THIS TRANSCRIPT IS ISSUED ON THE UNDERSTANDING THAT IT IS TAKEN FROM A LIVE PROGRAMME AS IT WAS BROADCAST. THE NATURE OF LIVE BROADCASTING MEANS THAT NEITHER THE BBC NOR THE PARTICIPANTS IN THE PROGRAMME CAN GUARANTEE THE ACCURACY OF THE INFORMATION HERE.

MONEY BOX

Presenter: PAUL LEWIS

TRANSMISSION: 12th SEPTEMBER 2009 12.00-12.30 RADIO 4

LEWIS: Hello. In today's programme …

MUSIC: Band of Gold

LEWIS: Well that unwanted band of gold could fetch a decent price, as scrap gold prices soar. I visit a gold factory. Break the habit of a lifetime annuity: a new group promotes alternatives to buying a pension for life. Bob Howard's here. He's been talking to customers of the XL Leisure Group.

HOWARD: A year after its collapse, almost 9,000 are still waiting for a refund.

VICKY: If it's ATOL protected, then whether you've paid by debit card, credit card - no dispute, they should just pay it.

LEWIS: And one bank slashes the charge for bouncing a cheque to just a fiver. Will the others have to follow? But, first, gold.

MALE VOICEOVER: If you've got any gold, anything at all, we'll trade it in for cash. It doesn't have to be free. It just has to be gold.

DIAMOND: I'm Anne Diamond and I'm going to tell you how to turn your old, unwanted or broken jewellery into cash.

FEMALE VOICEOVER: I sent in my diamond wedding band from my first marriage and got more money back then I could ever have imagined.

MALE VOICEOVER: Turn your unwanted, broken or mismatched jewellery into cold, hard cash. Necklaces, rings, watches, chains and more can be turned into cash!

LEWIS: It's alright, we're not being sponsored. But there's a new gold rush going on. The price of our favourite precious metal is at historically high levels. This morning, it's nearly $1005 a troy ounce. That's £19.35 a gram. And adverts and websites are encouraging us to cash in on any old gold lying round the house. But are these offers a good way of making a bit of cash during these difficult times, or are the prices offered rather too low? Our reporter Ruth Alexander has looked into some of them for us. Ruth, what did you find?

ALEXANDER: I looked into ten of these websites. Some have online calculators; others gave me an estimate over the phone; but some insisted they don't give out quotes without seeing your jewellery. So I got the prices for seven. Now bearing in mind the wholesale price of 9 carat gold is currently about £7 a gram, the prices offered by the websites range from £4 a gram to £6.65 - and that's a big difference.

LEWIS: And can you be sure to get the prices they quote?

ALEXANDER: No, these are not formal quotes. At most, they're guide prices. And chances are, you won't get as much as you initially hope. You might have a necklace weighing 30 grams, but it may not be 30 grams of gold you're weighing. For example, most gold necklaces have a cheap metal clasp. And another important point: you need to check the small print. It's difficult to find out which companies will pay what exactly without actually sending your jewellery in. With some websites, if you don't say you want a formal quote when you send your gold off, the first thing you'll know about the price you're getting is a cheque through the door or a deposit in your bank account. And if it has gone straight to your bank, it can be too late to object.

LEWIS: Of course I suppose you can just go to the high street and sell your gold direct to a jeweller or a pawnbroker. Is that a safer way of doing it?

ALEXANDER: Well a qualified expert told us you should be able to get between £3.50 a gram and £5.50 a gram for 9 carat gold. Again a wide range of prices on the high street and less than the websites claim to offer. Now Trading Standards investigators in London took a bracelet around six shops. They were offered between £17 and more than double that, £36, for it. Mandy Cherrington from the team said "consumers need to have their wits about them".

CHERRINGTON: We would say to get as many prices as you can, perhaps go to three or four outlets, know the product, know the carat of the jewellery. I would say don't bother weighing it at home because it isn't just the weight that is going to contribute to the value because it is subjective, it is based on their perception of resale value. So it is their opinion. That's what you've got to go round and check.

