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## **MONEY BOX**

**Presenter: PAUL LEWIS**

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**LEWIS:** Hello. In today's programme, from next Tuesday money will no longer take three days to move between bank accounts. But why aren't all the banks joining in? Bob Howard's been looking at travel insurance.

**HOWARD:** Why giving too many details if you make a claim may work to your disadvantage.

**ANDREA:** We just felt that it would be clearer for them to see what the claim was, not make us look suspicious.

**LEWIS:** More delays in resolving the question of whether charges for unauthorized overdrafts are legal as the banks appeal against a High Court ruling. And Barclays apologizes for delays on its new ISA, but it says it won't fully backdate the lost interest.

But we start with the end - or almost - of a story we've been running for a very long time. It's more than eight years since the banks promised Money Box that they would speed up the three or more days it takes for money to move from one bank to another. Here's what the former spokesman for the clearing system, Richard Tyson-Davies, told Money Box in March 2000.

**TYSON-DAVIES:** We're still working out the details, but essentially it will be possible to move money on a net based system from you to a supplier or between businesses on a same day basis at a low cost. This will be a mass market product at a price that people can afford; a payment product for the 21<sup>st</sup> century.

**LEWIS:** Well it didn't happen, and over the next eight years it didn't happen several times. But next Tuesday, the 21<sup>st</sup> century payment system is finally ready to roll, as clearing system spokeswoman Sandra Quinn showed Money Box's Caroline Bailey.

**QUINN:** I'm going to set up a payment to my colleague Phaedra and I'm going to send that from my online bank account.

**BAILEY:** And she banks with somebody else?

**QUINN:** Yes. I've brought up my online bank account, so I'm going to select the button which says "set up new payment", and that's the sort code, the account number and the name of the person I'm paying.

**BAILEY:** And you're just putting the amount in of the payment. And because this is still in the testing phase, you're sending her just one penny.

**QUINN:** I'm just sending her one penny. I'm now pressing the button, confirming that payment.

**BAILEY:** Okay, well let's go over to Phaedra and she's going to check and see whether she's received the penny.

**PHAEDRA:** I've just logged into my online bank account to check the balance. I can see that I've received a penny from Sandra's account.

**BAILEY:** How long did that take?

**QUINN:** That payment took just two minutes.

**BAILEY:** And how long would it have taken under the old system?

**QUINN:** It would take three working days.

**LEWIS:** Well, as Sandra Quinn said, at the moment payments still take three working days. If you'd made a payment last Friday, it would leave your account at once but it wouldn't arrive until the middle of next week as the computers chugged away and of course had a rest over the long weekend. But even when the new system starts on Tuesday, most payments will still take the slow road because most banks are phasing in the changeover. With me is Paul Smee. He's chief executive of APACS that runs the plumbing our money flows through. Paul, faster payments but a slow start. Only one bank, as we understand it - RBS NatWest - will let its customers use the system fully. Two - Abbey and Co-op - not doing anything. Why the slow start?

**SMEE:** This is a very complicated system and what we are trying to ensure is that it is a wholly reliable system from the outset. And when banks say they want to start with a gradual take up, when they say that they want to do a little more testing to ensure that it's 100% reliable for all their customers from the moment they can use it, I think I have a lot of sympathy with them.

**LEWIS:** Well that's very important, but you have had eight years. I mean we were promised it several times, including 2005. Six months later, after you'd promised it in November, the banks are still dipping their toe in - you can only move £1 at Barclays, for example. Is it just they want to hang onto our money for as long as possible?

**SMEE:** No, it is all to do with ensuring that there is no risk in this system and that it is wholly reliable for customers to use because that's what we want out of our payment system. And I do expect to see the values of payments that are going through it increased. We could have gone for a big bang, but big bang solutions also have a lot of risk attached to them. And what we haven't done is waited until absolutely everybody was doing the same thing because that would have been moving at the

pace of the slowest.

**LEWIS:** Is there a date when all thirteen banks will allow it to operate fully, and of course all the other banks that aren't even in the system yet - the building societies mainly?

**SMEE:** I think that by the beginning of the autumn, the vast majority of immediate payments will be going through this system. Slightly longer for standing orders, which are going to start going through the system. That may be towards the end of the year. But you must remember with the standing orders, that a lot of banks that have removed float from them already.

**LEWIS:** Sure. And there is a limit though, isn't there? You can't move more than a certain amount. What's that going to be? Even when it's up and running, there will be an upper limit.

