethical". They've confirmed that they're shocked at the hard sell and we've had people emailing us saying the same thing. They expect to speak to their bank and your staff are really scaring people into taking out ID theft insurance.

WOOLHAM: It's really disappointing to hear that, to be honest, because that's not the approach that we take.

LEWIS: Well that's the approach you've taken with a lot of the customers who've contacted us. I mean do you listen to all the tapes? Do you know what your staff are saying?

WOOLHAM: Our quality assurance team listen to over six hours of independent calls every single month. On top of that, we have independent research tracking processes in place where we monitor customer satisfaction with the service that we provide. In fact we ask those customers who buy the service what they think about it and in those instances 90% say they're satisfied. But more importantly we ask ...

LEWIS: Well that's because they haven't claimed, presumably, because Which?, the consumer organisation, looked at this ID theft insurance and credit card insurance and said broadly it was a waste of money. If your ID's stolen or your cards go missing, the bank meets the loss.

WOOLHAM: We did spend a lot of time with Which? actually, hopefully helping them to understand the value of our product and service. We actually provide a lot of assistance to the customer to help them prevent becoming a victim of identity theft that includes access to your Experian credit report, online monitoring. And we take over 400 ...

LEWIS: All of which you can get in other ways.

WOOLHAM: Well if you actually went out and tried to source the independent parts of our product independently, the customer would be paying over £100.

LEWIS: And Which? says that only 0.5%, 1 in 200 of your policyholders, claims each year. Is that right?

WOOLHAM: It is. But I think it's important to ...

LEWIS: So you're paying £83 a year for a 1 in 200 chance of something that you can

get free from your bank anyway?

WOOLHAM: If you assume the value of the product is only in the insurance, then I can understand the point that you're making. What you need to understand though is we take over half a million calls from customers each year about ID theft. We open 400 brand new complicated cases for customers and in some instances we actually send caseworkers to people's homes to help them out.

LEWIS: Shirley Woolham, thanks. And you can let us know your experiences, good and bad, of being sold insurance when you activate your credit or debit cards on our website: bbc.co.uk/moneybox.

The government has said its benefit changes will be the biggest shake-up of welfare since the 1940s. Work and Pensions Secretary Iain Duncan Smith wants to provide greater incentives for unemployed people to find work and impose tougher penalties on people who repeatedly turn down jobs. I discussed the details with the man behind the reforms, Lord Freud, who used to work as a city financier and is now Minister for Welfare Reform.

LORD FREUD: What we're aiming to do is to make sure that it's always worth working and that the blocks to getting into work are removed. So effectively what we're doing in the universal credit is putting together the out of work benefits and the in work tax credits. And that means that when you do a small amount of work, you will always get extra money from doing that work and you don't have this nightmare worry that you're starting to work and that if it doesn't work out then you have to go back and try and get your benefits again, that you have this desperate period of waiting.

LEWIS: How much of an extra £10 will people keep?

LORD FREUD: If they're on the lower rates of pay, they'll keep £3.50 in every £10 that they earn. If they're earning rather more and in a tax bracket, the figure goes up to £7.62.

LEWIS: So they'll keep £2.38 of every £10 they earn. Is that really an incentive to work?

LORD FREUD: Well it's certainly more of an incentive than what we have at the present.

LEWIS: But I mean just to put it in context, your old colleagues in the city are threatening to leave the country because of a marginal tax rate of 52%. That's way below the 76% you're going to impose on low income people.

LORD FREUD: That's the maximum rate that it can go. And clearly you know when you've got a position at the moment where it's well into the 90s ...

LEWIS: But only for a minority. Most people, it's 60% or less, isn't it? That's what the figures from the Treasury show.

LORD FREUD: Well no, well actually there are several hundreds of thousands of people in the bracket above 70%. And we estimate that this package could encourage about 300,000 households to move from workless-ness to being in work.

LEWIS: How many benefits will this universal credit actually replace?

