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MONEY BOX

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TRANSMISSION: 2nd JULY 2011 12.00-12.30 RADIO 4

LEWIS: Hello. In today's programme an insurance company breaks ranks to try to stop the merry-go-round of charges that put up the cost of car insurance. Some Tesco Bank customers are still locked out of their accounts nearly 2 weeks after the move to new computers. Financial firms have paid out £15 billion in compensation in 20 years and tough new powers are needed to control them, says the man in charge of controlling them. Bob Howard's here - going into overdraft, Bob.

HOWARD: Yes, take your eye off the ball and they can become eye-watering.

HENRY: I went 8 pence overdrawn and I was charged £225. If you just said that to anyone, they would probably laugh at you.

LEWIS: And how to spend that Habitat gift card now the company's in administration.

But first, the rising cost of motor insurance will be looked at again by members of parliament on the Transport Select Committee after the sale of the personal details of accident victims hit the headlines this week. Money Box first reported on this problem in 2008, and in February we looked into the whole crazed merry-go-round of fees that have turned even a minor accident into a lucrative commodity as a whole procession of firms makes money from it. From the breakdown truck that tows you to the

personal injury lawyer that encourages you to claim damages, the fees that change hands at every stage have been partly blamed for the 33% rise in car insurance premiums last year. Now it seems we're not the only people looking into this. Jack Straw told John Humphreys on the Today programme this week that the insurance industry itself has a lot to answer for.

STRAW: To cut a very long story short, I started going into this. I've been doing this for 6 months. Went to the Association of British Insurers where I met two very senior executives of two of the country's largest insurance companies, and I said to them, "Look, what is going on? Where did this information come from?" And finally one of them said, "This is the industry's dirty secret: we sell it to the claims companies. If we don't do it, everybody else will be doing it. The garages, the recovery firms, even the police are selling on this information ..."

HUMPHREYS: *(over)* The police are selling it on?

STRAW: The police are selling it on. They won't of course ...

HUMPHREYS: *(over)* That's outrageous!

STRAW: The whole thing is outrageous. It's a complete racket.

LEWIS: Well shortly after the police strongly denied that allegation; and since that interview one insurer, Axa, has broken ranks and said it will stop taking fees from personal injury lawyers. With me is Steve Hardy, Chief Executive of Personal Insurance at Axa. Steve Hardy, why have you taken this action?

HARDY: Well, as you said earlier on, car insurance premiums have gone up by 30% to 40% in the last year or so. It's driven by a massive increase in the number of small bodily injury, let's call them whiplash claims that we've seen. Referral fees are part of that process, but the real problem is this increase in whiplash. What we want to do is to get past the debate of well insurance companies have got their finger in the pie, so

how can they talk about wanting to cut down their costs when they're part of the problem?

LEWIS: But in a sense you are still part of the problem, aren't you, because, as I understand it, you'll still pass customers onto personal injury lawyers; you just won't take a fee for it?

HARDY: Well let's be absolutely clear. At Axa we have never ever sold lists of our customers' data to third party providers, to what we call "claims farm" - to cold call, to text message and to try to solicit injury claims. We've never sold leads. What we have done - where a customer has a genuine claim and we absolutely want to get our customers access to justice; so where a customer has got a valid claim for an injury - let's say it's a broken arm - we absolutely have passed their details onto a lawyer, but been completely transparent about that and have told them that we're taking a fee. That we're stopping.

LEWIS: So you're stopping taking a fee?

HARDY: We're stopping the fee.

LEWIS: But you're passing them on. And you're not going to stop either taking referral fees from car hire companies and others?

HARDY: Well again where a customer has had a loss, which is not his fault - so he's been in an accident, he's been rear-ended - why should the customer suffer? So we will look to get them a courtesy car. It's a slightly more complicated story.

LEWIS: (*over*) But those are very exaggerated charges we looked into ourselves a while ago.

HARDY: (*over*) They can be. We've all got stories. We've got an example of a customer who hit a Ferrari and then we got a bill for £100,000 because it took 4

months for the part to come back from Italy. But the point is we're looking for a solution. The vast majority of the credit hire cases are fine. It's the personal injury cases that are the real problem.

LEWIS: So do you think this action - which is only you, it's a unilateral action - is going to have any effect on the cost of motor insurance, which has gone up a third last year and it'll go up again this year?