ALEXANDER: That's Mandy Cherrington from Trading Standards talking to me earlier this week.

LEWIS: Thanks, Ruth. Well whatever price you get for your gold bits and pieces, they may well end up in the East London gold factory of Tony Baird. Gold of all sorts comes through the heavily protected front door and he turns it into investment grade bars and coins, wire, even wedding rings. On Friday, I visited his factory, which is a cross between an engineering workshop and Fort Knox, and he showed me a plastic bag just arrived from a dealer containing a few hundred grams of gold lockets, chains, rings, brooches. Then he showed me what happened to them.

LEWIS: We're here in what you call your melt shop, Tony. There's a big furnace here. What's going on?

BAIRD: Okay what happens here is scrap gold comes into the business from collectors or traders. The scrap all ends up in a crucible like that you can see there. When it's molten, we then take a dip sample out of the middle of that melt. Then when we’ve analysed it or taken a sample like that, then what happens is this gold will now be cast - which you can see he’s about to do - into that mould, into a bar. So that we can then weigh the bar, determine what’s in the bar by analysis of the little sample, and that’s what we pay out on.

LEWIS: And I suppose it’s because people don’t realise, do they, gold isn’t gold? Gold is a mixture of gold and other metals if it’s in jewellery.

BAIRD: Well that’s quite right. And if you start to talk about 9 carat gold, that’s only 3.7.5% gold - so the rest of it is copper, zinc, some small amount of silver and so on.

LEWIS: So once you’ve extracted the gold and the silver, you turn it into these investment products. And we’ve got some in front of us here. What have we got?

BAIRD: Okay, this is a selection of small gold bars. The weight of the bar is on it, so you can see that is 1,000 grams, that’s a kilo bar, that’s half a kilo, quarter of a kilo and so on. We make bars in a whole range of sizes in metric right down to 2.5 grams, that little baby there.

LEWIS: I’m holding a kilogram of gold in my hand. It’s about the size of my two middle fingers, but rather thicker and certainly a great deal heavier. It’s really quite small for 1,000 grams of gold.

BAIRD: It is. It’s surprisingly dense. But there again, that’s still £20,000.

LEWIS: It’s £20,000?

BAIRD: Yes, that small bar is still £20,000.

LEWIS: So this is investing in physical gold, as you call it?

BAIRD: Yes.

LEWIS: You can actually hold it. What do people do with it? Do they keep 20,000 pounds worth of gold in a drawer in their bedroom?

BAIRD: Well they shouldn't do if they do. We can actually store it for them as well. We have our own vaulted facilities. We make a small charge for it, but it's cheaper than putting it on your insurance policy.

LEWIS: Why do people want physical gold? Why do they want to buy these bars?

BAIRD: It's always been considered desirable to have something solid in anybody's investment portfolio. Gold is not a liability; it isn't anybody else's promise. It's a true asset that's ultimately saleable. At the time of the Northern Rock debacle, we were absolutely manically overwhelmed. We had to increase our shop floor production for the small bars. And ever since then really. Just as it started to quieten down, Lehman Brothers suddenly went all silly and it all took off again and it still hasn't stopped. Certainly the banking crisis has been the major cause of interest in solid assets. Nobody can take gold away from you. Gold is gold. Gold doesn't go bankrupt.

LEWIS: Now your colleague has just brought out what is clearly a very heavy bar of gold.

BAIRD: That's a standard 400 ounce bar. That's about a quarter of a million pounds.

LEWIS: A quarter of a million pounds?

BAIRD: Yes.

LEWIS: And how heavy is it?

BAIRD: Well it's a 400 ounce bar, which is about 12.5 kilos.

LEWIS: Can I try and lift it?

BAIRD: Limber up.

LEWIS: This is smaller than a house brick. It's about the size of half a house brick. And, good grief, that is absolutely extraordinary! 12.5 kilos of gold, a quarter of a million of pounds, *(laughing)* and I could easily break my fingers if I dropped it.