LORD FREUD: No-one has been able to count up how many benefits we have. I think I was counting once and I gave up at about 30. The trouble is what do you call a benefit, what do you call an aspect of a benefit? We're putting the mainstream benefits, the main working age benefits in.

LEWIS: Well you're putting 6 in, aren't you? You're putting in 6.

LORD FREUD: But they're the main ones.

LEWIS: There are 22 others that I've counted - bereavement benefit, carer's

allowance, child benefit, contributory employment and support allowance, contributory jobseeker's allowance, council tax benefit - and I'm only up to C. There are 22 that aren't going to be part of this at all.

LORD FREUD: Yes, that's right. Some of those we're keeping separate because they do already straddle in work and out of work.

LEWIS: And this withdrawal rate, this 65% so people keep 35 pence of what they earn in the pound, at the moment there's about 2 million people who actually keep more than that of their benefit - for example child tax credit who under the present rules that's 41% goes of your net income. Will that rise to 65% in future?

LORD FREUD: Yeah, what we're going to do is introduce one single taper rate.

LEWIS: So there will be one taper rate?

LORD FREUD: There'll be one taper rate.

LEWIS: So 41% will become 65?

LORD FREUD: What we're doing is averaging it across and putting a guarantee in here that nobody will lose at the point of transition. Right now no-one actually understands what their take home pay will be as a result of work. We have to spend three quarters of an hour on a computer to work it out and usually be an expert to do it. Now there's a very simple message. It will always be worth working. You will always keep £3.50 of the £10 that you earn.

LEWIS: Minister for Welfare Reform, Lord Freud. Live now to talk to Eddy Graham, Welfare Rights Officer with Child Poverty Action Group. Eddy Graham, will this universal benefit be as simple as Lord Freud just said?

GRAHAM: Unfortunately I think not. There will of course be some consolidation, as

you identified Paul, of 6 out-of-work and in-work means-tested benefits, but you're still left with a whole range of other benefits and you're still even left with the contributory elements of employment and support allowance and jobseeker's allowance. So I think the simplification which obviously everybody would welcome and look forward to, I think may turn out to be a lot less than maybe was envisaged at the outset.

LEWIS: And council tax benefit of course won't be in it at all. That's another means-tested benefit. But let's move onto incentives to work, which obviously are a key part of this. Will it be enough to get people to take jobs because, as Lord Freud said, some people do lose almost all they earn? At least it will come down to 65 or 76%.

GRAHAM: Yes, the current system does have a lot of cliff edges. You've got to work for at least 16 hours a week to get into the working tax credit system and that will no longer be the case if the universal credit comes into effect. So you know that is positive. And the withdrawal rate of benefits, how much earnings people lose through losing benefits, will go down for some people. But for many people the differences are going to be quite small really - you know a couple of pounds a week, if that - and I'm not sure that that's going to be enough to encourage people. They're talking about unemployment effects of an extra 300,000 people moving into work and I'm not sure the figures they're talking about are enough to bring about that sort of effect.

LEWIS: Yes, I mean Iain Duncan Smith was clear in the House of Commons, wasn't he? It would reduce the number of workless households by 300,000, cut child poverty, and make people more prepared to take work in the 450,000 vacancies that exist.

GRAHAM: Well at the moment that's simply an aspiration. I mean there's nothing within the body of the document that they've produced, the white paper, which can clearly demonstrate that. And given that we do have a commitment to end child poverty by 2020, then we think it would be better if the government could identify how many children are going to be lifted out of poverty as a result of this reform.

LEWIS: And he did say that two and a half million people will get more. I know

some will get less - you said that and I was talking to Lord Freud about it - but two and a half million he says will get more and take up will be higher because take up of these means tested benefits can be very low, can't it?

