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MONEY BOX

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LEWIS: Hello. In today's programme, it's spring outside and there are green shoots in the housing market, but will they survive the frost of the recession? Advisers say Barclays has sold the wrong investment to people approaching retirement. Some have lost half their money. Our pensions debate ends this week with this tough warning.

RALFE: We've got to spend less and save more, and we've got to work longer. And the trouble is those are pretty unpalatable.

LEWIS: Why won't the Government stop a bank it largely owns from issuing products it wants to ban? And ten building societies are downgraded by a credit agency, but just who should be worried?

But, first, the trees are in blossom and all over Britain optimists are on the lookout for green shoots, the first signs that the recession might be less bad than we feared. Figures out this week have given these green shoots-watchers new hope - at least as far as the housing market is concerned. For the fifth month in a row, new enquiries from homebuyers have increased; and the number of mortgages offered by the banks has grown again, though still well down on what it was a year ago. And when Money Box rang round estate agents, we did find some signs of spring.

KENT: Well I'm Trevor Kent and I've been an estate agent in South Bucks for nigh on 35 years. About a fortnight before Easter things began to buzz a little and, surprisingly enough, it really was quite good. We had about ten viewings in all. We had two or three people showing interest, and we ended up at £10,000 over the asking price. I'm not suggesting that this is much more than a tiny green shoot, but nevertheless it's a bit of a shoot. But of course what has happened is that prices have come down to such an extent for those that are keen to sell that the chances of two people thinking this is a bargain is now beginning to happen.

PINKERTON: My name's Victoria Pinkerton. I'm Director of an estate agent's that covers Bangor, Ards and the Belfast area called Pinkerton Murray. I think the property market since the turn of the New Year really has picked up. In general, a lot of sellers have listened to ourselves and other estate agents and have dropped their prices accordingly. Nobody wants to lose money, but essentially you can't sell anything if it's not worth what you think it's worth. Some sellers are still reluctant to drop their prices and haven't, and with the best will in the world they are probably going to be sitting on the market this time 2 years.

ROOK: I'm Clive Rook, Managing Director of Rook Matthew Sayer, an estate agent's based in the North East of England. The year has started very brightly, much better than last year - clear evidence that buyers are sensing the bottom of the market, sellers being more realistic, and there is clear evidence that affordability is better. Apparently it's better since any time since 2003 - affordability being a mixture of reduced prices and reduced mortgage costs. So affordability and confidence are bringing people back into the market.

LEWIS: Well upbeat messages from some estate agents around the UK there. Live now to talk to Simon Rubinsohn, Chief Economist at the Royal Institution of Chartered Surveyors. Simon, is the market really turning for the better?

RUBINSOHN: Well certainly there has been an increase in buyer interest and that is being reflected in transaction levels. If you look at, for example, the Bank of England figures on mortgage approvals, they spiked up quite sharply in February. But I suppose one's got to look at the context of where we've come from. Activity was abysmally low. It was worse than it has been in previous recessions, so we were coming off a very low base. So there is an increase in interest. It is being translated into activity, but we're certainly not in what might be described an orderly market at the moment. We know that first-time buyers, for example, are still having great problems finding mortgages. Access to the market is still very restricted.

LEWIS: Yes, because although prices have fallen considerably - 30% or so, more in some places - they're not really affordable yet, are they, for first-time buyers, not least because they're still being asked for very big deposits?

RUBINSOHN: Well I think that's the key point here. You know only a year and a half, 2 years ago, a loan to value ratio of 95% for a first time buyer was pretty standard. Now we're talking about 70, 75% and that clearly has a big impact on accessibility to the market.

LEWIS: Well yes. I mean even with today's prices, finding 20 or 30% of the price of a home is a lot of money, isn't it?

RUBINSOHN: Certainly. We asked the question of our members I think it was a month or two back about where the level of interest was coming from when people were still sceptical about whether this interest was actually genuine or whether it was just window shopping. We found that owner occupiers, existing owner occupiers were driving interest as well as investors from other countries. I think you know first-time buyers seem to be very much on the margins and I think that's still the case today even though we know that that sort of level of interest is translating into actual activity.

LEWIS: Though in the last housing collapse, prices fell for what - 6 or 7 years - and took about 10 years before they came back to where they were. This is rather too soon to be saying ours is bottoming out, isn't it?

