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MONEY BOX

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LEWIS: Hello. In today's programme 20 graduates owe more than a million pounds between them in student loans: we reveal the biggest student debts. How will the appalling disaster in Japan and revolutions in North Africa affect the economy? Bob Howard's here. He's been looking at the hurdles of buying Olympics tickets.

HOWARD: Indeed, Paul. You may not know for more than a month after your account's been debited what tickets you have and how much you've paid.

SAVILLE: I think it's an absolutely crazy system. Why can't they just send an email before the money's due to come out of your account? I can't believe they're not going to warn people.

LEWIS: And a pension or an ISA? What is the best way for young people to save for their retirement?

But first, Money Box can reveal some surprising new numbers about the level of student debt owed by current graduates. More than a million pounds is owed to the Student Loans Company by the 20 graduates with the biggest debts. Julia Ross, the BBC's Freedom of Information Researcher, has uncovered this information. Julia?

ROSS: I put in a freedom of information request to the Student Loans Company

asking it for the 20 largest debts owed. They gave me a snapshot of the situation in April 2010. The debts owed ranged from £52,500 to just over £66,000.

LEWIS: Hang on, £66,000?

ROSS: Yes. And if you add the debts up, a total 1.1 million pounds is owed by just 20 people.

LEWIS: So how have they run up these debts?

ROSS: Well all the Student Loans Company has said is that they were on 5 year courses like medicine and law and that all bar one went to university in London where you get bigger loans because it's an expensive city to live in.

LEWIS: And this money, this debt, that'll have been borrowed just to cover tuition and living costs?

ROSS: Yes. At the moment the maximum tuition fees a university or college can charge in England is £3,290, and the students can also have a maintenance loan to help with their living costs. Most students can borrow almost £5,000. Students in London can borrow more - almost £7,000. Now if you took out the maximum tuition and maintenance loans for a 5 year course in London, the most you could end up owing is about £51,000, so the people coming out of university with a £60,000 debt probably repeated a year.

LEWIS: And you were looking of course at the current costs in England, but of course tuition fees are going up steeply in England in a year's time.

ROSS: Yes, the maximum tuition fee loan in England will be £9,000 in the 2012/13 academic year, and on top of that it will be possible to borrow more than £7,500 to cover living costs for that year. So a student on a 5 year course at a London university could end up with a debt of £83,375 to pay back. Outside London, your debt could

reach £72,500.

LEWIS: Well Julia Ross, thanks. Very large figures. Well David Willetts is the Minister for Universities in England. I said that debts will get a lot larger than that in 2012.

WILLETTS: And the monthly payments will get smaller. I mean the decision we've taken is that what really matters for people is the burden of the monthly repayment. And that's why we've increased the threshold from £15,000 (at the moment you pay 9% on all your earnings over £15,000) to £21,000, which means that if you're earning say £25,000 a year, it's £30 a month.

LEWIS: They're paying back less in the early years, but of course under the present regime these debts will be cleared in 10, 12 years or so on average; whereas under the future regime, they'll go on for 20 years or more. So then you're paying more, aren't you?

WILLETTS: Well I never dispute your calculations, Paul, and I respect your expertise, but we were taking a deliberate decision about what was better for people. And my view was that the front end loading of the previous system of larger payments but concentrated when people were in their 20s and 30s was actually more onerous than spreading them further across the stages of the life cycle when you might hope their pay was rising.

LEWIS: It is a graduate tax though in effect, isn't it, the new regime, because most people will be paying for 20 or 30 years? As you said, it's a percentage of your earnings above a certain limit. It is just a graduate tax.

WILLETTS: Well it's certainly not a conventional debt. It's a graduate tax with some very special features - namely that it's linked to the actual cost of your university education - but it is somewhere between a credit card liability and an income tax.

LEWIS: You wrote a book before the election called 'The Pinch: How the Baby Boomers Stole Their Children's Future'. Now you're the minister responsible for trebling tuition fees, raising debts that will last for up to 30 years. Aren't you stealing from young people and is that because we're all unwilling to pay higher taxes to keep education free?

WILLETTS: First of all, the purpose of all this is to have a better quality university education for young people. The alternatives, given the fiscal mess we're in, would have been either to reduce the number of places at university so that fewer young people had that chance, or a kind of death by a thousand cuts for our universities. And the judgement that we took as a government as a whole was it was far better for young people to have the opportunity of a high quality education.

