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MONEY BOX

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LEWIS: Hello. In today's programme, credit card providers do a deal with the Government. Will most customers notice? The pound plummets against the euro. How far will it go? As more firms go bust and pension scheme deficits grow, can the Pension Protection Fund cope? Samantha Washington's here today looking at rural heating costs.

WASHINGTON: Yes, hearing calls for the Government to do more to keep some of the one and a half million people using heating oil out of fuel poverty.

BURGE: Jack Frost is tapping at the windows of badly heated homes. Those people need cheap heating oil before they get cold.

LEWIS: And Egg is fined more than £700,000 for mis-selling Payment Protection Insurance, but customers will have to ask for compensation.

First though, six major credit card companies undertook to treat their customers more fairly this week. First, they agreed to stop pursuing a debt for at least 30 days if the customer was being helped by one of the charity debt advice agencies. Second, they agreed not to put up the interest rate charged to people who were showing signs of difficulty in meeting their credit card debt - at least until they'd warned them. We asked all of the six companies to come on Money Box. They all refused. With me is Sandra Quinn of the industry body APACS. Sandra, why were the card companies putting up the interest rates charged to people already showing signs of financial difficulty?

QUINN: Well it's important to stress that what banks have been doing in their credit card portfolios is looking at those customers who represent a higher level of risk than perhaps they did when they originally took that card out perhaps 2 to 3 years ago. And, inevitably, it is those people who may be using their card to take out more cash, who may be using it for gambling, who exhibit those types of things. Therefore, they are more risky.

LEWIS: Yes, but if they're already in difficulty, there's not much point in putting the rates up, is there?

QUINN: I think what's happened is the banks have recognised that and are now looking at ways to remedy that.

LEWIS: Will they still do it though?

QUINN: Well the key for this type of initiative is targeting those who are in financial difficulties, and that is the Government's aim and our aim as well as an industry.

LEWIS: Well also with us is Malcolm Hurlston of the Consumer Credit Counselling Service. Malcolm Hurlston, the credit card companies who replied to us over this issue say they're doing most of what's been agreed already. Will it really make that much of a difference to you in your work?

HURLSTON: I think it'll make a fair amount of difference. Credit card companies generally have a duty to treat customers fairly, but it's a bit vague what treating customers fairly means and this is giving some of the specifics which will make it easier. I think we would like to see a little more action there.

LEWIS: The breathing space though, the 30 day breathing space while somebody's coming to your organisation CCCS or National Debtline or CAB, one of the charity debt advice agencies, shouldn’t they have been doing that already? It seems a bit daft if somebody’s coming to you for help that there is no breathing space on pursuing the debt by the bank.

HURLSTON: Well the best of them do, and it’s good to have a more general agreement that everybody will. The item that I think we like particularly is where someone has their interest rate increased, then they can say well that’s enough with this bank. I will pay this off at the existing rate and move somewhere else. That’s something that’s been tried and worked in the United States, and it’s good to see that here.

LEWIS: That assumes though that they’re not a bad credit risk that other banks won’t want to take on because it’s quite possible that if they try and get another card or move their debt, the other banks, given their adversity to risk now, will say no thank you very much.

HURLSTON: Well that’s a better position to be in than having to pay the higher interest rate. It is an improvement from the point of view of the consumer.

LEWIS: Right, so an improvement. And Sandra Quinn, six companies at the meeting - I mean six of the biggest, including Barclaycard, MBNA, Royal Bank of Scotland and so on. What about all the others? There must be about forty companies offering credit cards in the UK.

QUINN: Well we went to the meeting too and we were there to represent the industry.

LEWIS: You represented all the others?

QUINN: It’s clear that the work we’ve put in to get this agreement with government is about doing this for *all* the industry. It’s not just for those six providers; it’s for all the credit card companies. And, as Malcolm said, this is about highlighting some of the best practice and making that throughout the industry.

LEWIS: But how will you do that? How will you make sure that the others actually conform to the rules that have been agreed?

QUINN: Well I think there's two things here, isn't there? There's the political pressure side of it. Any bank who looks at what's been happening over the last few months isn't going to take that lightly. Plus …

LEWIS: The Royal Bank of Scotland of course owned by all of us now, so …

QUINN: Plus of course the Banking Code Standards Board. We use them to use our best practice guidelines. They independently monitor and enforce them and they're a good body for doing exactly that type of thing.