**SMEE:** Well the ultimate lim ... lim ... I do apologize. The upper limit at the moment is going to be £10,000, but that will be reviewed in the light of experience.

**LEWIS:** But that's presumably ... Is that so that you can still charge us for CHAPS payments? When we buy a house for £200,000, for example, we can't use this new system. We have to pay £35 or even £60 for a CHAPS payment.

**SMEE:** I don't think it's anything to do with the charging. I think it's more to do with the fact that with CHAPS you have real time gross settlement. That is an advantage for moving very large sums of money. But I would expect that £10,000 limit to increase over time.

**LEWIS:** And when you see the money in your account, as we heard in that demonstration, are we guaranteed that money is really there and yours? You're not going to come to us a few days later, after the Bank Holiday, and say, "Whoops, sorry, made a mistake" and take it back?

**SMEE:** Certainly not. The money will be in your account and is yours.

**LEWIS:** And several of the banks said they'll charge business customers. Northern Bank has told us it will charge personal customers for this service. Why isn't it free to everyone?

**SMEE:** Well that's a matter for the banks really. Individual banks will put forward their individual propositions. I know there are some banks that are going to charge, but of course that's a business decision.

**LEWIS:** Okay. Paul Smee from APACS, thanks very much. And of course that's electronic payments and phone payments, not cheques. On our website you can find a list of what the banks have told us about how each is rolling out the system. And do tell us your experiences. We'd love to hear if you succeed.

Now if you're going on holiday soon, the standard advice is to make sure you know what's in your bag in case it goes missing or is stolen because if you have to make a claim on your travel insurance, you will be asked for proof of what you've lost. Normally we'd say send in as much information as you can, but Money Box has learned that if your claim is *too* detailed, that in itself can cause suspicion. Bob Howard's been investigating.

**ANDREA:** This is a picture of my son and he's busy jumping off a rock into, I hope, a very deep pool.

**HOWARD:** Andrea from South West London is showing me photographs of her son Laurence's trip around South America. He set off last July after finishing his university course, and everything went well up until April this year when his backpack was stolen from a bus station in Peru. When he came home, he put in a claim to his travel insurer for 39 items, almost all of which were clothes. In most cases, he was able to detail the price, brand name, whether it was bought with cash or on a card, and the place and month when it was purchased.

**ANDREA:** My son was just trying to be as helpful as possible, thinking when they wanted to check say prices to check that his prices were right, they could perhaps go on the internet and look up the kind of shoes that he had or whatever. He did know exactly what kind of backpack he had, he knew exactly what kind of sleeping bag he had.

**HOWARD:** As the 39 items totaled just over £1,000, with no one item exceeding £100, and because they were able to provide so much information and a police report, Laurence and Andrea hoped it would be a straightforward claim to process. So they were surprised when Laurence's insurer, Insure and Go, wrote after receiving the list to say it couldn't cover an item unless he could provide reasonable proof that he owned it or had bought it. It said a receipt, copy of a receipt, a credit card or a bank statement would all be acceptable. But Andrea was concerned that some items were bought a few years ago and so they didn't have receipts, and apart from a few smaller items she'd bought on her own credit card the rest were bought with cash.

**ANDREA:** I think it would be fairer to say that they need receipts for items over a certain cost like cameras, perhaps watches, jewellery. I don't think it's reasonable to expect people to have receipts for every item that they own for fairly small things on an insurance claim.

**HOWARD:** When Money Box contacted Insure and Go, it said it had several concerns about Laurence's claim. One was that some of the more expensive items had been paid for in cash, whereas some cheaper items had been paid on a credit card when the reverse was normally the case. Perry Wilson, the company's founder and owner, says all insurers have to be vigilant against possible cases of fraud.

**WILSON:** Unfortunately, we do come across a lot of claims where people will over-inflate the items that they've actually put into what has been lost. This just basically bounces back to the customer at the end of the day by increasing the premiums.

**HOWARD:** And he told me another reason why Lawrence's claim was being scrutinized was precisely *because* of the amount of detail he'd provided about the

stolen items.

**WILSON:** Sometimes people give too much information. That obviously then sparks a little bit more why would you remember all thirty-nine items down to flip-flops and socks? The person may have a great photographic memory and may remember everything they do in their life. Fine, but give us some meat on the bone to look at this claim, to make sure that we have some kind of substantiating evidence of it.