HARDY: Well it's a start. It's a start and it means we can have the debate and I think we can talk about the right issues, which are that lawyers are making a lot of money out of this; it's a very profitable business for them. The minority of customers are getting a lottery ticket on a whiplash claim and the majority are paying the price because the price is coming off in car insurance premiums.

LEWIS: Steve Hardy of Axa, thanks. Well also with me is Andrew Wigmore, Policy Director at the Claims Standards Council which represents claims management companies. Andrew Wigmore, is it possible that details are being sold on by individuals in the NHS or the police force?

WIGMORE: Yeah. Prior to something called the Compensation Act, which was brought in in 2006, it was prolific, and the regulation was brought in to try and clean up precisely this type of activity by individuals, rogue operators and so on. And in accident and emergency departments certainly a lot of the problems were cleaned up by the regulator, and in the instance where police forces have been accused of passing on details - previously they would have done that, absolutely. But under the regulation, they decided to become transparent, so they had contracts directly with third party vehicle removing companies. And that's how they operate now.

LEWIS: And the NHS does as well, I think ...

WIGMORE: Indeed.

LEWIS: ... so money still changes hands, but in an official way. *(laughs)*

WIGMORE: In an official, a transparent way.

LEWIS: Sure. Okay and moving onto another issue which Jack Straw, the former Home Secretary, also raised. People are being bombarded with text messages, saying you've had an accident; you could claim £3,500 typically in compensation. I've certainly had them and I've not had an accident since I was about 20. Isn't it against the law to send these texts at random to people?

WIGMORE: Cold calling? Yes it is under the Compensation Act. Again we've got to separate the actual marketing activity of what they call opt-in data - that's when you tick a little box saying you're quite happy to receive information - and that is a natural process in marketing right across the industry and other businesses you will see that. But the instance that you're talking about here are spam texts.

LEWIS: And you say it's illegal. How is that happening then?

WIGMORE: Well in this country there are rules and regulations, but you often find if someone is wanting to abuse the system, they'll go offshore. In the instance that you're talking about at the moment, these are prevalent operations in India and Thailand specifically.

LEWIS: And isn't one of your members, in fact your chairman, hasn't he admitted being involved in this?

WIGMORE: Indeed, but he was on the receiving end of a situation which again they had very little control of. They were in the marketing blend doing a variety of different marketing activities, and this was one of them.

LEWIS: So he was hoodwinked in effect. And very briefly - because we are running out of time, Andrew - can this be stopped? Will you stop it?

WIGMORE: Yes it can. And since these stories that you've been talking about have come to light, the Ministry of Justice has been working very closely with the network providers and other individuals to find out who are the perpetrators of these spam text messages. They have some action which they're going to take and they've identified the people, and they will be taking action on that.

LEWIS: Okay, well we'll report on how that works. Andrew Wigmore from the Claims Standard Council, thanks. And also thanks to Steve Hardy from Axa earlier.

Some Tesco Bank customers are still without any access to their money nearly 2 weeks after the bank switched 600,000 accounts to its new computer system. Even the majority whose accounts have been successfully transferred will be cut off from their money again tonight as the computers shut down for 7 hours routine maintenance. Last weekend Tesco Bank boss, Benny Higgins, told Money Box the problems were being resolved, but emails have still been arriving from listeners desperate to access their own money. David from West Sussex is typical. A week ago on Tuesday he wanted to pay a bill from his Tesco account. After a 40 minute wait on the phone, he was told he couldn't because the system was down. Tesco promised to phone him back, but didn't, so David phoned twice on the Wednesday and waited for 50 minutes. Still didn't get through. By Thursday, more than a week ago, he was so fed up he decided to close the account and transfer the money to another bank.

DAVID: (*Music*) I decided right get out of here, close the account. So on 27th June, I waited for 45 minutes and eventually the phone was answered by a guy called Scot. He said that he would make the arrangement to close my account and transfer all the funds to my nominated bank, and he told me that this would take 3 to 5 working days to complete. Then the next Wednesday, 29th June - that gave them 6 days - I went to my nominated account and there was no money in there. And I'm talking £7,000. So I phoned Tesco back again.

