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**MONEY BOX**

**Presenter: PAUL LEWIS**

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**LEWIS:** Hello in today's programme what are your rights if your insurer says on the phone your claim is covered, but then refuses to pay up? The BBC discovers that Trading Standards offices are taking money from firms they may have to investigate. If your child or grandchild is too young or too old for a Child Trust Fund, Junior ISAs will fill the gap a month from today. And new rules to stop insurers encouraging customers to make a big mistake when they buy their pension for life.

But first, what can you do if your insurance company accepts a claim on the phone but then refuses to pay out later? That's exactly what happened to one Money Box listener who had to cancel his family holiday. Bob Howard reports.

**HOWARD:** Paul, Ian from Berkshire was looking forward to going on a 2 week holiday with his family to the Dominican Republic at the beginning of August. Then he got some terrible news.

**IAN:** On 3rd August, so this is five days before we were due to travel, I got a call from my brother-in-law to say that my nephew had died. He collapsed in his local gym and couldn't be revived. Obviously we were devastated and the funeral had been arranged for 12th August. We have an annual multi-trip family policy with Insure And Go, so I immediately called. I thought the best thing to do was to check with them directly whether the death of a nephew was covered under the policy.

**HOWARD:** We've got the recording of Ian's conversation with Insure And Go's claims department. Ian asks if he's covered. The answer seems clear.

**INSURE AND GO EMPLOYEE:** Hello.

**IAN:** I've just discovered today that my nephew's just died suddenly. The funeral's going to be taking place on 12th August, which is going to be slap bang in the middle of our holiday …

**INSURE AND GO EMPLOYEE:** Right, okay.

**IAN:** … so we feel that it's probably best if we do cancel, so we can attend the funeral. The reason for calling was first of all to find out how we do that. I assume that that's covered under the insurance?

**INSURE AND GO EMPLOYEE:** Yes it would be, yeah.

**IAN:** Okay.

**INSURE AND GO EMPLOYEE:** What's the last seven digits of your policy number and I can set the claim up for you?

**HOWARD:** So for Ian, it seemed straightforward: fill in the forms, provide the relevant documents and he'd get a refund. But when he phoned up a couple of days later, he got a shock.

**IAN:** When I then repeated back to them the nature of the claim and so on, the lady at the other end said that nephew was not covered under the policy, which came as a great surprise and shock to me given what we'd been told in the first conversation. So at that point, I then asked for a transcript and recording of the call, so that I could see exactly what was said.

**HOWARD:** Using the Data Protection Act, Ian obtained the recording of the conversation from Insure And Go, which you've just heard. When you listen back, he thought it was absolutely clear that the claims staff had said he was covered. When he raised this with the insurer, it pointed out a statement (the verbal equivalent of small print) which was read by the agent right at the end of their conversation. You'll have to listen carefully to understand its significance.

**INSURE AND GO EMPLOYEE:** No claims are guaranteed over the phone, but once received your claim will be reviewed in accordance with the terms and conditions of your policy. Okay?

**IAN:** Yeah.

**HOWARD:** But Ian wonders wonder what Insure And Go expected him to do given the advice he was clearly given at the start of the conversation.

**IAN:** This is the claims department number that we called, so we expected to speak to someone at the other end who could speak with some authority as to how a legitimate a claim would be. So when I got a straightforward yes answer to that question, we took that on face value and acted accordingly.

**HOWARD:** Ian says if he'd realised he wasn't covered, he would have pressed the travel agent to simply change the dates of the holiday. In the end Insure And Go refused to pay out anything and said if Ian wasn't happy, he could contact the Financial Ombudsman Service. At  this point, he contacted Money Box. So I spoke to Espe Fuentes, a solicitor at Which? Legal Service. She told me Ian could contest the decision on several grounds: firstly that what the call centre staff had told him may have varied the original terms of the written contract; secondly, the insurer has a responsibility to be fair and reasonable in its dealings with customers and a duty of care in what it tells them; and she said the insurer could not totally protect itself simply by offering that disclaimer at the end of each call that no clams are guaranteed.

**FUENTES:** It offers the insurance company some protection, but it doesn't mean that the consumer can not raise any points at all. And I think that the fair and reasonable point is a very strong point. What would be the point of phoning people up to ask a question and everything that I say to you, you must take with a pinch of salt?

**HOWARD:** Insure And Go would not be interviewed, but after Money Box made contact, it said it was willing to offer Ian £3,000 towards the cost of his cancelled holiday, leaving him about £600 short. He's still considering whether to accept. If he doesn't, it's the role of the Financial Ombudsman Service to decide who is in the right. David Cresswell from that organisation says a key point will be whether an insurer is giving clear advice.