LEWIS: But it was free for you. It was free for me. And that was paid for out of general taxation. If you put taxes up, then it could still be free.

WILLETTS: It was free for us, and I accept that. The state financed my education and I really appreciate that. And in that day, in our day many fewer people went to university and you could afford a system like that in the days when very few people went. We've now got many more people going to university and by and large - thank heavens, despite people's fears - it's proved that they still boost their earnings by going to university. So expecting those graduates to pay back rather than taxpayers, who may be on very low incomes themselves, seems to me to be a fair way to do it.

LEWIS: Universities Minister David Willetts. And a longer version of that interview will be on our website later today. Student finance is not all loans. There is other help. Lynne Condell is Chair of the National Association of Student Money Advisers and the person in charge of student funding at Liverpool John Moores University.

CONDELL: The universities do have money to help students that are in financial difficulties. We have an Access to Learning Fund, there are bursaries available, and there are scholarships available, and hopefully they will still be available going

forward to 2012.

LEWIS: And how do they find out, so they make sure they claim these things, because not everything is given to you automatically, is it?

CONDELL: No, not everything is given to you automatically. That is a good point. If they're not sure if they're getting the right support package, students should approach their student advice team and most of them will do some sort of wealth check for the students - you know check they're getting everything that is available to them. And this includes things like DWP benefits. Not all students are 18, straight from school or college. You know students have mortgages, they have children, they have childcare. There's lots of other support available that we do think goes unclaimed because of the complexities of the system.

LEWIS: And what message do you have for young people who hear all this stuff about huge student debts and really think they can't afford it, their parents can't afford it, they don't want to start life in debt? What do you say to them?

CONDELL: Well I would say that you shouldn't be put off by all the headlines. There's so much value to going to university. It's not just about money; it's a life changing experience. And what I would say to everybody is go and do your homework, look at what you want to study, where you want to study it, and then look at what financial support is available to you if you study that course at that university.

LEWIS: I used to get £5 a week out of my bank account when I was a student, I remember.

CONDELL: Did you? *(laughter)* That was too much.

LEWIS: *(laughs)* It probably was. Well it was the 1970s. Student Money Adviser Lynne Condell. And if you have ideas about freedom of information requests we might ask Julia Ross to make for us, let us know.

No-one can fail to be moved by the heartrending stories coming out of Japan: more than 17,000 people dead or missing; towns which look as if they've been flattened by a bulldozer; not to mention the fears this week of a nuclear disaster. Japan's no stranger to major catastrophes like this. The Kobe earthquake of 1995 is said to have cost the country 120 billion dollars. This one seems far worse. So will the natural disaster turn into an economic crisis, or will the Japanese reputation for orderly recovery lead to a stronger economy in the future? Live first to Bishop Stortford to talk to Simon Somerville. He's the Manager of the Japan Income Fund at Jupiter Asset Management. And, Simon, I believe you were in Tokyo at the time of the earthquake. Who's going to pay for the rebuilding in Japan?

SOMERVILLE: I think the rebuilding will be paid for mainly by domestic money. This is going to come from domestic institutions and the government. The government will be issuing a lot of bonds to pay for this.

LEWIS: And how will that affect the economy? Government issuing bonds, people chipping in, but how is the economy going to recover from this?

SOMERVILLE: As you mentioned, Paul, I mean the Kobe earthquake gives us a guide to what is likely to happen. We're going to see quite a sharp fall off in economic output, particularly because of the blackouts we've got at the moment and the Fukushima nuclear situation. But as companies get their facilities back online and as the government starts to rebuild the damaged area of Tohoku, the economy will recover very fast later this year.

LEWIS: And in a sort of roundabout way, are these kind of events good for an economy in that it creates a lot of jobs and a lot of business, albeit someone has to pay for that?

SOMERVILLE: I'm not sure the Japanese would see it as a lot of good. You know it's a pretty traumatic and terrible affair. I mean I suppose one area where we may see some good coming from it is in terms of some political consensus. You know I see

today that the Prime Minister has invited the opposition leader, Tanigaki, to join his cabinet. And I think that's something Japan really does need - is consensus in politics and consensus in how to reform the economy - and this does give them that opportunity.