That was me with a bar of gold worth more than the average house, holding it in my hands. I was talking to Tony Baird of Baird & Co. And in a great innovation, there's a picture gallery of my visit to his gold factory on our website: bbc.co.uk/moneybox. And with me in the studio with his trademark gold earrings and charm bracelet is Justin Urquhart Stewart …

URQUHART STEWART: Thank you.

LEWIS: … of Seven Investment Management *(laughter)*. Justin, fascinating stuff - Tony showing me his investment grade gold bars; a kilogram, as he said, for around £20,000; down to 60 quid for 2.5 grams. Is it worth it? Is physical gold a good investment?

URQUHART STEWART: You've got to be very careful. Gold is just one of the asset classes you can use. But bear in mind, gold normally doesn't do anything. It doesn't give you any interest or dividend or anything like that. So it forms part of a portfolio, maybe a small part, for those - as he was saying - part of your portfolio which gives you a solid asset.

LEWIS: But is the problem now that the price is high? I mean it's approaching its historic high. The time to buy it was in 2001 when it was $300 an ounce.

URQUHART STEWART: Absolutely, it has been up and down a lot. Back in the 80s, it was at $800. But bear in mind, it most recently moved really for two reasons: one, because people are worried about inflation further up, quite rightly; but also because it's related to the dollar. As the dollar was going down in price, so it was going up. So be careful, this is not just a one-way bet. China’s been buying a lot of gold recently.

LEWIS: They’ve taken off legal restrictions on owning it, as I understand it.

URQUHART STEWART: Absolutely. And the government in its reserves has increased it. But watch out, in 2010 we’ve got countries like Italy, Mexico, Singapore, even the IMF announcing that they are going to be selling quite a lot of gold out of their reserves. So be wary, some will be taking profits.

LEWIS: Supply and demand will push the price down. If you want to invest in gold though, in a sort of long-term way, how can you do it without having that £20,000 gold bar in your bedroom drawer or in the vaults at Baird & Co?

URQUHART STEWART: Or in your ears.

LEWIS: Or in your ears, yes.

URQUHART STEWART: There are various alternatives. You can of course now buy what’s known as Exchange Traded Funds and these are merely shares which track the value. Now be careful, there are two types of these - those which will trade against the value of paper related to gold, so bear in mind that actually may be backed by a bank or something like that.

LEWIS: So it’s not banked by a physical bit of gold in a vault?

URQUHART STEWART: No, no. It’s a nominal, so be careful. Others though, physical gold - they are backed by a bit of gold that’s there - and that’s probably what you want to have. These are easily tradable, quite cheap to have, and a good way of doing it. You could have a gold fund. You could of course also go through a gold mining company. But that’s rather different. That’s a company that owns a hole in the ground, not necessarily gold.

LEWIS: I remember the old joke that a gold mine is a hole in the ground with dirt at the bottom and a fool at the top. But if you do invest in gold mining companies, they are at least finding new gold; where of course at Baird & Co, they're just recycling it, aren't they?

URQUHART STEWART: Yes, but you've got to be careful. With new gold, you've got some experienced areas like South Africa, but there we've seen production dropping. We've got other areas and some strange countries in Central Asia where you've got a political risk there, and certain of these companies have actually found themselves being taken over.

LEWIS: And very briefly, Justin. If people listening have a portfolio of investments in various things, a significant sum, should they have a proportion of that in gold in your view?

URQUHART STEWART: It's worth having a little hedge. It may be 2.5 to 5% of the portfolio. Why? Because it's an inflation hedge for the future.

LEWIS: Justin Urquhart Stewart of Seven Investment Management, thanks. And I was joking about Justin's jewellery.