**HOWARD:** So can customers ever really provide too much information to their insurer? We spoke to several other big travel insurance companies. One claims investigator told me he understood the concept of the too perfect claim, but he said in the vast majority of the cases he dealt with, the problem was too little detail, not too much. If in the end an insurer and customer can't reach agreement, it's the Financial Ombudsman Service which adjudicates. David Cresswell from the service says whilst claimants must be prepared to be scrutinized, insurers must have evidence of attempted fraud before they can turn down the claim.

**CRESSWELL:** What consumers need to know is that in certain circumstances they might do things which are completely innocent, but that for some reason set a low level alarm bell ringing at the insurance company when they first make a claim. If that comes as a dispute to us, we'd be saying to the insurance company why would there be fraud this case? Where's the proof of it? They've got to act on more than just the pattern.

**HOWARD:** Insure and Go told us it would generally only need to see evidence for a reasonable cross section of lost items, although that wasn't mentioned in the letter sent to Laurence. And the insurance industry as a whole still stresses it's imperative claimants provide as much detail and evidence about their loss as possible, as Malcolm Tarling from the Association of British Insurers explains.

**TARLING:** Putting in a lot of information when you make a claim does not mean to say that the insurance company will automatically be suspicious. They will look at the circumstances of your loss. Companies have a responsibility to all of their customers

to make sure that they weed out those small number of claims that may be fraudulent.

**LEWIS:** Malcolm Tarling ending Bob Howard's report. And you can have your say on insurance claims on our website. I was going to say that anyway, but dozens of you are already: too perfect claims, claims refused, insurers explaining why and someone even admitting fraud - [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox) to join that debate.

Banks will be told by the middle of July if the Office of Fair Trading thinks their overdraft charges are unfair. The deadline was agreed in the High Court this week even though the banks were also given permission by the judge to appeal against his original ruling that their charges are subject to the fairness test. Campaigners had hoped the banks would accept the High Court ruling that charges for unauthorized overdrafts do come under regulations that govern the fairness of consumer contracts. Now they fear the appeal could delay the resolution of tens of thousands of outstanding repayment claims. I asked Angela Knight, chief executive of the British Bankers' Association, why the banks have decided to appeal.

**KNIGHT:** The banks of course do believe that the service that they're offering does not fall within the unfair terms in consumer contract regulations. But I think there's also the wider public interest. There is a need to have full clarity; and if there is going to be full clarity, then it is usually a higher court that makes the decision.

**LEWIS:** But if you'd accepted the judge's judgement in the High Court, that would have been it, you would have had clarity.

**KNIGHT:** Well we wouldn't actually because we are awaiting two things. Firstly the judge needs to look at historic terms and conditions. The other part is that we're still waiting for the OFT to complete its work into this whole question of fairness. This is the one that's now been going on for, what, nearly a year. They have said that they will be able to do some by July, but as the court ultimately is the only place where we can get confirmation on fairness, that investigation needs to be completed as well. So there's quite a few stages.



**LEWIS:** Yes, but I'm sure a lot of customers whose cases are hung up in the court would think it a bit odd that the banks are saying it's other people that have delayed it when you didn't even want to go to court for two years. And the OFT has said you take between two and a half and three and a half billion pounds a year in overdraft charges from customers. Are you trying to delay things to protect that income stream?

**KNIGHT:** Absolutely not. And in fact in the original document, which we signed about going to the court, we gave an undertaking that we would proceed as quickly as possible. You said that we delayed in going to court. We didn't actually. We initiated the court case.

**LEWIS:** But when cases were going through the county court, it was the banks that paid up rather than let a test case be taken. It was only when you'd paid out £600 million or so that you finally decided you wanted it to go to court.

**KNIGHT:** Yes, you can't get clarity in a county court. All the cases are on a case by case basis. The only way that you can resolve this issue is taking a broad case to a higher court in order that it applies right across the piece. Everybody knows exactly where they stand.

**LEWIS:** Meanwhile, you're still charging your customers who go into unauthorized overdrafts fees that might be unfair and might be illegal.

**KNIGHT:** The banks are doing something which they consider is legal and, secondly, it is part of the business model that we've operated for many years in this country. After all, some 80% of people do not incur those fees and it is easy to avoid them.

**LEWIS:** When do you think customers might see a final resolution to this case?

**KNIGHT:** I think that we'll know a lot more about that when we have the next stage at the beginning of July. But, as I say again, we have undertaken as an industry to get

clarity as quickly as possible. And in these sorts of cases, it invariably goes to a higher court because it's deemed to be in the public interest so to do.