LEWIS: Yes, but the Banking Code is voluntary, isn't it, and indeed may be scrapped when the Financial Services Authority takes over a lot of the regulation next year?

QUINN: It is voluntary, but there's 120 subscribers, so it's not voluntary for those 120 subscribers.

LEWIS: Right, they have to conform to it?

QUINN: Yeah.

LEWIS: And do you think though that they should have to be told in the first place to treat their customers more fairly? The things they're doing just seem what any decent person would do.

QUINN: Well it's highlighting the best practice. There is best practice out there and what we are saying as an industry is we're in the business of highlighting that, making sure people do the best of the best and not the worst of the worst.

LEWIS: And Malcolm Hurlston, do you think we need tougher regulation rather than a Banking Code and ideas and political pressure? Do we need laws to make them behave better towards customers in debt?

HURLSTON: We have to wait and see. Not so much at the moment, I think, tougher regulation. The step further we would like is that when somebody has come to us or to another charity, then we would like to see the credit card companies immediately stopping interest penalties and so forth, so that that amount of money is it and they can get on with paying that back. The best of them do that already.

LEWIS: You'd like to see that part of the rules as well?

HURLSTON: That'd be one important step. And I think another thing that perhaps ought to be looked at is to create a sort of stakeholder credit card, a simple credit card issued by each bank which everybody can understand.

LEWIS: Malcolm Hurlston, thanks very much, of CCCS. And also thanks to Sandra Quinn of APACS.

Now if you've looked at the exchange rates this morning, the pound is worth even less than it was yesterday. Three months ago, a pound would buy you more than two US dollars. Now it'll get you less than one and a half. And as for euros, well at the tourist rates you barely get one for one, though officially a pound will buy you one euro and eleven cents. Not that long ago, you'd have got almost one and a half. So why has the pound sunk like a stone? Live now to independent economist Michael Hughes. Michael, why is sterling falling so fast?

HUGHES: Well a large part of this fall has come in the last three months and that's been the time when we've seen aggressive cutting of interest rates. But perhaps more importantly, expectations for economic growth for next year have really been revised down and the UK is expected to have the weakest growth outlook of the G7 economies next year.

LEWIS: So it is a direct reflection of our economy, our very low interest rates, and the fact that our debt is building up to I think a total of a trillion pounds at same stage?

HUGHES: I think it is. Although I have to say that I think by virtue of what we do in the UK and the sort of industries we have, I think sterling is a bit of a barometer of the world economy generally. As you said, up to the summer of last year the economy seemed to be doing pretty well and sterling was doing okay, but it's come off the rails as the world economy has started to suffer.

LEWIS: Yes and of course we're very dependent on the financial services, which have been most heavily hit by the events of the last few months. Where will sterling go? Will we see a parity with the euro?

HUGHES: I think effectively we've already got it and I think that may be consolidated at the official rates, not just the tourist rates. But it does seem to me that the risks in Europe next year may be increasing relative to those in the UK. And given the fall we've seen - and we're looking at something like a 25% fall in sterling's value since the summer of last year - that does count as a major correction by past standards.

LEWIS: Yes. Though of course the euro is supported by this huge European economy, which has done very well, hasn't it? It's bigger, I think, than the US economy.

HUGHES: Well there are parts of it that are in real trouble, as we're seeing in Greece and …

LEWIS: But they're sort of hidden, aren't they, by the rest of the Eurozone?

HUGHES: Well they may be, but I think you'll hear more news about what's happening in Spain and the problems they've got there. So, if anything, I think we're much nearer to the bottom against the euro. I think actually though, we may have to travel a lot further down against the dollar.

LEWIS: And what can the Government do? Is there anything it can do? Are governments willing to do anything to prop up their currency nowadays?

HUGHES: Well in the past, of course, they've raised interest rates when they think it's gone too far, but there's not much chance of them doing that this time. And indeed there is a suggestion that the 20% correction is almost welcome because it gives a boost to exports and hence provides support to the economy, so I don't think they're in a rush to raise interest rates or give any assistance. Other economies might, but not this one.

LEWIS: Michael Hughes, thanks very much for talking to us.

