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## **MONEY BOX**

**Presenter: PAUL LEWIS**

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**LEWIS:** Hello. In today's programme, the £10,000 fraud that no-one noticed. Twice. Are Barclaycard's security procedures tough enough? I went to London's Victoria coach station this week to talk about the end of half price fares for over-60s and younger disabled people.

**FEMALE VOICE:** This has given people a lifeline. There are an awful lot of people that will be absolutely housebound and not be able to go anywhere.

**LEWIS:** Employers want to cut back on pension costs. Will a government plan make things worse? And would you like your bank to call you to suggest you spent less, so you could pay your mortgage?

But first, how effective are the anti-fraud measures at Barclaycard? I ask because two Money Box listeners have reported very worrying stories to us. In both, a thief successfully impersonated the customer, then went on spending sprees of around £10,000. The fraud only stopped when the cards reached their credit limit. Bob Howard's been investigating.

**HOWARD:** Paul, I have a credit card statement in front of me, which should be enough to bring the fraud department of any major bank out into a collective cold sweat. It lists 16 separate transactions for between £500 and £750. They were all

approved on one card in one day, and all in one place: the Apple Store in Bristol. The bill for these 16 products, many of which we think were iPhones, made a total of over £9,000 and all ended up on the Barclaycard account of Robert from Exeter.

**ROBERT:** When they went into the Apple Store in Bristol and they actually bought 16 items of £500 plus (and this of course being all on the same day) and nobody - nobody at Apple, nobody at Barclaycard - picked this up, I am absolutely amazed.

**HOWARD:** Barclaycard revealed to Robert the criminals had phoned up 2 weeks earlier pretending to be him to notify a change of address and phone details. The fraudster answered the security questions correctly and so managed to get them changed. Four days later, they phoned to ask for a new PIN. Eight days later, they phoned to request a new card. Within 3 days of this call, the fraudulent spending spree had begun. The real Robert only noticed something was amiss when he logged onto his account.

**ROBERT:** I went online to pay off my Barclaycard bill for the month and I noticed that the last four digits on the online account were different. So I called Barclaycard and asked them why, and they said to me that "Oh your card was reported lost or stolen, so we've sent you two new cards." I said well that's fine because nobody had accessed my account then. Had they said, "Oh and by the way we did send it to a different address, is that correct, and we also sent PIN numbers?", then I think the whole thing could have been stopped in its tracks there and then. But they didn't. Now I would have thought those three things alone - the cards, PIN numbers and a change of address - would have alerted somebody to think ah, we'd better confirm this and make sure it's okay.

**HOWARD:** Barclaycard has admitted there was an error by the agent handling the second call requesting the PIN and has paid Robert £150 in recognition of the mistake. And Money Box listener David from Stockport has had almost exactly the same thing happen to him - again the phone call from a fraudster to change his contact details saying David had moved to Ireland; shortly after the call to report the card lost or stolen; and again a huge number of transactions completely out of keeping with his

normal spending pattern. David says he has a lot of questions for Barclaycard to answer.

**DAVID:** How did he get through security to change my address and telephone number? Why didn't Barclaycard get some sort of confirmation from me or attempt confirmation of my moving to Ireland by phone or letter? And how could they be so gullible as to send a new card and a new PIN? And really why didn't such obviously suspect transactions quite out of my normal spending pattern not trigger some suspicion before they allowed the racking up of 10k on my card?

**HOWARD:** We asked Barclaycard several times to speak to the programme, but the bank declined. It issued this statement.

**BARCLAYCARD STATEMENT:** Both Barclaycard customers had the fraudulent transactions removed from their accounts and we immediately took steps to prevent any further fraud. We monitor transactions for fraudulent behaviour and have an excellent track record in preventing the fraud.