**LEWIS:** Angela Knight of the British Bankers' Association. Well with me is Phil Jones. He's Personal Finance Campaigner with the consumer organisation Which? Phil Jones, you've been campaigning about this for some time. How do you react to the news that the banks are appealing?

**JONES:** Well it's clearly a great week for the lawyers and possibly a great week for the banks, but it's not a great week for consumers. What this means is that there are thousands of cases now stuck in the county courts still, there are thousands of cases with the Financial Ombudsman Service and with the banks themselves of course. The banks are continuing to levy these disproportionate charges between 2.5 and 3.5 billion pounds per year, but people are not able to get any recourse due to the FSA waiver that's in place.

**LEWIS:** But, as Angela Knight said, it is a matter of great public interest, isn't it, and it should be decided at the highest court because otherwise it could be challenged again?

**JONES:** Well we recognise that the banks have got the right to take this to a higher court and we think this is a real shame here because we think the banks have really damaged their reputation through this whole saga both by levying the charges in the first place, refusing to pay back people when it was found to be unlawful, and...

**LEWIS:** Well they did pay back a lot of people. They paid back over £600 million.

**JONES:** Yes, they thought they could do that, but decided that it was going to be too expensive and so we now have this process. We would like the banks to recognise that they have lost a lot of trust amongst their consumers and as a gesture of goodwill to repay them now.

**LEWIS:** But what do you say to Angela Knight's point because she is right, isn't she? Overdraft charges can be avoided. Four out of five customers never incur them. Now if the banks are prevented from making these charges of two and a half, three and a half billion pounds, they're going to get that from somewhere and that's going to be everyone else who runs their account in a responsible way, in credit.

**JONES:** Well everyone pays for their banking now. Even if you don't pay these charges, you do pay for your banking. There's no such thing as free banking.

**LEWIS:** Yeah, but you'll pay more.

**JONES:** Well that remains to be seen. Let's take a step back here. I mean do you really think that all the banks are going to move to a new model where they start levying these charges? Our research at Which? says that that would be extremely unpopular. It's not our job to design the banking model, but we found that eight out of ten people would be prepared to switch their accounts. So we would say that there's a competitive incentive in the marketplace for some banks not to do this. If all the banks move to that, that really does call into question the competitiveness of the market.

**LEWIS:** And what do you say to the people whose cases are caught up? You mentioned the FSA waiver so the banks can put them in a pending tray. What do you say to them? What should they be doing now, briefly?

**JONES:** Our advice to consumers is always the same. It's to complain where you feel that you've been treated unfairly and it's really to look at what's available on the market and to consider switching. The only reason the banks can do this is because people aren't prepared to switch. You need to shop around and find the best deal.

**LEWIS:** Phil Jones of Which?, thanks very much.

Well when Barclays launched a market leading ISA last year, it was plagued with administrative problems: accounts were not opened, interest wasn't backdated and the

helplines went into meltdown. So when Barclays announced this year's ISA, it promised there'd be no repeat of these difficulties, as Barclays' director of retail products, Andy Gray, told me in March.

**GRAY:** We learn a lot from the feedback that customers have given us and we've re-engineered the process that's sits behind there. We are going to be more effective in how we deal with that and the communication with customers. So customers can expect a great customer service this time round.

**LEWIS:** But many listeners have contacted Money Box with examples of just what "great customer service" meant for them. Here's Valerie.

**VALERIE:** It was so stressful last year, but when I heard on Money Box that the bank had taken on more staff to cope with *this* year's ISA, I decided to have another go at it. But in fact it's been quite a miserable experience *this* year and I didn't hear from them and the account wasn't opened for several weeks. And every time I tried phoning Barclays, you're just automatically switched onto music. I held on for so long that you think nobody's going to answer this, so you just put the phone down. So I've been very disappointed and I really wouldn't want to touch them again.

**LEWIS:** And Money Box listener Philip fared no better.

**PHILIP:** I went into my local branch on 28<sup>th</sup> March to open an ISA, and then in April I got a letter from Barclays and it showed that the account was opened on 7<sup>th</sup> April - i.e. in the new tax year - and I specifically did want it to be opened in the last tax year and not the current one. So I wrote to Barclays. I got a holding reply saying they would reply to me in May. I've now had another holding reply saying they'll reply to me by 24<sup>th</sup> June. It surprises me that Barclays don't have adequate systems in place to deal with the ISA investment season. It surprises me even more that they don't have adequate systems to deal with customer queries and complaints.