GRAHAM: Take up is always a big problem and it has been a big problem ever since means testing has sort of expanded throughout the system. I mean one caution I would sort of say for Iain Duncan Smith and his plans is he's identified the lack of certainty, the lack of transparency, the problems with the administration and people not knowing whether they'll be better or worse off as a major barrier at the moment to people moving into work, and he's placing an awful lot on his real time systems, on what he thinks will be comparatively easy new IT systems to introduce. You know the whole system could basically fall on whether that works or not.

LEWIS: We'll have to wait and see for a few years yet. Eddy Graham, thanks. And the recording of the full interview with Lord Freud will be on our website, but, due to technical difficulties, not till probably Tuesday.

More than 1,000 tax reliefs and concessions have been listed for the first time and many could be scrapped in the budget next March. Some are fairly non-controversial like the higher allowance for people over 65 with an income below about £23,000. Others are just odd. (*Advertisement*) Angostura Bitters puts the pink into pink gin, and for historical reasons there's no excise duty on importing this product from Trinidad. Just one of the benefits on the long list from the Office of Tax Simplification - yes, there really is one - who will recommend which of these concessions should be scrapped, and it could save the Treasury maybe billions of pounds over the next few years. Well live now to talk to John Whiting who is Head of the Office of Tax Simplification. John, you've been involved in tax most of your working life, I think.

WHITING: I have.

LEWIS: Were you surprised how many concessions there are and how odd some of them are?

WHITING: Yes indeed, Paul. I mean when we set out to try and compile this list, I suppose I was thinking 400, 500. Well we've got twice as many. I'm only disappointed we couldn't find 24 more because I rather fancied 1066 as being the answer. But just to be clear, our target isn't to try and do a slash and burn exercise. What we are trying to do is look at these and fundamentally find the ones that just aren't working, that are more trouble than they're worth.

LEWIS: That's not going to save much money though, is it?

WHITING: No and that's not the objective. It's to try and simplify, to try and make things easier, to try and find the ones that people can't claim because they're too complex or it takes a business endless time to claim it and identify, that takes the Revenue a lot of time to police. What we could perhaps come up with is look you can spend this money a different way because the aim is to come up with at the end of the day a revenue neutral package. If we cut a benefit, then it would be given back in a different way.

LEWIS: I see. So this isn't about saving money ...

WHITING: No.

LEWIS: ... because I was going to say to you the big ones are tax relief on pension contributions - £28 billion ...

WHITING: Absolutely.

LEWIS: ... putting VAT on food - 12 billion. I mean those are the ones that will raise money. But you're not about that; you're just about tidying it up really. Is that really worth doing?

WHITING: It's really as it says on the tin. Our office is about tax simplification because everybody says - and even I've talked about this many times on Money Box,

how complex it all is - we think we can make a bit of a difference. We're not going to end up with a truly simple system, but we can get it simpler so that more people can understand.

LEWIS: Give me some examples of what you might have on your hit list.

WHITING: Well I have no hit list, I'm sorry, and that's very deliberate.

LEWIS: Alright, but things you might do.

WHITING: Well what we're trying to do is find the ones that are complex. We've started and we've found 30 that take over 10 pages of legislation. That might be a good starting point. Others such as well nobody can remember why they're there. You gave Angostura bitters, for example. Is that still valid? One that I think is possibly non-controversial is millennium gift aid is still on the statute book. Well unless we're going to wait till the next millennium, we could probably get rid of it.

LEWIS: Well let's hope not. Stay with us, John, because we've got another tax story. It is a concession as well. People who bought a bike through the Cycle to Work scheme could be in for a nasty shock. The scheme was sold as letting you buy a bike for not much more for than half the shop price, but HM Revenue & Customs has rather spoiled the party, setting out a list of charges to be paid at the end of the deal. For a £1,000 bike, it could mean a payment of £250. Until the Revenue stepped in, most employers charged a nominal fee of around 5% of what you'd paid. Money Box listener Jason got in touch with the programme. He's furious.