TESCO PHONE MESSAGE: Our customer service representatives really want to talk to you, so please stay on the line. You are moving forward and your call will be answered as soon as possible.

DAVID: He said that my £7,000 plus was reinvested due to their human error into the Tesco account that was already closed. Couldn't believe it! I spent a long time on the phone. Very frustrated, very angry and it's just not a way to do business for a company that size.

LEWIS: Well after more than a week listening to 'hold' music, David contacted us and we contacted Tesco who promised the money would be sent to the right account by this morning. We hope it was. But even today we're still getting emails from frustrated customers. Ruth Alexander's been talking to someone who used to work on the Tesco Bank IT team.

ALEXANDER: Yes, let's call him Richard. He emailed us with his experiences of working at Tesco and Tesco Bank. He said, "I'm not in the slightest bit surprised at the current fiasco at Tesco Bank." He said, "Just to get a computer on your desk would take 3 weeks." And he said, "Another IT project that Tesco forecast would take 6 months to complete took, in the end, 3 years." He described a scene of total management chaos at the bank - "a great organisation bogged down by a management who can't get things done," as he put it. And on the current problems, he believes the legal constraints on the RBS separation project may have meant there wasn't enough time to get it all done.

LEWIS: What does Tesco say to that?

ALEXANDER: Well it says there was no time pressure from the contract with RBS and the timing of the migration was entirely of Tesco Bank's choosing. It denies it's a slow moving, bureaucratic organisation, and says it has a reputation for getting things done and done well.

LEWIS: Thanks Ruth. Well Tesco Bank has still refused to tell Money Box what exactly the technical fault is, so what might have gone wrong? Alex Viatkovski was in Tesco Bank for a meeting at the height of the problems. Where did he think it might lie?

VIATKOVSKI: Was this the right weekend to press the go button? What would the risks have been of actually delaying for another week or two? And actually what was the driver? Was it that it was a feeling that the systems were tested robustly to the point of instruction and were ready to go live from a week last Monday, or was there another driver? I think it would be something for Tesco to look at themselves to make sure that they've actually got the timings right on this and they haven't inadvertently inconvenienced their customer as part of a timing to evacuate from the RBS system.

LEWIS: Sure, but as a technology person, are you under pressure if a deadline has been fixed? You know the psychology of it - saying okay we'll go this weekend. Even though deep down you know there just might be a problem, you just keep your fingers crossed it won't happen?

VIATKOVSKI: In my experience in some of the technology programmes that I've been involved in first-hand, I would never just - to reiterate the expression - to hit and hope. If I knew that there was a problem that would cause deep-seated issues, especially that were going to be ones that would adversely impact the customer and couldn't be adequately mitigated or negated completely - then it's a tough call to make, but it's sometimes the right call to say no we need to delay this.

LEWIS: You were there. Did you get any sense that all this had taken the technical people by surprise completely?

VIATKOVSKI: I don't think it was a complete surprise, no. I think that there was an element when you perform a migration where - certainly when I've been involved with them in the past - where you will be alive to the fact that you are performing what is in effect quite a move that has some risk associated with it, and that there may be, as a consequence, despite all of the rigorous testing that's put in place, there may be, when moving into the live environment with the new system, some problems that go with it. Where they were perhaps undone on some of the systems challenges is the rising volumes on the first day of full operation, on the Monday. One could say well should you not have anticipated the likely rise in volume and tested the system accordingly based upon an uplift in attempted online logons. And I think there we

have perhaps some areas of learning.

LEWIS: Alex Viatkovski on areas of learning. Most customers do now have access to their accounts. Some have emailed us to say how helpful Tesco has been in sorting out their problem, and today I got through to the helpline almost immediately.

I was sent a tweet last week. 'Hi Paul, love the show' was a good start. 'Any news on where Habitat gift cards are being accepted and for how long?' Adam Green sent me that tweet after Habitat, the household retailing chain founded in 1964 by Terence Conran, went into administration after losing nearly £100 million in the last 3 years. Habitat wasn't the first, probably won't be the last retailer to go bust this year. So what are your rights when you've got a gift voucher for a company that goes out of business? Bob Howard?

HOWARD: Paul, that's up to the administrator of the business. Technically you become a creditor of the business, but you have to register and in reality you'll only receive pennies in the pound. Now Habitat's been bought by Argos owner Home Retail Group, which is going to keep three of its London shops and its online shop open. The three shops will accept gift cards until 16th September, but they're not being accepted online.