Now the Government is talking tough about energy prices this week. The Energy Secretary Ed Miliband warned the gas and electricity suppliers that if they don't bring in fairer pricing, he would pass laws to make them. But little is said about the one and a half million people who are off the gas mains and rely on heating oil delivered by lorry. That industry isn't even regulated and it's this largely rural group of people where fuel poverty is highest. Samantha Washington finds out more.

WASHINGTON: I'm in a tiny rural hamlet in Lincolnshire called Burton Pedwardine. Craig Wood and the other forty-three inhabitants here are three miles from the gas mains and rely on oil kept outside in their gardens to heat their homes.

WOOD: This is the oil tank, which is, as you can hear, it's not quite as empty as it sounds. It contains two and a half thousand litres of heating oil which, depending on the price, can cost as much as £1200 to £1500 to fill.

WASHINGTON: That cost is why I'm here. Heating oil is expensive. While the price of crude oil has dropped nearly 70% from its height this summer, heating oil has only fallen by 50%. And the way it's bought adds to the problem for Craig and the others in his village.

WOOD: You just have to pay for however much you buy. It's just like going to a petrol station and filling up your car: you pay the price on the given day. Remember that Lincolnshire is a very rural area, so there are a lot of people who are on rural wages. It's a significant expense for them and it means that they have to either budget throughout the year to make sure that they've got sufficient funds to buy the oil when they need it, or they have to buy oil in small quantities. But if you can only buy a small amount, you will have to pay a premium price for it. So actually people who can't afford to buy large amounts actually end up paying even more for their oil.

WASHINGTON: The latest figures from the Centre for Sustainable Energy show that people on heating oil are two and a half times more likely to suffer fuel poverty than those on the gas mains. And it's not just households which suffer. Craig took me to see his neighbour, Graham Webb. He runs a livery stable and the cost of heating oil dominates his business decisions and how he lives.

WEBB: You have to be careful when you buy. It's quite a large outlay. It's not like an electric bill or a gas bill where it's quarterly. You've got to buy for like 9 months or whatever. You just pray you don't run out until the price drops. That's the way we do it normally.

WASHINGTON: People off the gas mains are scattered around the country and they can't group together to give themselves purchasing power. There are more than five hundred delivery companies across the UK and Craig Wood noticed in Burton Pedwardine several different trucks would deliver to different houses on the same day. So he decided to do something about it.

WOOD: We approached a number of the local suppliers and said if we were to buy in bulk and you delivered to a number of properties in the village at the same time, would there be a cost saving, and the answer was yes there would be. It is only one or two pence a litre now. One pence a litre on a thousand litres is only £10, but a saving of £10 is better than nothing.

WASHINGTON: It may be better than nothing and there are websites which do a similar thing, but they don't reach everyone and some argue it just isn't enough to alleviate fuel poverty for this group. Richard Burge is from the Commission for Rural Communities.

BURGE: People with rural fuel poverty, a minimum of 10% of their income is spent on heating their homes. The reality is that most of them are spending 20 to 25% of it; and if they're locked into heating oil, they're locked into a closed market without any regulation and without any social tariffs.

WASHINGTON: A social or reduced tariff would involve a subsidy which would mean regulating this unregulated industry. People on mains gas also get a discount if they get their electricity and gas from the same supplier and can pay monthly. So could the companies that deliver the oil do more to help people spread the cost? I put the question to Rod Prowse, spokesperson for the oil distribution industry.

PROWSE: Most distributors have budget plans and easy payment plans that enable those who are buying heating oil to obviously spread the payments over a year or whatever arrangement suits; and some distributors are better than others at communicating what they have to offer and sometimes if you don't ask, you don't get.

WASHINGTON: Richard Burge from the Commission for Rural Communities argues that the Government needs to step in and quickly.

BURGE: Jack Frost is tapping at the windows of badly heated homes. Those people need access to cheap heating oil before they get cold. And if they are old or if they have young children, then they are going to be at risk to their health and that is not acceptable.

LEWIS: So, Sam, when you came back from Lincolnshire, what did the Government have to say?

WASHINGTON: Well the Department for Energy and Climate Change wouldn't do an interview, but did tell us that it is offering extra help to householders this winter to meet the cost of heating, including those who use heating oil. But despite the continued talk of tackling fuel poverty, Paul, there's still no indication from the Government or the regulator Ofgem that the heating oil industry will soon be regulated.

LEWIS: Thanks, Sam.