RUBINSOHN: Well prices I suspect will fall a little further, and indeed our own survey suggests that price expectations are still fairly negative. But I'm not sure that prices will fall quite as far as some of the more gloomy commentators are suggesting, and one of the key reasons for that is the lack of supply on the market. We're finding consistently all our members or virtually all our members are saying that there's very few new instructions coming on. Now one of the big risks that some people identify is the rise in unemployment - and that will lead to more distressed sales - but the Government is putting an awful lot of pressure on lenders not to repossess properties and lenders are doing everything in their power really to avoid going down that route. So I think we're going to probably find that there's a shortage of supply continuing through the course of this year even if unemployment picks up. So that doesn't mean that prices won't fall further, but I think they're you know not going to fall quite as far as some suggest.

LEWIS: And of course we need the banks to come and lend before they'll start rising because without that availability of money people are not going to buy, are they?

RUBINSOHN: Well absolutely. But we also know that a number of the big lenders, particularly those that the Government has some sort of leverage over, have already committed themselves to increasing the amount of finance that's available for mortgages. And, perhaps more interestingly, HSBC only a week ago announced a one billion package for first-time buyers. Now one billion is actually quite small beer, but it's a start.

LEWIS: It's a start.

RUBINSOHN: We're getting more money available. I think that's a step in the right direction.

LEWIS: A step in the right direction. Simon Rubinsohn of Chartered Surveyors, thanks very much.

Now Barclays Bank is being accused this week of mis-selling risky investments to people who are approaching pension age. The bank denies strongly doing anything wrong. The people involved had been advised to move their investments into one unit trust: the Aviva Global Balanced Income Fund. It charges 4.5% upfront and then a total of 1.69% a year off the investment after that, charges which may have contributed to the losses investors have suffered. John Bailey from Cambridgeshire has lost almost half the money he had saved for his retirement.

BAILEY: I've lost sort of 45, 46 grand. Obviously I'm not a rich chappie and you know that's most of my pension money gone down the drain. Obviously I'm bloody annoyed about it, but at the end of the day there's not a lot you can do. This is why I feel that Barclays should really reimburse me because I was given the wrong information.

LEWIS: Richard Davis, a senior partner with independent financial advisers Park House, has seen several similar cases.

DAVIS: Well we're finding more and more every day. I mean I've met personally three clients who've had exactly the same experience with Barclays. We think that there may be many hundreds because this seems to be something of an epidemic. One of the first principles of investment is to diversify and to spread your risk. You do not invest your entire life savings in a single unit trust.

LEWIS: So people who had several products and were then told to put them into one product, that is essentially bad advice whatever that product might be?

DAVIS: To commit your entire life savings to one unit trust is crazy.

LEWIS: Well with me in the studio is Paul Cooper, senior partner of loanprotectionclaims.com. Paul, what did Barclays do wrong in your view in these cases?

COOPER: Well, as Richard said, they plumped everyone's … all of an investor's money into a single fund. The fund itself was mis-classified. It was described as 'balanced' - that's a moderately safe fund - but about a year later, I think some time like July 2007, Barclays classified it as 'adventurous'. But they didn't write to tell everyone look you're in a much more dodgy fund than we told you, and that's pretty naughty.

LEWIS: Yes, perhaps dodgy's not the right word. You mean risky fund?

COOPER: Risky, yes - *very* risky. And these were people, Paul, who were mostly either retired or approaching retirement. When somebody's about to retire, they can't afford to gamble with their money in the same way as somebody who's working and can make up any losses.

LEWIS: Barclays of course have said to us that they assess everyone's what they call "attitude towards risk" and they gave them the appropriate product.

COOPER: Well they would do, wouldn't they? From what I've seen of all the statements and all of the fact finds, they're very routine jobs; and you can't say somebody who's got no investment experience at all, who's just retiring, is a balanced investor because they don't know what they're doing. That man, John Bailey, who I'm helping and who's in fact the Secretary of the Barclays Investment Victims Club … I'd like all listeners to know that a Barclays Investors Victims Club has been set up - they can get the details off the programme - and this is trying to help all the people who've gone into these funds because there are hundreds of them.