LEWIS: And the other 30 branches, Bob, are having closing down sales. Can you use your vouchers there?

HOWARD: Well Habitat's administrators told us that vouchers will be valid in those shops until they shut.

LEWIS: Thanks Bob. Steven Law is an accountant and on the policy group of the Association of Business Recovery Professionals. He says that given the pressures high street shops are under, don't hang onto any gift vouchers or cards for too long.

LAW: My strategy in life is to spend the voucher as soon as possible. The other tip I

would advise people is when placing a deposit to purchase some goods, to make that deposit payment on a credit card because there is that guarantee that the credit card company would have to reimburse that deposit should the company fail.

LEWIS: Advice from Steven Law from the Association of Business Recovery Professionals.

Over the last 20 years financial firms have paid out £15 billion in compensation to customers who were mis-sold everything from pensions to endowment mortgages to split capital investment trusts. And that's before compensation for mis-selling Payment Protection Insurance, which could add another 9 billion. That analysis this week was from an unlikely source: Hector Sants, the Chief Executive of the Financial Services Authority. He went on to say such outcomes would be regarded as unacceptable in other sectors of the economy. His comments came as he set out the new plans to replace his FSA with the FCA, the Financial Conduct Authority, in about 2 years time. He spoke to me on Friday to explain how the new authority would be different.

SANTS: In the past, broadly speaking, the regulators were essentially relying on consumers making the right decisions, so their focus was on making sure consumers were given the right information and then relying on the consumers to make the right decisions. If something did go wrong, however, of course they did organise redress, they did organise compensation, but they weren't really trying to choke off the problem right at its source. So the new approach would be to say that the Financial Conduct Authority will be proactive and will not just rely on consumers making the right judgements. It will make some of its own judgements; and where it sees unacceptable sales practices or sees products which are likely to cause problems, that that they would take pre-emptive action to stop that happening.

LEWIS: Won't the industry say though that you're getting rid of customer choice and also customer responsibility because the industry I'm sure would say to me we do give them all the information. If they choose not to read paragraph 94 (ii) blobby point 3, that's their fault.

SANTS: Well I think this is a very important point. Look what's happened over the last couple of decades - we've seen at least 15 billion pounds worth of observed consumer detriment, and if we include the PPI redress to come, it's going to be over 20 billion. The old way of doing it was just not working and, therefore, it is reasonable to make that trade-off between choice and intervention.

LEWIS: In the last couple of years though, the FSA has been more interventionist. Is that a sign that you believe you got it wrong in the past?

SANTS: I think it's definitely a sign that we believe things have to be changed. As I've said, I ...

LEWIS: (*over*) But did you get it wrong?

HANTS: Well I think you have to bear in mind that the regulator does what it believes society wants it to do. But what we did has not given the best results, so in that sense we do need to change.

LEWIS: Looking at your namesake, the Food Standards Agency, I mean this very week it banned two products in the week they were discovered. Would you be able to act that quickly?

SANTS: Under the current set of powers we have, no we can't act that quickly.

LEWIS: But will you be able to ...

SANTS: Under the new powers, yes we could and I believe we would. But the regulator alone cannot affect the required change here. We go back to our Food Standards Agency example. We do expect supermarkets not to sell rotten food and generally speaking they don't because they realise it's not in their best long-term interest, they would go out of business, and banks need to take a similar attitude.

LEWIS: But they also know, don't they, that they will be named publicly within hours by the Food Standards Agency? Will you be doing that sort of action - naming companies almost at once who mis-advertise, who mis-sell, who've produced a product you think is wrong?

SANTS: Well we've certainly got more powers in that area and one of the themes of the new approach is increased transparency, far greater communication with consumers. We've also got a new power which we didn't have before to intervene and ban inappropriate promotional material straightaway. It may come as a great surprise to you, but we actually did not have the powers to stop people putting out misleading advertisements.

LEWIS: Would you like the new FCA to have a bigger responsibility for promoting competition? It has some of that, but it's not absolutely in its core principles, is it?