Most company schemes that pay salary related pensions have too little money to meet their promises. The total deficit of £155 billion, revealed this week by the Pension Protection Fund, has grown by 40% in the last month alone. It's the largest it's been since the figures were comprehensively collected 5 years ago. The fund takes on pension schemes which have been closed down, usually after the company providing them has gone out of business - and, with certain restrictions, it meets the pension promises. But with investments performing badly and some big companies in trouble, can the PPF continue to afford its commitments? Chief Executive Partha Dasgupta.

DASGUPTA: We currently have 3 billion in assets and we are paying out £4.8 million a month in compensation. We have 20,000 people that have already transferred to the PPF of which about 8,000 are now receiving monthly payments from us. So, yes, we do have enough money.

LEWIS: How long are you confident you can carry on paying out the pensions?

DASGUPTA: Well we're confident that we can continue paying out. There's no problem around actually meeting our obligations well into the distant future.

LEWIS: But we've seen from the figures you published this week that more and more schemes out there that haven't yet gone bust are in deficit. The total deficit of the ones that have a deficit is £155 billion. Not long ago, they were in surplus. Aren't you in danger of being swamped if more companies go out of business? We know Woolworths is on the horizon, Lehman Brothers is one that you may have to take over.

DASGUPTA: Well we've got to remember why there's that £155 billion figure, and it's due to market movements and market volatility, so it's true that we're in unprecedented times in terms of what's happened to the financial sector. But it's also worth considering that in the long run - and pensions are about long-term investment - we're not like an insurance company, so we don't need to pay out all our money in one go. We can finance this over a very long period of time.

LEWIS: Yes, but ultimately if you're taking on more schemes in deficit - and by definition any scheme you take on is in deficit - it doesn't come with enough money to pay its own pensions into the distant future.

DASGUPTA: That's true, but we don't need to make up that shortfall in one go. And it's not just the assets that we get from schemes where the employer's gone bust. We also charge an industry levy, which also finances the payments.

LEWIS: You talk about the levy, which of course is the money all the schemes pay you to help keep you going, an annual charge. That's currently running at £675 million a year. Is that going to have to go up?

DASGUPTA: In August last year, we said that we would charge a levy of £675 million and we would keep that fixed in real terms for 3 years to provide business further opportunity to plan ahead for the levy. It's true that in this environment, the board had a very difficult decision about whether or not to change the level of the levy this year, but we felt that it was important not to increase the burden on business at this particular point in the cycle. But we'll have to reflect that when the economy does recover, that it's only right that business then actually makes up the amount that it didn't give us during this period.

LEWIS: Partha Dasgupta of the Pension Protection Fund. Well live now to pensions consultant John Ralfe. John Ralfe, Partha Dasgupta very reassuring there. Is it right - the PPF can meet its commitments well into the distant future, as he says?

RALFE: Well this is a long-term problem, which I think needs a long-term solution, and I'm not convinced that we've got that at the moment. Nobody is suggesting that the PPF is going to run out of money in the next few years, but I think we need a contingency plan which addresses what happens when we're approaching that point and we need a contingency plan for pension scheme members, for companies paying the levy and ultimately for taxpayers.

LEWIS: Yes, I mean we've got Woolworths and Lehman Brothers probably both going into the PPF - big schemes like that. They bring big deficits. And by definition every new scheme brings its own deficits, so ultimately there won't be enough money.

RALFE: Well the danger is that we simply run out of road. And it might take 20 years or it might take 30 years, but I think we need to be making, you know putting in place the contingency plan now for what will happen at that point.

LEWIS: What might that be?

RALFE: Well it's very important that the legislation allows the Pension Protection Fund to reduce the compensation payments it makes to pension scheme members, so you might be receiving £5,000 pension a year from the PPF and that could be cut back to £4,000.

LEWIS: Yes, so at the moment people get, if they're already on a pension they get all of it; and if they're not, they'll get 90% with an upper limit of almost £28,000. I have to say when I did ask Partha Dasgupta about that, it wasn't in the interview you heard but he did say that you know that wasn't going to happen.

RALFE: No, but there are two ways in which the Pension Protection Fund can dig themselves out of a hole. The first is to increase the levy and, as you quite rightly say, there's a limit to the ability to do that. And the second is to say to those people who are in the Pension Protection Fund well I'm sorry, you've been receiving £5,000 for the last however long. We can no longer afford to pay that. We're going to cut that back. And that's a very, very … would be a very, very significant and dangerous and explosive thing to have to do.