**CRESSWELL:** Insurance companies have a responsibility to make sure that any advice or information they give is clear, and that absolutely includes making clear the status of any information they give over the phone. So what I mean by that is the insurer has to make clear the difference for example between a formal definitive decision and just a tentative view.

**LEWIS:** That was David Cresswell from the Financial Ombudsman Service ending Bob Howard's report. You can let us know your experiences of claims being turned down, or of course being accepted, on our website: bbc.co.uk/moneybox. Some of you already are.

The BBC has discovered that Trading Standards is receiving payments from a business accused of taking money from people's accounts without their consent, and that Trading Standards is aware of these complaints. Money Box's Ben Carter, now with Five Live Investigates, has been looking at this story. Ben?

**CARTER:** Paul, we've received complaints from people who approached a company called SGE Loans Limited for a payday loan, typically a short-term loan offered at a high rate of interest. At the start of the phone conversation, customers are asked to provide their card details for ID verification purposes. Later on they're told there's a charge for the company's services because SGE Loans is in fact a broker, and it's at this point that some people then have problems. This is what happened to Leanne from Stevenage.

**LEANNE:** As it got towards the end of the application, they told me about their £79.99 charge, which obviously I couldn't afford, so I told them I no longer wanted to go ahead with the application, which they said was fine. And then two days later I discovered that they had still taken the £79.99 out of my account. Obviously I couldn't afford to lose this money as I'm on benefits.

**CARTER:** Leanne spent weeks trying to get her money back. We know of other similar cases and we found that when the BBC gets involved refund cheques arrive in the post soon enough, as Leanne's did this week. SGE Loans denies that it has debited money from customers' accounts without authorisation and insists that all complaints are resolved within 28 days.

**LEWIS:** And, Ben, what's this company's connection with Trading Standards?

**CARTER:** Well it was when I was looking into these complaints that I noticed the West Yorkshire Trading Standards logo on the SGE Loans website. It turns out that SGE Loans, which is based in Leeds, pays the local Trading Standards for consultancy advice about compliance and regulation.

**LEWIS:** But presumably Trading Standards must also be looking into any complaints about this business, so it's taking the cash and the complaints?

**CARTER:** Well yes, it has told us that it has investigated (in its words) "numerous complaints" about SGE Loans, similar to the complaints we've heard. It said in some instances it had found SGE Loans' employees had gone off script, but it said that the company had taken action about that.

**LEWIS:** And how much money does it take from SGE Loans for this advice?

**CARTER:** Well it wouldn't say, citing "commercial confidentiality", but it says that it has received over £88,000 since April this year from a total of 47 companies with which it has similar partnerships. Now we've heard from consumer groups who say this leaves West Yorkshire Trading Standards open to conflicts of interest charges, but the service says its integrity and impartiality remains unaffected and it says that its relationship with SGE Loans and other businesses helps them to understand the legal framework within which they operate and get it right, thus saving taxpayers money in the long-run.

**LEWIS:** Now this is West Yorkshire Trading Standards. Is it happening up and down the country?

**CARTER:** West Yorkshire told us this sort of detailed work used to be given for free, but since its budget has been reduced by 22% because of local government spending cutbacks, it's had to take the decision to charge. Now Trading Standard offices around the UK are all under financial pressures, so we thought we'd ask them all whether they take money from companies. And 443 out of 538 Trading Standards departments responded to our questions. Eighteen said they received income from private companies in exchange for regulation and compliance advice.

**LEWIS:** And, Ben, looking at the documents you've got on SGE Loans, I see the Chief Executive, Sally Hill. Now her name rings a bell.

**HILL:** Well she's a former Director of Yes Loans, a business which was investigated by both the OFT and Money Box after customer complaints.

**LEWIS:** And Yes Loans is in the same line of business as SGE, isn't it? It's a loan broker and charges an upfront fee.

**HILL:** That's right. Miss Hill was keen to stress that she left Yes Loans in 2008 before the OFT imposed requirements on the company in July 2009 following an investigation. Indeed she says much of her work there was to improve compliance.

**LEWIS:** Thanks very much, Ben. And you can hear the full story on Five Live Investigates on BBC Radio Five Live at 9 p.m. tomorrow night.

A month from today a new savings plan for children begins. Junior ISAs are for all those children too young or too old to qualify for the Child Trust Fund. There'll be no government contribution to each child's savings pot, but the limits will be higher than the Child Trust Fund was: up to £3,600 a year can be put into the tax free Junior ISA. The money will have to stay there until the child turns 18. Fiona Woods is here. She's been looking into how they'll work. Fiona, just clarify who's eligible for the Junior ISA?