LEWIS: Do you think though that this balanced income fund was suitable at all for people in retirement? There must have been some people who said okay, I want a bit of income but I'd prepared to take a bit of risk.

COOPER: I don't think they knew what the risks were. It's a very unusual fund. It has an astonishing volatility rate of 28%, which is more than Aviva's own 100% equities fund. It's very risky.

LEWIS: But I'm sure there are people listening who've got pretty standard, routine personal pensions. They've seen those collapse by 30 or 40% in value in the last year. Why is this different from those?

COOPER: I agree with you that everyone has lost money. The question is how were these people approached. What normally happens with the banks and the building societies is when a big chunk of money comes in, the banks pounce. Somebody sells their business before retirement. They've never had any investments, or if they have they're told "get out of those and into these" and they lose 6% in the process. Now you can't justify taking someone out of a Prudential bond, which I think John Bailey was in, and throwing all the money in something else and taking 6% down the road.

LEWIS: Yes, I mean that is called churning and it is forbidden by the Financial Services Authority. But if somebody has an investment, it's perfectly reasonable for an adviser to say, "I think you should be in something else". That's not necessarily churning, is it?

COOPER: No, not necessarily.

LEWIS: And do you think that there is a case for compensation in many of these cases?

COOPER: Of the ones I've looked at, all of them, there's churning in 50% of the cases; there are people with no investment experience. And talking to them on the phone, I can discover they don't understand what investments are.

LEWIS: Paul Cooper, thanks very much. And I should say Barclays, who couldn't put anyone up for interview, have said they don't believe that they have mis-sold or sold inappropriately investments to people. Paul Cooper, thanks very much.

European taxpayers will have to find more than £100 million to cover the extra cost of the pensions paid to members of the European Parliament. That news this week raises again the question of good pensions paid to public sector workers while private companies, as we heard in our pensions debate last week, are busy cutting back on the pensions for *their* workers. Independent pensions consultant John Ralfe kicked off week two of our pensions debate by contrasting public with private.

RALFE: Well final salary pensions are extremely expensive. The private sector has by and large realised that and has taken certain measures that are closed to new members, they've increased member contributions. The private sector is getting out of the pensions business as quickly as possible. As far as the public sector is concerned, they're still in a sort of cloud cuckoo land which doesn't acknowledge that pensions are very expensive, and what that means is that the overall cost of providing pensions today is understated. And if you look at the typical you know relatively lowly paid worker in the public sector on say £25,000, just about the average salary, they’re probably getting a pension benefit worth about 20% more than their private sector counterpart on exactly the same salary.

LEWIS: Let me bring in Glynn Jenkins now from Unison. The point is often made, isn’t it, that people who are paying their taxes who may not have a pension are paying through those taxes for your members who do have a very good pension?

JENKINS: Well it may be a good pension in terms of the regulations and the rules of the scheme, but let’s actually perhaps get some realism from another direction into the debate and that is that the average pension actually in payment in the local government pension scheme as of today is about £4,000 a year, less than; and for women, the amount is under £2,000 a year.

LEWIS: But that’s because they’ve been badly paid …

JENKINS: Oh sure …

LEWIS: … for short periods of time.

JENKINS: … but I think there’s a very crucial point here and it’s this: that if you do close schemes like this, you’ll be throwing it all on the taxpayer.

LEWIS: So you’re saying that although the pensions your members get are related to their salary, they’re still not very much money and they are so low in many cases that they can claim means-tested benefits - so in fact it’s not much of a saving for taxpayers. Tom McPhail, you’re Head of Pensions Research at the independent financial advisers Hargreaves Lansdown. Are public sector pensions affordable?

McPHAIL: There are some serious problems there and I think the gap between the private sector pension provision and public sector pensions is growing so wide that action needs to be taken to address this.

LEWIS: But that's not the public sector peoples' fault, is it?

McPHAIL: No, no.

LEWIS: That's because private sector companies are getting out of this kind of pension.

McPHAIL: Well absolutely, Paul. But you've got this socially divisive question of fairness that if you've got 5 million odd people working in the public sector enjoying very good pensions that are paid for by around 25 million people working in the private sector who themselves cannot afford to build up adequate pensions for themselves, you're going to upset people.