**HOWARD:** Robert and David both now have telephone banking passwords, but they still don't know how the fraudsters managed to fool the bank's telephone security system three times and why the glut of expensive transactions weren't declined. Robert asked for the tapes of the telephone calls or at least a transcript. Barclaycard has refused to release either. But it has told Robert which questions the fraudster managed to answer correctly. They all either revolve around details on the credit card or personal details which could be obtained by online searches of public records. I asked Barclaycard if they'd referred these two cases to the police and changed its security procedures. Barclaycard said they were unable to confirm this.

**LEWIS:** Thanks, Bob. Well with me is Paul Rodgers who's Chairman of Vendercom which brings together retailers, card providers, banks and others, and looks at fraud issues. On Robert's statement, Paul Rodgers, there are 16 transactions in one day at one shop - 11 of them (apparently) for exactly the same item, £510. We suspect an

iPhone. Shouldn't the store or the card provider have picked that up?

**RODGERS:** I agree - these sort of situations, you'd expect on the surface of it. It is very strange that they haven't been picked up by the retailer or by Barclaycard.

**LEWIS:** And you've looked now at the detailed log of the calls that the fraudsters made and what was asked and answered correctly. Are the security procedures adequate?

**RODGERS:** Well this is where we find that in the case of the retailer and the card issuer, given that the cardholder's details had already been compromised, they were to some extent already operating blind. And given at the time that the fraud was committed, they would have been seeing these details as completely legitimate.

**LEWIS:** But we heard the suggestion from one of the victims there that if a change of address is agreed, they should write to the old and the new address just to confirm that that's happened, and that would have flagged it up immediately, wouldn't it?

**RODGERS:** Yeah, that's a very good step that could have been taken. There are so many different areas in which this could have gone wrong. And I think in the Apple Store, the fact that there were 16 transactions, it really should have been picked up by their fraud prevention tools as well, as it should have been by the card issuers.

**LEWIS:** Yes. And of course even now, if they were iPhones (as we suspect), they could be tracked, couldn't they, and somebody could go and get them back and find out where they've been flogged on?

**RODGERS:** I don't know whether they can be tracked to that level, but when fraud is committed there's a lot of different inputs that we need to be looking at in order to detect that fraud. CCTV cameras. In this particular situation, I'd actually be surprised if Barclaycard's very, very extensive fraud prevention tools didn't pick it up. But if they have the situation where the card details have been changed, the mobile phone

has been changed, then even after two transactions, in my personal experience what I've seen is a card scheme has called me and said, "Something strange going on here." They've called me on my mobile phone and I've been able to say yes it is legitimate, and maybe they even did it in this particular situation.

**LEWIS:** Yes, though it didn't stop two £10,000 frauds. Paul Rodgers of Vendercom, thanks. And you can let us know your experiences of card fraud or bank security on Have Your Say - [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox). Many of you are already.

Now as you heard on the news, a government subsidy which allows half price travel on coaches for people over 60 and disabled people of any age will end in October in England. The scheme costs £17.5 million a year. The change is part of the spending cuts announced last October. More than 3 million half price journeys are made each year under the scheme, many of them with National Express, and it's joined with the charity Age UK to ask for this change to be delayed. Earlier this week, I went to London's Victoria coach station, and above the noise I spoke to some of the people currently paying half price - starting with Iman Saab, a wheelchair user.

**SAAB:** My benefit is very low and I can't pay full ticket, and it's very helpful if they do discount for us.

**FEMALE:** My son lives in Hampshire and a lot of my other family live in Wiltshire, and my only means of getting to see any of them in the south is by coach. If they do end the concession, then I just won't be able to afford to see my family in Andover.

**LEWIS:** Well two people who use the scheme, but the government is determined to end it as scheduled. Liberal Democrat MP Norman Baker is Transport Minister.

**BAKER:** The fact is that this was announced 12 months ago. They said it was manageable and to raise doubts now, just a matter of weeks before it comes into effect, is a bit odd, frankly.

**LEWIS:** So as far as the government is concerned, this concession will end on 31<sup>st</sup> October and there's no change possible in that?

**BAKER:** This concession's ending very shortly, and that's what will happen and we expect National Express and other coach companies to pick up the slack because there's a commercial case for doing so.