Now you've saved up £100,000 in your pension pot for your retirement, but when you go to buy a pension annuity for the rest of your life, you find that even the best on the market will only pay you less than £7,000 a year or around £4,000 a year if you want it to go up each year with inflation. Once you've made that choice at 65, you're stuck with it for the rest of your life. But now there is growing interest in alternatives to these once and for all annuities. Short-term annuities last 5 years or less or more, and then you renew them - and some big insurers like LV and Aviva are looking at introducing them. But one company, Living Time, has been selling them for some years. Its boss, Kim Lerche-Thomsen is with me. He invented the whole idea. His firm is part of a new industry group committed to giving people greater choice about annuities. Kim Lerche-Thomsen, how do these short-term annuities work?

LERCHE-THOMSEN: Well the first thing is that they're not for life - so you do have therefore the flexibility that if your needs change through retirement, that can reflect that. And bearing in mind that some people can be on their retirement pension for 30 or 40 years, it makes sense to keep your options open. So they're not for life. And the other thing is …

LEWIS: But what happens when they come to an end though because you don't spend your whole money on 5 years pension, do you?

LERCHE-THOMSEN: No, no. What happens is they offer income benefits and a capital guarantee at the end. So typically you'd hand over £100,000. You may get the same £7,000 a year that you would have got from your lifetime annuity, and at the end you get a capital sum back. But the main thing is all these points are guaranteed, so there's certainty of what you get.

LEWIS: You say guaranteed. It's a word the financial services industry uses sparingly, though in the past it's used it about products that ended up *not* being guaranteed. You're telling me that you get this guaranteed income and at the end a guaranteed sum. It doesn't depend on investment performance or the price of gold or anything like that?

LERCHE-THOMSEN: No, that's absolutely right. There are two types of products. There are some which carry investment performance risk and some that don't, and these products do not carry investment performance risk.

LEWIS: So you get your lump sum say 5 years on. Then you buy another annuity. And at that time you're a bit older and maybe a bit less well, so presumably you can get a bigger annuity for a smaller sum?

LERCHE-THOMSEN: Well that's right. I mean most people who retire in their 60s are fairly healthy. But by the time they reach 75 about half the population is in poorer health, so they can certainly benefit from that.

LEWIS: Now you've been selling these for some time. The big insurers are now getting in on the deal. I mentioned LV and Aviva. Is that competition you welcome or are you a bit concerned now that you're not having the market to yourself?

LERCHE-THOMSEN: No - absolutely, we're delighted. At the moment with 93% of people still buying a lifetime annuity, we welcome more and more players into this to give customers real choice. And particularly for many people, to give them an opportunity to test drive their retirement with a shorter term annuity before they move into a lifetime commitment later on.

LEWIS: Test drive their retirement. That's a nice phrase. There's also a question of people who are quite unwell at the *start* of their retirement or when they *become* unwell - they can get much better deals, can't they, if they've got some dread disease like cancer or liver disease? They can actually get a very good deal because of course their life expectancy is very short.

LERCHE-THOMSON: That's absolutely right. It's a bizarre situation, that. When you're getting life assurance, you're trying to make certain that you have a very clean, healthy lifestyle; and when it comes to buying a retirement product, it's the other way round.

LEWIS: Yes, it's a change of mindset really, isn't it?

LERCHE-THOMSEN: A change of mindset - yes, absolutely.

LEWIS: So that's an important thing to warn people of. Is there any indication though that the public is more aware of these alternatives because most people just stick with the company they've saved up with, get a bad deal and then they're stuck with it for life?

LERCHE-THOMSEN: Well no, I mean that's the sad thing. The open market option has been available for 30 years now and yet the proportion of people who take up that option is still very stubborn at about one third of the total. So that’s why we set up an Offer More Options campaign where we’ve got over 1,000 IFA’s to join so far, to try and encourage then to give greater choice to consumers.

LEWIS: Kim Lerche-Thomsen of Living Time, thanks very much.

Now if you book your holiday on a credit card, you normally expect protection if the travel company goes bust. But exactly a year since the collapse of the leisure group XL, thousands of customers are still waiting for a refund. It’s particularly frustrating for those customers who paid partly on a credit card and who thought they were also covered by the travel industry’s ATOL compensation scheme for the rest. But neither party is now paying up. Bob Howard’s been to visit one unhappy customer.