LEWIS: And Joanne Segars is also with us. She's Chief Executive of the National Association of Pension Funds - pension funds mainly in the private sector, not entirely Joanne. Do you think that this gap that's been mentioned between public and private sector is sustainable in the long-term?

SEGARS: Well I think we have seen a growing gap between public and private sector, but for me the way in which we tackle that isn't to sort of dumb down pensions in the public sector; it's to raise up pensions in the private sector.

LEWIS: But your members are doing exactly the opposite.

SEGARS: Well but that's why we need real discussion and debate about how we tackle pension provision in the UK. We've sort of started that discussion, but we need to continue that discussion and we need to look at how pensions are provided in the private sector so that we can help and encourage employers and employees to save more. The issue we have in this country is that people are saving too little, so you know let's not sort of take away from those people who *are* saving.

LEWIS: And Glynn Jenkins from Unison, the Government is introducing a scheme that will cover the 13 or so million people who don't pay into any pension at all - the so-called personal accounts in 2012. Is that going to solve this problem by giving at least everyone at least some sort of pension?

JENKINS: Well it's a great step in the right direction. By itself, I don't think it'll solve the problem because the contributions are too low.

LEWIS: Yes, they're 8% of the value of salary. It's about 6% for most people.

JENKINS: I mean this is the essential point. This is the discussion we should be having.

LEWIS: But the problem, Tom McPhail, is that we're all living longer. Perhaps we actually can't afford the pensions we hope at all unless we work till we're 70 or 75.

McPHAIL: Oh I think a lot of people are going to have some pretty tough choices to make over the next 20 years or so where they're going to find themselves getting to retirement age with inadequate pensions, with inadequate savings accumulated. They're going to either have to carry on working or they're going to have to accept a pretty substantial drop in their standard of living. Now I'm very keen to avoid that happening. I'm very keen to encourage people to put more money aside now to try and minimalise the impact of that drop off.

LEWIS: John Ralfe, you're an independent pensions consultant. You talk to people about the whole range of pensions. You're very critical of what we've got. What would you like to see for the future?

RALFE: I think we've all got to acknowledge two pretty straightforward things: we've got to spend less and save more, and we've got to work longer. And the trouble is those are pretty unpalatable. You know they're not great vote-winners.

LEWIS: Joanne Segars, what age do you think we're all going to have to work for to make the pension system we have affordable?

SEGARS: I think it's quite difficult to give a single age, but I think we will see retirement ages drift up, partly as state pension ages drift up to 67 and 68, and I suspect over the next decade or so that will become much more normal.

LEWIS: Something to look forward to from Joanne Segars. My thanks also to Glynn Jenkins, Tom McPhail and John Ralfe.

The Government announced last month that it would ban credit card companies from sending customers blank cheques drawn on their credit card unless they asked for them. Nearly 3 million were issued last year and banks owned largely by the Government are still sending them out even though the cheques give customers fewer rights and normally cost more. Samantha Washington reports.

WASHINGTON: All of us get post we haven't asked for, but unsolicited credit card cheques have got people particularly hot under the collar. One of those people is listener John from Harlow. He was surprised when he opened an envelope that came through his front door from his credit card company Halifax.

JOHN: Totally unsolicited, I received four blank cheques. Against each cheque there was a little notation saying what you can spend the things on - gifts or treats, holidays, any way I saw fit. As we own the Halifax, I think it is grossly irresponsible for that company to start sending blank cheques to people with a reasonable chance that they're going to put themselves further into debt.

WASHINGTON: Well John received those cheques he didn't want after the Government announced it would bring in a law at the earliest opportunity to stop it happening. Consumer organisations have long campaigned to do away with credit card cheques altogether. Martin Saville from Which? says Halifax should be taken to task.

SAVILLE: I've got a set of recent credit card cheques in front of me from Halifax and to be honest I'm shocked by them. For a start, they're in the format of a chequebook, so it looks like it could just be a normal chequebook you'd use with your current account, and a lot of people won't realise quite the extra costs that come with credit card cheques. The APR on these cheques is 23.95%. Also you lose consumer protection, so Section 75 doesn't apply to cheques where it does apply to credit card purchases. And also you don't get an interest free period: with credit card cheques, you usually pay from the day it hits your account. They shouldn't be sending them out. The Government's made the announcement they're banning unsolicited cheques. The banks should act on that immediately, not wait for legislation.