**WOODS:** Well all children who are under the age of 18 and do not have a Child Trust Fund will be able to have a Junior ISA. That means all children born before 1st September 2002 or after 2nd January this year.

**LEWIS:** And can a Junior ISA be in cash or in shares like a Child Trust Fund can?

**WOODS:** Yeah, there are two types: the cash ISA and the stocks and shares ISA. You can have one of each, but the total amount you invest can't exceed £3,600 a year. Now at the moment it's not clear which providers will be offering the cash ISAs, though we do know Nationwide is aiming to launch theirs on 1st November. We've managed to find out more about the stocks and shares version. Friendly societies, including Family Investments and Sheffield Mutual have confirmed that they will be offering these to customers from November, as will firms like Fidelity and Hargreaves Lansdown.

**LEWIS:** And what kind of deals are they offering?

**WOODS:** Well this is the important point. Total charges can vary a lot, anywhere from around a quarter of a per cent to 1.5% with some of the mutuals.

**LEWIS:** Yes and one of those mutuals that charges 1.5% but 2.5 in the first year is

Sheffield Mutual. Tony Burdin is the Chief Executive. I asked him how he can justify those high rates.

**BURDIN:** We think that charge is fair and reasonable. The charges have to pay for the acquisition costs in year one and the set-up costs, and when you look at many unit trusts that typically charge an initial charge of 5%, the charge is reasonable. The other thing I'd like to add …

**LEWIS:** *(over)* But that's not true, is it, of ISA investments? And the Junior ISAs that I've seen, some are actually charging 0.25%.

**BURDIN:** Well I think you've got to look at the whole thing and not just the charges. You've got to look at how that charge is applied and whether it's applied to the capital. We, as I say, apply it to the bonus rate and look at the overall term provided.

**LEWIS:** I understand that, but I'm sure that with a charge that's ten times as high, the fact you apply it to the income rather than the capital is neither here nor there. I mean Fidelity is going to offer one at 0.1% annual management charge.

**BURDIN:** Well, as I say, we couldn't sustain a charge like that and it would be interesting to know how Fidelity are doing that. I mean we'd obviously have to speak to them. But if you look at for example we're offering our Junior ISA from £10 a month premium.

**LEWIS:** But if we look back at the start of ISAs in 1999, the stock market's now about 17% lower than it was then. It's not proved to be a good long-term investment even over the last 12 years.

**BURDIN:** It's volatile and that's why …

**LEWIS:** *(over)* Well it's not only volatile; it's down.

**BURDIN:** Well it's down and it's volatile, it's both, and that's why we believe that there's a place for a well run with-profits fund for the Junior ISA because the alternative that people have to with-profits is to go into a cash Junior ISA, which obviously is unlikely to deliver the best returns over the longer term. A with-profits Junior ISA will protect an investor's capital and will not be subject to the fluctuations that we've obviously seen.

**LEWIS:** So you're guaranteeing that whatever's been put into it will be paid out on maturity?

**BURDIN:** Yes that's right, yes.

**LEWIS:** Right, so the capital's protected as it would be with a cash ISA, so the gamble is that your investments will do better than the at the moment 2% or 3% you can get in cash, and of course that may go up?

**BURDIN:** Well we don't think it's a gamble because of the way we invest our funding returns we've delivered in recent times. If I can give you an example of our adult ISA over the last 5 years. We've delivered growth in that of 20.6% when someone investing in a unit trust would have actually lost just over 2%.

**LEWIS:** Tony Burdin, Chief Executive of Sheffield Mutual. And, Fiona, the guarantee that he mentioned - that you'll get at least your money back - must be a selling point, but is that better than paying some of the very low charges offered by some others?

**WOODS:** Well even though some of the fund management companies offer low rates, you have to make relatively big monthly contributions to qualify. So, for example, both Fidelity and Hargreaves Lansdown are offering Junior ISAs for as little as a quarter or a third of a per cent, but you'll probably need to save a minimum of £50 a month to qualify or put up a minimum lump sum of £500. The mutuals we've spoken to have higher charges, but they allow you to pay in as little £10 a month.

**LEWIS:** And what about those who have Child Trust Funds? Where do they stand now?

**WOODS:** If you have a Child Trust Fund, you can't have a Junior ISA. But at the end of July HMRC announced that the Child Trust Fund limit will be increased to bring it in line with the Junior ISA, so both will be allowed to save £3,600 a year tax free.