JASON: I bought my bicycle about 11 months ago and it was a thousand pounds worth of bike at recommended retail. I could have bought it for £900 via a discounter. But because of the Cycle to Work scheme, I paid full price, and with £73 a month coming out of my salary and a £50 transfer of ownership fee at the end, I calculated I'd be saving £380. With the increase in the transfer of ownership fee, I'm now only saving 100 or so pounds, which means actually if I'd just shopped around to start with, I could have been paying somewhere near the same price I'm paying.

LEWIS: Well John Whiting, you're still with us. I suppose I should have said HMRC is putting a spoke in the wheel of the Cycle to Work scheme.

WHITING: But you wouldn't, would you Paul?

LEWIS: Why has HMRC stepped in to tell employers to charge more at the end of the one year period?

WHITING: Well in simple terms this is an exemption that is okay as you're getting your Cycle to Work cycle, but what has happened is that the Revenue became aware of some employers just almost giving the bike away after a couple of years. And they've come along and it's something - putting my other hat on at Chartered Institute of Taxation, my day job hat on - we spotted the Revenue doing, took up with them and they said no, what they are trying to say is yes you can at the end of the period sell it to the employee but it must be at market value, not just at a giveaway price.

LEWIS: And do these rules mean, as Jason there suggested, that it's no longer worthwhile except perhaps for higher rate taxpayers? If you look at the actual savings at the end, it's not really worth having, is it?

WHITING: Well of course he makes a good point about if he'd shopped around, he might have got it cheaper in the first place. And I think the real message is if you are going into this scheme, do have a look at it. It'll be worth it as you're going along, but if you're thinking this is a cheap way to actually buy a bike rather than just loan it, maybe it isn't as cheap as you think. Like any other money saving offer, have a look at the fine print.

LEWIS: And this table HMRC have produced, which says how much employers should charge - and there's a sort of step change if the bike was more than £500, but it's still quite hefty on all bikes - is that compulsory? Will they really go round employers checking up if they're charging exactly the right amount?

WHITING: There's a lovely vision, isn't there, of the inspector on his bike pursuing the employee on his new bike. They want the employer to run it and certify that they are doing it properly, so that will be their checkpoint. And of course if the employer isn't doing it properly, they'll proceed against the employer probably rather than the employee, so there will be pressure there.

LEWIS: John Whiting, thanks very much. And you can read the full guidance from the Revenue on the Cycle to Work scheme on our website: bbc.co.uk/moneybox. And there's just time for Bob to come in with an update on those 9,000 people whose details were used by fraudsters to borrow millions of pounds from the payday loan firm HelpLoan. Bob?

HOWARD: Yes, Bob. Firstly City of London Police has arrested a man on suspicion of fraud by false representation. And, secondly, HelpLoan's website's no longer offering loans, it says, 'due to technical difficulties'. The firm's spokesman said this was a temporary interruption whilst the firm deals with the alleged fraud.

LEWIS: And, Bob, some changes about how you go about getting compensation for financial products that may have been mis-sold.

HOWARD: That's right. At present you can get compensation through the Financial Ombudsman Service and then go to court to try and get more. But the High Court's ruled that if you accept an award from the ombudsman, you cannot then go on to seek financial redress in the courts as well.

LEWIS: And how much can people be awarded by the ombudsman?

HOWARD: At present the maximum amount is £100,000, but there are proposals to increase this to £150,000.

LEWIS: Thanks Bob. Well that's just about it. You can find out more from our website, bbc.co.uk/moneybox. Sign up to my weekly newsletter, download the

podcast, listen again, and of course have your say on high pressure insurance sales and those tax loopholes. And, my goodness, many of you are. Many people saying they're ... One listener says they're 'incensed. Cancelled the protection, still got charged' - all that sort of thing. So let us know your experiences - good and bad. And I have to say one or two people have emailed to say it's a very worthwhile product, thank you very much. I'm back on Wednesday with Money Box Live, this week taking your questions on paying for care. I'm back with Money Box next weekend. Today the reporter was Bob Howard, the producer Lesley McAlpine, and I'm Paul Lewis.