VICKY: This is copies of emails, letters, copies of statements because I have to print off god knows how many of them because everyone wants them again and again.

HOWARD: Vicky from Kent is leafing through a large file of correspondence she’s accumulated trying to get the money back for a family holiday to Florida she never got to take. The firm she booked with was a member of the Civil Aviation Authority’s ATOL compensation scheme, so she put in a claim for a refund. She was shocked when after 8 months she was told to approach her bank instead because the deposit had been paid on a credit card, so ATOL said her credit card company was liable for the full amount.

VICKY: They literally sent everything back in the post, telling us to contact the credit card provider. So I was absolutely devastated. After numerous phone calls to the bank, I was told to send it all in and that they would have a look at it.

HOWARD: Vicky’s bank, HSBC, agreed to refund the £800 deposit, but not the £1600 she’d paid on her debit card and in cash. Hoping ATOL would now pay out the remainder, she approached them once again.

VICKY: They then still sent me a letter back saying no, you have to get it from your credit card issuers. So now at the moment, I've sent it back to the credit card and I have heard nothing.

HOWARD: Is it worth us calling them today and seeing what they say? Have you got their details?

VICKY: I have.

HOWARD: 08456 …

VICKY: *(dials phone)* Oh hello, I'm ringing up as I'd like some information of a claim I recently put in and I'm waiting to still hear of any decision that's been made. This is the second time I've resubmitted it now and you've had it already …

HOWARD: At the end of the call, the bank's employee promised to look into the case again. When I spoke to the bank the next day, I was told if Vicky was able to prove that all the people she'd paid for to go on holiday were members of her family, HSBC could refund her the full cost. Vicky's now going to do that. But she still doesn't understand why the whole claims process has become so drawn out.

VICKY: It just seems that they're just trying to constantly play you one off the other. If it's ATOL protected, then whether you've paid by debit card, credit card - no dispute, they should just pay it. Do you know what? I would rather have been out there and been stuck because at least I would have had the holiday and I wouldn't have had all this palaver.

HOWARD: Vicky's experience that having two forms of protection (ATOL and her credit card) can lead to lengthy haggling is a concern for consumer groups. Philip Cullum, Deputy Chief Executive of Consumer Focus, which has been formed out of the old National Consumer Council, says the different parties need to urgently get together.

CULLUM: It’s ridiculous, depressing when we come across cases like this; that companies try and pass the buck and say, “Yes, we do provide some degree of cover, but it’s really up to the other people who provide cover to make the payout first”. Sadly, what we’re seeing is the failure of more airlines, more travel companies, more businesses in general, and that’s why it’s right to look hard at this to make sure that we don’t go through all the same problems again.

HOWARD: The Civil Aviation Authority, which runs the ATOL scheme, insists around 90% of claimants have now been paid. David Clover from the CAA says his organisation is liaising with the banks to try and ensure a similar situation doesn’t arise again.

CLOVER: It’s unfortunate. I mean this is a large failure and very complex. We are very keen to learn the lessons of XL, and one of the main lessons there is talking to the credit card companies, making sure their understanding of their obligations and our lines of communication are absolutely spot on in future.

LEWIS: And, Paul, quite a few of these disputes seem to be based around customers who pay only a deposit on their credit card and the rest by other means. It may be safer to pay the lot on a credit card, but make sure you pay it off before you’re charged interest.

CLOVER: And, Bob, there was a deadline for making new claims, which expired at midnight on Friday.

HOWARD: That’s right. However, ATOL told me claims submitted in the next few days will still be considered.

LEWIS: Thanks for that, Bob. And I’m in trouble because I didn’t tell you about our have your say on gold. You can go to our website, bbc.co.uk/moneybox, tell us about your experiences investing in gold, scrapping gold and all that. Hope you do.