LEWIS: So that is at least something to come out of this terrible tragedy. Stay with us Simon, but also listening is Justin Urquhart Stewart, a Director of Seven Investment Management. Justin, you've seen your share of financial crises over the years. How bad is this one going to be for Japan and the world?

URQUHART STEWART: It's a very difficult situation indeed. These are obviously the natural disasters we've had in Japan that Simon was talking about and the impact that can have, but also of course the manmade disasters be it in terms of nuclear or of course the unfolding issues in North Africa and the Middle East as well. So we have seen issues like this before, but of course these short-term issues only serve to frighten people.

LEWIS: Yes and you mentioned the Middle East and North Africa. There's trouble brewing there, even worse now with what almost seems like a war in Libya and the Yemen yesterday. How's that going to affect oil and the world economy because oil prices can really give a shock to the economy, can't they?

URQUHART STEWART: They can indeed, but we must take comfort from the fact there is no shortage of oil. That's not the problem. It's the potential risk of the supply of the oil - that's to say of anyone actually interrupting the pipelines through the Strait of Hormuz or something like that. And so what you've got at the moment is people reacting to short-term fears when of course they actually probably need to be looking at sort of longer term issues and more medium term issues rather than necessarily being blown off course by these frightening headlines.

LEWIS: And Simon was mentioning some political changes in Japan after this. Is that something you think would help?

URQUHART STEWART: It's essential. And we were beginning to see some changes beginning to occur, but you need someone as close as Simon to it to be able to pick up those nuances. But be assured, this is still the world's third largest economy and despite people having sort of talked it down for two decades, it has actually been improving. And of course it is actually the big investor around the world, as of course the British economy knows, with companies like Honda and Toyota.

LEWIS: And Simon Somerville finally, do you think Japan will remain as the third biggest economy and survive this terrible thing that's happened to it?

SOMERVILLE: Oh I'm sure it's going to survive. I mean clearly we're all watching what's happening at Fukushima and that that has some ability to derail the situation. But you know I'm convinced Japan can rebuild. I think in the short-term you know there could be some shocks to the supply chain. We already hear that GM's having problems producing some cars, and there's talk about the iPad 2 being in slightly short supply because of some of the componentries like batteries and flash memory that comes from Japan.

LEWIS: Simon Somerville, thanks very much. Minor problems, I suppose, compared to what they're suffering in Japan. Thank you very much Simon Somerville and Justin Urquhart Stewart.

MUSIC: PROUD, Sung by Heather Small

Well that was the unofficial London 2012 Olympic theme, Proud, sung by Heather Small. And as hundreds of thousands of people start buying tickets for next year's London Olympics, the way they're being sold is coming under some scrutiny. Bob Howard's been doing a bit of scrutiny of his own. Bob?

HOWARD: Indeed Paul. Well the ticketing process started on Monday, but it immediately ran into difficulties when customers whose cards were due to expire before August discovered they couldn't apply. Visa and the banks have now made

changes, so if your card expires from May onwards you can now apply from this Monday; and anybody whose card expires next month has been told their replacement card should arrive in plenty of time to apply for tickets before 26th April deadline.

LEWIS: Well good news that that appears to have been sorted out. But if you do order tickets, Bob, when do you have to pay and how much?

HOWARD: Well Paul, this is where things get potentially tricky. That's because if you're successful, the first you'll know about it is that money is taken from your account. That could be any time between the second week of May and the second week of June. But you could have to wait until as late as 24th June - that's up to 6 weeks later - to find out which tickets you've got. Martin Saville from the consumer group Which? says the organisers should be giving at least some notice to applicants that they're about to take their money.

SAVILLE: I think it's an absolutely crazy system that you put in a bid for tickets and then if you're successful they take the money from your bank account as early as 10th May but then don't tell you until 24th June possibly that you've even won tickets. There's no notice whatsoever about when they're going to take the money, so it's just going to disappear out your bank account. I really don't understand why can't they just send an email 48 hours before the money's due to come out of your account? I can't believe they're not going to warn people.

LEWIS: But Bob, if people have ordered tickets surely they should be putting the money aside to buy them?

HOWARD: Well yes, but things are complicated by the ballot system for oversubscribed events. That means some people are bidding for more tickets than they actually want in the expectation they'll only get a few. As Martin Saville explains, that means they'll have to put considerable sums aside in case they hit the jackpot and are allocated every ticket they requested.