WASHINGTON: Halifax told us that the vast majority of cheques it sends out are at the same or better rates as the card itself. It adds that customers are given many chances to opt out of receiving them but, it says, it has no plans to stop sending out the cheques until the law is passed. But hang on, the Government *owns* Halifax, so why is it doing the very thing the Government wants to ban? I put the question to Consumer Affairs Minister Gareth Thomas when I met him on his roving surgery on the streets of Harrow.

THOMAS: Even though the Government has effectively taken a share in banks to keep them sustainable, those banks are still going to be run as commercial banks. We want the managers to make commercial decisions, we want them to operate as though they're operating in the private sector, but we do think they should operate to the highest possible standards and I hope that they will recognise that we have made a clear decision to legislate and as soon as possible stop the practice.

WASHINGTON: The minister wouldn't say when that law would come in, but said it won't be announced in the Budget next week. It's not the first swipe at credit card cheques. The Office of Fair Trading took steps to clean up the way these were sent out in 2006. There was an initial fall in the number going out, but latest figures from the clearing society APACS show the number in circulation gradually rising again. And Halifax isn't the only one. RBS, NatWest, Lloyds, Barclaycard, MBNA and Capital One also issue unsolicited credit card cheques. These companies point out that they are largely or exclusively sent to offer the customer a promotional rate or a cheap balance transfer. The industry as a whole denies that it's being irresponsible. Paul Rodford is spokesperson for the UK Cards Association.

RODFORD: When cheques are sent out to people, the issuer will run credit checks to ensure that card holder is not running themselves into trouble. But what credit card cheques *don't* do is they don't actually grant somebody any extra credit. They simply allow them the option to use the credit line that they've already been granted in a different way.

LEWIS: And Paul Rodford says the unsolicited credit card cheque still has an important role to play for consumers.

RODFORD: Now if your plumber comes around and mends your system and leaves you with a large bill, if you've then got to go and request a credit card cheque in order to make that payment because that was the best way for you to be able to make it, well it's not going to happen because you know the plumber will be looking for his payment sooner, earlier in a different way.

LEWIS: But Martin Saville from Which? says consumers should *never* use a credit card cheque.

SAVILLE: Credit card cheques should be an absolute last port of call and we'd say don't use them. Shred them as soon as they arrive. Ring your credit company; tell them not so end you any more. It's simple advice: don't use them.

LEWIS: Martin Saville of Which? ending that report by Samantha Washington. And you can have your say on credit card cheques on our website, bbc.co.uk/moneybox.

Ten large building societies have had their credit rating downgraded this week by Moody's, an agency which assesses the creditworthiness of businesses. Two societies - Chelsea and West Bromwich - are now in the E band, just one point above the bottom. I asked International Banking Strategist, Dr Catherine Smith, what effect the changes would have on the ability of building societies to attract funds.

SMITH: What these will discourage is the creation of more credit derivatives, and those credit derivatives have been one of the big factors in causing the present problem. What it *won't* discourage is the ability of savers to put money into these organisations provided the interest rate that savers are given does not go down to zero.

LEWIS: So people can still put money into a building society as savings with complete confidence that it will be safe?

SMITH: Obviously the news will cause them to be a bit concerned. That is completely unreasonable because the Government have already said that savers in Britain are not going to suffer from this. Mortgage borrowers don't need to worry because this does not affect the fact that they've already got their loan and are paying it back, so there is no cause for the ordinary customer to be concerned about this. I would say it more undermines Moody's ability to assess financial institutions.

LEWIS: Dr Catherine Smith.

Well that's it for today. You can find out more from the BBC Action Line - 0800 044 044 - and our website, bbc.co.uk/moneybox. Watch videos, sign up to the weekly newsletter, download a podcast and have your say on credit card cheques. Back on Wednesday with Money Box Live, this week taking your questions on mortgages. Vincent Duggleby's with me on Thursday to host Budget Call at mid-day because of course Wednesday is Budget Day. I'm back with Money Box next weekend. Today the reporter was Samantha Washington, the producer Richard Vadon, and I'm Paul Lewis.