LEWIS: Well it would be politically very sensitive, wouldn't it? And then there's the levy itself - £675 million a year shared between all the pension schemes. It is a lot of money, especially when they have such a big deficit anyway.

RALFE: Well, I think that's right. The danger is that the levy just becomes unaffordable. At the moment, there is a cap on the amount that any individual scheme has to pay and the danger is that there are more schemes who are capped. And what does that mean? It means that the other companies have to pay more.

LEWIS: So the good are paying more than the bad. John Ralfe, thanks very much for talking to us. John Ralfe, independent pensions consultant.

Now the Internet bank Egg has been fined £721,000 this week for mis-selling Payment Protection Insurance. The Financial Services Authority found that Egg mis-sold the product to 4 out of 10 of its new credit card customers. It even had standard instructions on how to persuade people who said they didn't want it. On some occasions, customers were signed up even without them agreeing. Egg, which is now owned by the American bank Citigroup, is writing to 80,000 cardholders who may have been mis-sold PPI. The letter though then leaves it up to customers to claim compensation. But the consumer organisation Which? says that isn't enough. Principal Policy Adviser Vera Cottrell.

COTTRELL: We welcome the fact that the FSA has taken robust action against Egg. However, we feel that what should happen now is that Egg actually proactively reviews all their PPI policies and, where necessary, compensates customers instead of just writing to them and then letting them take the initiative to complain.

LEWIS: Yes because the letters I've seen from Egg, that Egg is sending, are really not very clear, are they? They don't make it clear what might constitute mis-selling and they don't really make it that clear that they're inviting people to write back with a mis-selling claim.

COTTRELL: No, you're absolutely right there. I don't think that it will do enough to get people to complain about their policies. Also people shouldn't have to complain. It's quite clear Egg has mis-sold 40% of the policies and, therefore, the ball is in their court. They should be really doing this for consumers. They should be reviewing their policies and compensating consumers.

LEWIS: The FSA though has taken a lot of action, hasn't it? Around twenty companies have been fined or reprimanded. This year alone, ten companies have been fined a total of more than £10 million. Does that indicate to you it has at last begun at least to take PPI mis-selling seriously?

COTTRELL: Well we do welcome the fact that the FSA is stepping up its enforcement action and is doing a lot more about the mis-selling of PPI. However, it has taken a very long time. I mean the FSA has been investigating the market since 2005 and obviously during this whole period Egg has been actively mis-selling PPI.

LEWIS: And going a bit wider than Egg and the other companies that have been fined and who will also be writing to their customers, if people do have Payment Protection Insurance, they're still paying it, they think they might have been mis-sold it, what should they do?

COTTRELL: They should contact the company that has sold them the policy. If the company doesn't respond to their complaint within eight weeks or if the company turns down the complaint, then they can go to the Financial Ombudsman Service and complain to them. And at the moment the Ombudsman actually finds most complaints about PPI in favour of the consumer.

LEWIS: Vera Cottrell of Which? We asked the Financial Services Authority and Egg to come onto the programme to answer some of those points, but they both refused. More information on what to do if you get a letter from Egg or think you've been mis-sold Payment Protection Insurance by anyone is on our website and with the helpline. Details later. First though, Sam, another step closer this week to the super bank?

WASHINGTON: Yes, HBOS shareholders voted overwhelmingly to back the merger with Lloyds TSB. It was backed by Lloyds shareholders back in November and now that deal is expected to go through on 16th January.

LEWIS: And some good news for people in Scotland?

WASHINGTON: Yes, that's right. The Scottish government has put aside £70 million for councils to be able to freeze council tax throughout Scotland for the second year running.

LEWIS: Lucky people in Scotland. That's it for today. You can find out more from the BBC Action Line - 0800 044 044 - and of course our website, bbc.co.uk/moneybox, where there's lots to do and see. And I should have said earlier you can have your say on that credit card story: are credit cards treating their customers fairly? Some of you are already emailing in about living in rural areas. Why didn't we talk about LPG, Liquid Petroleum gas? Well we can't cover everything, but we do know that is also a problem. I'm back on Monday with Money Box Live, this week taking questions on redundancy. Back next weekend with Money Box as usual. Today the reporter was Samantha Washington, the producer Richard Vadon, and I'm Paul Lewis.