SANTS: I think the FCA does need to take a much greater interest in competition. In particular - and this is relevant to cases such as bank charges and so forth - I think the FCA should use its powers to ensure that consumers are fairly treated, to look at the issue of price, and that would be quite a radical change from the approach the FSA historically took.

LEWIS: And you mention price. To what extent will you be able to say to a firm well that product's okay, but it should be £10, not £40?

SANTS: In the context of what would be deemed to be a fair deal for the consumer, we would be taking an interest in that question. And what we would not be is a classic kind of economic regulator in the sense of setting the price, but if we thought the price was unfair, we would in the future take action.

LEWIS: Hector Sants, Chief Executive of the Financial Services Authority. And there is a longer version of that interview on our website, bbc.co.uk/moneybox.

Going overdrawn by mistake, even by a small amount, can be very expensive. But one young man who contacted Money Box might have broken the record. He initially went overdrawn by just 8 pence. He didn't realise because he was away at university and the bank wrote to his parents' address. By the time he went back home, his charges had grown to more than £200. Bob Howard's been looking into this.

HOWARD: Paul, Henry from Devon was a student at Newcastle University. Before he went away to study, he set up a student account, but he forgot about an old account he had with NatWest on which he'd set up a direct debit paying £1.60 a month. Shortly after arriving in Newcastle, this account went just 8 pence into the red. With the statements still going to his family's address instead of his university accommodation, Henry was in the dark as the charges started mounting.

HENRY: I didn't have any agreed overdraft rate at all, so they charged me a premium rate. And not only was I being charged for being overdrawn and them sending out a letter, I also got charged twice for a £38 fee to cancel the direct debit. I actually spent most of the holidays away, so when I came back in the summer, from sort of February to sort of August I had a charge of roughly sort of £30 a month plus the two direct debit charges of £38. So having gone 8 pence overdrawn, they charged me £225 in fees.

HOWARD: When he complained, Henry says the bank offered to refund him 60 pounds worth of charges, or he could pay a further £10 and put in a request for the full £225 to be paid back. Henry paid the £10, but was then told by NatWest that as it had gone into an unarranged overdraft, they wouldn't refund anything. Henry believes although he bears a degree of responsibility for the charges, they were by anybody's standards excessive.

HENRY: Some of the blame is of course mine because, you know, I should have changed my address probably, but when you just look at it in its simplest form: I went 8 pence overdrawn and I was charged £225. I mean if you just said that to anyone, they would probably laugh at you.

HOWARD: Paul, Money Box contacted NatWest about Henry's case and they sent us this statement:

NATWEST STATEMENT: We stand by our decision not to uphold Mr Prescott's complaint as he had entered into an unarranged overdraft and didn't supply the bank with his current address.

HOWARD: So at first, it didn't look so good for Henry. But then the Money Box effect came into play. It's as though sometimes we have a magic touch.

NATWEST STATEMENT: However, in this instance we can see that there was some confusion over the advice that Mr Prescott received, and as a gesture of goodwill we have refunded him for these charges.

LEWIS: So, Bob, Henry got his charges refunded, but could this sort of charge still happen?

HOWARD: Well, Paul, many of the banks in the last year have made big changes to the way they charge on both authorised and unauthorised overdrafts, and if you don't keep a close eye on your balance you can easily be hit now for charges as well as interest on some accounts. NatWest RBS told me it now has a £6 buffer zone in place on current accounts where customers won't incur charges if they go £6 overdrawn without authorisation. HSBC, Lloyds TSB, Halifax, Barclays and Bank of Scotland all offer slightly higher buffers. Santander doesn't offer one, but does stress there's a cap on its charges. And many banks, including NatWest, also offer a text warning service to tell you when you're close to being overdrawn.

LEWIS: Thanks Bob. And you can let us know about your overdraft experiences through Have Your Say on our website, bbc.co.uk/moneybox - and many of you are and some very unhappy tales there. But that is it for today. Find out more from that website, bbc.co.uk/moneybox. Sign up for the newsletter, download the programme, have your say of course, listen to the longer version of the Hector Sants interview.

Vincent Duggleby's here on Wednesday with Money Box Live, this week taking your questions on mortgages. I'm back with Money Box next weekend. You can read my money thoughts every day on my twitter, [Paullewis money](#). Today the reporter was Bob Howard, the producer Ruth Alexander, and I'm Paul Lewis.