**LEWIS:** Just two of many emails and letters we've received. Well Andy Gray was on holiday this week, but his colleague - Barclays' retail customer service director

Catharine French - stepped forward with this apology.

**FRENCH:** I'd like to start by apologizing to customers like Valerie and Philip who we heard from for the delays that they've experienced and for the very real frustration that that's caused. For the second year running, we've received record levels of applications for our ISA. We did of course plan for an increase, but we just didn't expect demand to be this high.

**LEWIS:** But a year ago Barclays apologized for the problems. Just a couple of months ago, Andy Gray came on and assured listeners that you had re-engineered, that it would be a great customer service. Valerie says she only opened her account on the basis of that assurance. You've let your customers down, haven't you?

**FRENCH:** As I said, I am very sorry. But I would highlight some changes this year. Unlike last year, all customers did receive an acknowledgement letter and we did advise customers when they took out the ISA to expect a delay. Clearly there have been longer delays than we would have liked. We are committed to processing the remaining ISA's just as quickly as possible and if you walked into a branch today it would only take five days to open.

**LEWIS:** But barely three weeks into the tax year - that was 30<sup>th</sup> April - you cut interest rates from the 6½% you originally offered to 6¼%. Are customers going to be given the right interest rate right back to the start of the tax year?

**FRENCH:** Absolutely. If an ISA was opened before our rate change on 1<sup>st</sup> May, their interest will be backdated at the higher rate of 6.5%.

**LEWIS:** And what about people like Philip? He applied in the last tax year - in 07-08. His account was actually not opened until *this* tax year. What are you doing for people like him?

**FRENCH:** Any valid ISA application received on or before 5<sup>th</sup> April will be opened

for the correct tax year even if in fact it was processed in this tax year, so customers absolutely won't be losing out.

**LEWIS:** And you're going to backdate interest to the time they walked into the branch with their cheque. That will be automatic.

**FRENCH:** We're aiming to open all ISA accounts within 14 days. So those who applied for an ISA and it's taken longer than 14 days, we will be backdating the interest for that period.

**LEWIS:** So just to be clear. If somebody came into your branch at the very start of the tax year, on 6<sup>th</sup> April, they will not be earning a penny interest until 20<sup>th</sup>?

**FRENCH:** Yes, that's right.

**LEWIS:** So that's what Andy Gray meant by "great customer service", is it?

**FRENCH:** We think 14 days is a reasonable time period for opening the account at that time of year. As I said, if you go into the branch today then it will just take five days.

**LEWIS:** You say that you're opening these accounts within a reasonable time now, but of course your ISA is no longer top, is it? You can get a fraction more with National Counties, so people would be better advised to go there?

**FRENCH:** Well our ISA remains in the best buy tables. We reduced the rate following the base rate change. It's still a competitive product.

**LEWIS:** Yes and of course the Tax Beater ISA, which caused all these problems last year, attracted a lot of customers at 6½%. That's now paying 5.18%. That's not even in the top twenty. So even when people get their Tax Haven ISA, is it going to be a one year wonder?

**FRENCH:** No, we remain providing competitive products to all our customers. It's obviously up to customers to shop around for the product that best suits them.

**LEWIS:** Catharine French of Barclays. And I must say during the programme one Barclay's customer has emailed us to say he has been told he *will* get his interest backdated to the date of the application. So we'll see what happens.

Bob, the energy regulator is investigating allegations of overcharging.

**HOWARD:** That's right, Paul. This could potentially affect up to 2.2 million customers who get their gas from Npower. The energy regulator Ofgem's looking into changes to the company's billing system, which it thinks could have seen customers overcharged on their bills. The issue is over how many units of gas Npower is entitled to charge customers each year at the higher of its two rates. Npower admits this is complicated but denies any customer has been overcharged.

**LEWIS:** Thanks, Bob. 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](http://bbc.co.uk/moneybox), where you can of course download the programme to your computer, sign up to get the podcast sent to you every week, and have your say on insurance claims - as many of you are - or all the other topics we've covered today. More personal finance on Working Lunch. Vincent Duggleby's here on Bank Holiday Monday with Money Box Live, this week taking your questions on saving and investments - including of course ISA's. I'm back next weekend with Money Box. Today the reporter was Bob Howard, the producer Jennifer Clarke, and I'm Paul Lewis.