Now this week, RBS NatWest, the high street bank mainly owned by us taxpayers, broke ranks with its competitors and said it would slash overdraft charges. From next month, customers will be charged just £5 when a cheque or payment is bounced, down from the current fee of £38. Other fees have been cut as well. The decision comes of course just weeks before the new Supreme Court rules on whether bank charges are governed by a law that says they have to be fair. The banks think they're not, but if the court decides they are, the banks would probably have to cut the charges anyway. David Black is a banking specialist at the research consultancy Defaqto. David Black, why has RBS cut its charges so much?

BLACK: The cynic in me would say they're positioning their offerings to the delight or the wants of the Office of Fair Trading and the various authorities.

LEWIS: So they think they're going to lose?

BLACK: I think they probably do, although they won't admit that. But in reality they're merely stepping into line with the vast majority of their competitors who have already offered such deals.

LEWIS: Yes, they've all cut them a bit, haven't they? But the fiver they're now charging for bouncing a payment, I mean that's one of the lowest. And that's about what we all though it cost anyway, not 38 quid as they used to charge.

BLACK: That's probably much more in line with what the OFT think they ought to charge for that.

LEWIS: Right, so you say they're positioning it. I mean do you think this is an acceptance then that the banks will lose the case? Do you think deep down they all think we've probably lost?

BLACK: Well clearly they hope they won't, and I also suspect they hope it's going to take rather a long time before there is an eventual decision.

LEWIS: Because of course even if the Supreme Court makes this decision that the OFT can judge them for fairness, then the OFT has to make that judgement and then that could be appealed, presumably?

BLACK: Well, firstly, they could appeal to the European Court if they don't like what the Supreme Court says.

LEWIS: Oh right. So it's not that supreme then? *(laughs)*

BLACK: Well there's always the next level. It's possible there could be an out of court agreement with the OFT. Or if there isn't one of those, there'll be more substantive court cases to decide what level of charges are actually fair because so far all they've asked is are they assessable for fairness.

LEWIS: Are they governed by the fairness rules, yes. Now let me raise a point that many Money Box listeners raise with us whenever we do overdraft charges. They say, "I never go overdrawn. If I now have to pay a fee for my banking, I'm just subsidising the people who are careless enough or feckless enough to go overdrawn". Are we going to have to all pay more for banking if these charges come down either voluntarily or through the courts?

BLACK: As always, if the banks lose income in one area, they're going to look to regain it in another. And turning that question on its head, you could argue that the people who get overdrawn are currently the ones that are subsidising everyone else's current account. And if you look at all the overseas ways of current account banking, everyone has a charge over there as well. But, sadly, I think your readers, your listeners rather, are probably correct in their assertion.

LEWIS: So you think there will be charges? Because I mean you can pay for a bank account now, can't you, a current account - but you get insurance and other odds and ends, it can be quite expensive? Do you think we'll all be paying a monthly fee just to let the bank look after our money?

BLACK: Yes, but with variations. There might be discounts if you have other products, for example, from a bank. And I also think … Tesco have said that they're going to enter the current account market and I would see them as being a big, big threat to the established banks simply on the basis that they can effectively cross-subsidise their operations in the way that they do with 2p off a litre of petrol.

LEWIS: David Black from Defaqto, thanks. And I should point an email has come in saying this doesn't apply to business customers, only personal customer. But that is it for today. That's all we've got time for. Find out more from the BBC Action Line - 0800 044 044. Our website, bbc.co.uk/moneybox, where you can do all sorts of exciting things: sign up for my weekly newsletter - it's almost a blog; download the podcast; listen again; look at our gold picture gallery; and of course have your say on scrap gold and investing in gold. Please do or I'll be in big trouble for not mentioning it earlier. Vincent Duggleby's here on Wednesday afternoon with Money Box Live - this week taking your questions on student finance. I'm back with Money Box next weekend. Today reporters Bob Howard, Ruth Alexander; producer Karen Kiernan. I'm Paul Lewis.