SAVILLE: I live not far from Stratford and I want to go to the Olympics, so I don't want to just apply for one lot of tickets because the chances are I won't get them. I want to go to two or three events, so I'm going to bid for four or five at least. And also I want to go with friends and I want us to sit together in the same section. So I'm having to put bids in on behalf of my friends, which means just for three events, I worked out I'm going to have to keep £1,000 in my account for that full month because I don't know when they're going to take the payment.

LEWIS: And Bob, what do you do if you get more tickets than you want? Can you get your money back?

HOWARD: You can, but only if somebody else wants to buy them and, even then, not until next year. And just a warning if you pay by cheque. Whichever tickets you get, the full value of the cheque will be cashed - so if you wanted four tickets at £20 each but only get two, £80 would still come out of your account. You may have to wait until the very end of July to hear how you'll be refunded for the £40 you would be owed back.

LEWIS: Thanks, Bob. Well Paul Williamson is Head of Ticketing at the London 2012 Organising Committee. I asked him why people couldn't be told what tickets they'd got before they had to pay.

WILLIAMSON: We've been very clear, we want people to apply for events that they want to watch. We're not asking anyone to apply for anything or ask for anything which they don't want to go to. No-one can ever pay more than they're expecting to pay in their application, so we think it's a fair system that we then charge the credit card and inform people of what they've been successful in applying for.

LEWIS: But given that it is a ballot, inevitably people are going to apply for more things than they may want to go to eventually because that gives them a chance of getting at least something. And many people want to see at least something at the Olympics, don't they, so people are bound to overbook?

WILLIAMSON: Well we've been very clear that we don't want people to overbook. We want people to apply for sports events and ceremonies that they want to come and see, and we think that actually most people will do that.

LEWIS: Nevertheless they won't know exactly when the money's coming out of their account, will they? What happens if there isn't enough money at that time?

WILLIAMSON: Well we've been very clear to people that we are telling them when the money's coming out of their account.

LEWIS: When is it coming out?

WILLIAMSON: Between 10th May and 10th June.

LEWIS: (*over*) Yes but that's a month, isn't it? Many people run their monthly budget so that they've got plenty of money at the start of the month and not very much at the end. If in their case you happen to choose a date just before their pay day, they may not have enough money.

WILLIAMSON: But that's exactly why we're giving people lots of notice and lots of time with a fair system, so they do know when those monies are likely to come out. And they know very well what they've applied for, so how they should budget for it.

LEWIS: Yes, but you're telling them what tickets they've got after you've taken the money. Why don't you write to them and say or email them and say look, you've got these tickets, please make sure there's enough money in your account on such and such a date? Why can't you do that?

WILLIAMSON: We can't confirm someone a transaction until we've checked their credit card doesn't bounce and we've made sure of the banking. We've been very clear upfront.

LEWIS: What happens to all the surplus tickets that people may not want?

WILLIAMSON: If people do have tickets which they don't want or can't use, we're introducing an exchange system, a resale system through London 2012 early in 2012, so that people can resell them at face value back to another fan who does want to go to the Games.

LEWIS: Why is it taking so long though? It seems quite a straightforward thing to do.

WILLIAMSON: Actually it's fiercesomely complicated. We've got 650 sessions, 26 sports, 17 days, 35 venues, so we're making sure that we get things right and we do them in turn. In Vancouver they ran a resale process. They introduced it 4 weeks before the games started. We're introducing it 6 months before, so actually it's a big step forward.

LEWIS: Paul Williamson. And Bob, what's the best way to buy these tickets?

HOWARD: Well firstly of course, if you're paying by card only Visa cards will be accepted because they're an Olympic sponsor. I asked Which's Martin Saville what he thought would be the cheapest way to buy tickets.

SAVILLE: Avoid debit cards because you're going to have to pay upfront for your tickets a year or more in advance. Get a 0% purchases credit card because what they do is they'll offer you up to about a year interest free on new purchases, so as long as you make the minimum payment each month you can pretty much park that debt and pay it off much nearer the time.

LEWIS: And Martin says be aware of the best deals on 0%, Bob. What have you found out about these?