**LEWIS:** Thanks very much, Fiona.

Most people approaching retirement buy their annuity, the income for life that they'll try and live on, from the same firm they used to save the money up. And that is often a very big mistake, not least because you can't undo it. But insurance companies encourage their customers to make just that mistake by including an application form for their own annuity when they tell customers the value of their fund, but this week the insurance industry stepped in and decided to ban that practice. Maggie Craig is Director Life and Savings at the Association of British Insurers. She explained some other changes too.

**CRAIG:** The key here is that we're giving them more information to give them more confidence to shop around, so that they will have the sorts of information they need - you know should they be looking at an annuity with a widow's pension, should they be looking at an enhanced annuity, do they have a guaranteed annuity rate with their current provider? So it's all about providing information that's personal to them. And because they can't just fill in a form and send it back, they actually actively have to think about it and we're confident from the work that we've done that that actually will be a step forward.

**LEWIS:** But shouldn't they really say warning: if you buy an annuity from us and without taking a medical history, it will probably not be the best one?

**CRAIG:** That isn't always true for everybody, but we will be highlighting to people …

**LEWIS:** *(over)* But it is absolutely true for everybody. It probably won't be the best one.

**CRAIG:** Well what I know is that if you give people the right sort of information that's specific to them about medical history and about where they can go for an enhanced annuity, then you are helping them to shop around.

**LEWIS:** So you're going to specifically say in these documents (or your members are) get a medical history before you get an annuity quote?

**CRAIG:** Yes, the enhanced annuity point is one that we will be stressing.

**LEWIS:** The one exception to the probably rule if you like is if you have a guaranteed annuity rate. Surely that should be stressed: if they do have a guaranteed annuity rate that it may be the best option for them?

**CRAIG:** You're absolutely right, Paul, and it will be. The guaranteed annuity rate will be spelt out for people.

**LEWIS:** There is a working group, isn't there, that the government's set up looking at this …

**CRAIG:** Yuh, yes.

**LEWIS:** … and they're reporting in April. When are you bringing this change in?

**CRAIG:** We've done a lot of work with that working group. Our plan is to bring that in in quarter one, in 2012, so that we can get up and running with this now.

**LEWIS:** So this has been recommended by that group?

**CRAIG:** There are a number of people on the group who've already said that they're very happy with it actually.

**LEWIS:** Why wouldn't it be better to wait till the group makes its recommendations?

**CRAIG:** Because we want to get this ball rolling now.

**LEWIS:** I mean it could be seen, couldn't it, as an attempt to forestall any real change? I mean real change would ban the insurance company you've saved up your pension with from also providing the annuity unless it could demonstrate it was the best. That would be the single thing that would solve this problem at a stroke.

**CRAIG:** This is not about us trying to ban anything happening in the future. This is a step forward that we see as part of a bigger package; that we will continue to work with that group and with others to develop the rest of the package. This is not about forestalling anything.

**LEWIS:** Slightly more than half the people don't go to another insurer for their pension. What will you count as a success?

**CRAIG:** I'm hoping that we could get it up to maybe two thirds. I don't know. I don't know exactly how we're going to quantify it.

**LEWIS:** But why not 95%? Because that's how we shouldn't do it, isn't it?

**CRAIG:** If we get up to 95%, I'll be absolutely delighted.

**LEWIS:** Maggie Craig of the ABI. Well live now to Bristol to talk to Tom McPhail from Hargreaves Lansdown. He sits on that working group I mentioned to Maggie Craig. Tom McPhail, Maggie said this change had the support of the working group, Did it come from the group?

**McPHAIL:** No, absolutely not, and it came as a complete surprise. It's not something that's been discussed within the working group, and certainly I was only aware of their announcement about ten minutes before it was made and I think that's the case for everybody else in the working group. So I think the point you made earlier that they're tending to forestall any more fundamental changes is absolutely right. The government said they'll legislate if we don't fix this problem. I think the ABI is attempting to avoid that happening.

**LEWIS:** So I gather from that comment you made that you think this isn't enough to solve the problem that you've been looking hard at for some time now?

**McPHAIL:** No it's nowhere near enough and I think that if this is all we did, then the government will have to legislate to fix the problem. And I do think the ABI has done this now specifically to try and avoid more and more fundamental reform that would be good for consumers.

**LEWIS:** Well listening to that is Billy Burrows, an annuity specialist, Director at the Better Retirement Group. Billy Burrows, in your view, dealing with people all the time looking for a annuities, do you think they go far enough, these changes?

**BURROWS:** Well obviously anything that helps people shop around is better, but customers expect more than this. When they go shopping most supermarkets now will price match or never knowingly undersold. Why can't insurance companies do this?

**LEWIS:** Yes it's the retail market that doesn't really do that ever, is it? Do you think insurers should though be actually banned from offering their own annuity unless they can show it was the best, which I suggested to Maggie Craig might be an answer?

**BURROWS:** Well I think that's the way forward and there are a number of ways in which companies can do this. For example, some insurance companies that offer poor rates use annuity rates from companies like L&G who are very competitive.

**LEWIS:** And Tom McPhail, one of the problems with this whole business is that, unlike most other financial decisions, you can't undo it, can you? Once you've done it, you're stuck with it for life.

**McPHAIL:** No, that's absolutely right. People are dealing with an unfamiliar transaction that they're only going to make once in their lives, so we absolutely have to do everything we can to make it simple, to help them get it right. And what the ABI has proposed is akin to someone going into a restaurant for the first time and the first thing the waiter says to him is, "How would you like your steak cooked, sir?" and they're not showing people the menu, they're not encouraging them to think about. We don't get to find out about their nut allergy. And that sort of thing is really important, so we have to have this discussion with the customer first to identify what kind of income they need in retirement and then we'll shop around for the rate, then we'll get a good outcome. And the ABI's proposals won't achieve this.

**LEWIS:** And Billy Burrows, Tom mentioned nut allergies and restaurants there. And of course one of the problems faced with making a choice without talking to someone is you might have a health problem and that could boost your income, couldn't it?

**BURROWS:** Well I mean that's absolutely right. And even customers who have policies with insurance companies that offer good rates need to get expert advice because the impaired life annuity can add another 10%, 20% to their income.

**LEWIS:** Impaired life, you mean if they've got a health problem that might cut down on their life expectancy?

**BURROWS:** That's correct, if people smoke or have an illness that might reduce their life expectancy.

**LEWIS:** And leaving aside health, what about just searching the whole market? I mean if I get this letter from the insurer and I go with my own insurer, what difference might it make to me if I then say no thanks, I'm going to look at the whole market and use a firm (you know like yours, and there are others) and find the best choice?

**BURROWS:** Well it can make a lot of difference. Depending on the insurance company you're with, it could be 10, 20, 30, even 40%. And of course with medical enhancement could be as much as 50.

**LEWIS:** And Tom McPhail, as I said you sit on this group and there have been claims that it's been a bit dilatory this week. Various people are saying that pressure's being put on it to come to a conclusion a bit sooner than next April. When do you think it will make its recommendations and how soon before something is actually done?

**McPHAIL:** Well Mark Hoban commented on the ABI's announcement …

**LEWIS:** *(over)* He's the Treasury Minister?

**McPHAIL:** Yeah. So the report will go back to him. And very rightly he's welcomed the ABI's announcement because you know it's better than nothing, but we have to really sort of up our game a bit and come up with a more fundamental solution. We're looking towards the spring to come up with a complete answer to this. And the message from the outset was look if you can't fix this problem, we're going to have to legislate to force the insurance companies to do that. I'm optimistic though that we can work out a solution.

**LEWIS:** And meanwhile, Billy Burrows, people are going every day and buying the wrong annuity. What's your one, two, three of what you should do, briefly?

**BURROWS:** There are three key issues for people. You know when do they buy the annuities, especially when the rates are low. Secondly, what type? There are fixed term annuities, there are investment linked annuities. And then the third is the choice - single life, joint life? And of course the elephant in the room is whether people will inflation proof their pension or not.

**LEWIS:** Yes, it takes a long time to get that back on my calculations, but I know some people like that. Billy Burrows, thanks very much from the Better Retirement Group, and Tom McPhail from Hargreaves Lansdown. And Bob, a pay rise for millions of people today who earn the minimum wage?

**HOWARD:** Yes, it's rising by 15p an hour to £6.08 for people aged 20 or more, an increase of 2.5%. Rates for younger ages are also going up, but by much less - 6p for 18 to 20 year olds, taking their rate to £4.98; and a 4p rise for 16 to 17 year olds will mean they get £3.68p an hour.

**LEWIS:** Thanks very much for that, Bob. Also today no-one can be dismissed on grounds of age. Good news for some of us. But that's it for today. You can find out more from our website: bbc.co.uk/moneybox. You can sign up to my newsletter, listen again to the programme, sign up for a podcast, or of course send us your ideas (as so many of you do) and have your say on those insurance claims. And some of you are doing that already. I'm back on Wednesday with Money Box Live taking your questions this week on energy prices. What can we do to keep costs down? I'm back with Money Box next weekend. Today the reporters: Bob Howard and Fiona … And the producer was Smita Patel. And that's Fiona Woods, I'm sorry, and I'm Paul Lewis. Oh dear, age discrimination. Thank you very much for listening.