HOWARD: Well basically we spoke to the Moneyfacts comparison site just to see

what were the best deals that were offered by Visa because the Olympic organisers won't accept Mastercard, so they suggested the AA Visa Credit Card, the Saga Over-50s Platinum Visa and the Barclaycard Platinum With Purchase Visa Card. They all have this 0% deal.

LEWIS: Thanks very much for that, Bob. And you can let us know your thoughts on Olympics ticketing through have your say on our website: bbc.co.uk/moneybox. And I should say clear the debt before that 0% deal runs out or you'll start paying interest.

Now should I start a pension or is it better to put my money into an ISA? Not my question, but one asked by our very own reporter Ben Carter. Like many young people, he's wondering how to start saving for his retirement with all the other demands on his money. So we arranged a meeting with Tom McPhail, Head of Pensions Research at Hargreaves Lansdown, and Morris Lawson, a private investor. Ben got straight to the point.

CARTER: First things first. Really should I get a pension?

McPHAIL: You will almost certainly need to use a pension as an element of your retirement savings. It's probably going to form the core of your retirement savings income. And because of reforms coming through from the government over the next few years, most of us are going to end up in a pension anyway, most of us are going to benefit from an employer's contribution into the pension as well.

CARTER: Morris, are there other options for me? If I thought right, I don't want to put my money into a pension, what other options do I have?

LAWSON: I think the big problem with pensions is that they're just pushed ... the word pensions is pushed at everybody, and where it breaks down is self-employed people or those people who are basic rate taxpayers who don't have an employer who makes an attractive contribution into their scheme as well. So it's the basic rate end where the problems arise, and there I believe that ISAs are a much more flexible route

for people.

McPHAIL: Okay, let me pick up on that because there are a couple of very important points here. One is that Ben will be able to draw a quarter of his pension pot out tax free, so he gets a tax break on the money going in. The government puts in £1 for every £4 that he puts in. He gets to take a quarter of his money out tax free. But also up to £10,000 a year of his income is also tax free. It's reasonable for Ben to expect, based on the current tax system, that a half, maybe two thirds of his retirement income will be tax free as well. Oh and he gets an employer contribution as well. Now the combination of all those factors makes a pension by far the most tax efficient way to save for retirement.

CARTER: So Morris, what are the tax break advantages of ISAs over pensions?

LAWSON: Firstly you have access to all of your fund all of the time. You can access any lump at any time for any reason, including lumps that you may have gained through tax free capital gains. You can access tax free income from the ISA at any time. You feel much more comfortable about building a fund and putting more into it. When it's going into the ISA, it's always available to you.

McPHAIL: (*over*) But with respect, Morris, you seem to be just repeating the flexibility argument in different ways. Yes ISAs are flexible and that is good, but that is the only argument in favour of using an ISA for retirement planning. And what we're talking about here is Ben's retirement planning. Now for that, he will end up with more money if he uses a pension, all other things being equal.

LAWSON: At the point where you start to actually draw pension, you are drawing taxable income or many people are effectively forced down the route of buying an annuity. Yes you do build up because of the 20% tax relief for a basic rate taxpayer, you build up a fund faster, but that fund and the regulations that apply to it at the time that you start trying to draw are very onerous.

LEWIS: That was Morris Lawson and Tom McPhail giving advice to Money Box reporter Ben Carter. Ben, you've had some of the best advice there. What have you decided?

CARTER: Well Paul, it's difficult. My heart says save for a house deposit, but my head says that I should probably be putting money into a pension, so I've got some saving for retirement. And I think actually I'll have to wait to see if I can get into a company scheme before making a final decision; and if I can't then possibly I might go down the ISA route.

LEWIS: Well that's Ben's conclusion and that's our conclusion. That's it for today. You can find out more from our website: bbc.co.uk/moneybox. There you can sign up for my weekly newsletter or read it, download a podcast, listen again, send us your ideas and of course have your say on those Olympics tickets. This Wednesday is Budget Day. Money Box Live will be here as usual at three taking questions on mortgages. And then on Thursday at mid-day it's Budget Call with Vincent Duggleby and me taking your questions on George Osborne's first Spring Budget. I'm back with Money Box next weekend. My money thoughts whenever I'm awake on my Twitter, Paul Lewis Money. Today the reporter was Bob Howard, the producer Lesley McAlpine, and I'm Paul Lewis.