**LEWIS:** That was Transport Minister Norman Baker. With me is Mervyn Kohler, a special adviser at the charity Age UK. Mervyn Kohler, obviously this scheme saves people money, but coaches are a pretty cheap way to travel. Why is it so important?

**KOHLER:** A lot of older people are very poor as well, and the coach concession has been absolutely valuable to help people to get to meet their family, their friends and so on who live further away. The bus concession for local buses is hugely popular with the pensioner population ...

**LEWIS:** (*over*) But that of course is staying. That's not being ...

**KOHLER:** That must stay. And the coach is a vital way for people to actually get to those longer distances. Listen Paul, we know that social exclusion is one of the most serious worries for our older population and this kind of mobility allows people to engage with society more widely and helps to combat that social exclusion.

**LEWIS:** Well also with us is Andrew Haldenby, who's Director of the think tank Reform, which has said it supports this end to this scheme. Andrew Haldenby, it does help a lot of people and we heard that from the people I interviewed and also from Mervyn just now.

**HALDENBY:** Yes, but I mean the question is should the government pay for it, should taxpayers pay for it? Up to 2003, the coach companies operated this scheme.

**LEWIS:** But it wasn't half price fares then, was it? It was a reduction.

**HALDENBY:** It was a reduction in fares; it was a subsidy. And as the minister said, it made sense for them to do that because you know it increased their market, got older people onto their services. A year ago when the government announced this change, the bus companies, the coach companies said that this would be manageable and they would introduce their own schemes back again. So I don't disagree with Mervyn; that of course it's important to older people and to society that they're able to engage with families and others, but it's really silly and a terrible waste of money for the government to be doing this when bus companies would do it anyway.

**LEWIS:** It's a tiny amount though, isn't it - 17.5 million. It's .5% of what the government saved in the spending review.

**HALDENBY:** Well it may be tiny to you, Paul, and it may even be tiny to the Money Box programme. But ...

**LEWIS:** I meant tiny to the government.

**HALDENBY:** Well perhaps it would, perhaps it would. But that amount of money would pay for the education of 1,000 severely disabled children every year.

**LEWIS:** So there are better ways to spend it. Mervyn?

**KOHLER:** But, Andrew, I think that we are talking here about 3 million concessionary journeys that pensioners make under this scheme. It is absolutely important that we keep those people engaged with society, give them a reason for getting up in the morning, feeling good about themselves and things like that; otherwise the costs of looking after them, if they are living miserable lives and feeling absolutely excluded, is going to be costing shed loads more than that 17.5 million.

**HALDENBY:** Mervyn, I do agree with you, and, as I say, it's not the principle of the subsidy that I oppose. It's the idea that the government should pay for it. I mean is it your view that pensioners should lose no ... that there should be no cuts affecting

pensioners at all despite the fiscal difficulties of the country?

**KOHLER:** Whilst the government has got a state pension scheme which gives pensioners such a relatively modest income and needs to be topped up by the government's own top up scheme, the pension credit, these additional elements of money are vital to keep pensioners' lifestyles tolerable.

**LEWIS:** Let me point out too that in Scotland coach travel is free for people over 60

...

**HALDENBY:** *(over)* But the government has more money in Scotland.

**LEWIS:** ... and in Wales they're carrying on with this scheme for journeys that start in Wales. So it's only journeys that start in England that this affects.

**HALDENBY:** Of course, but that's because the English government has less money per head than the Scottish and Welsh governments. And you know I think Mervyn, if I may say, you know whilst every other part of society - families, disabled people, you know unemployed people - everybody's having cuts because of the national problem - we've all benefited from the extra spending, we've all got to lose - it does seem extreme actually for pensioners to feel that they can opt out of that.

**LEWIS:** Right. Okay, let me move onto another subject. Finally Mervyn Kohler, as you're here, there are reports in today's Times that Age UK is selling an electricity and gas deal to customers from Eon. Now the Times claims that's £300 a year more expensive than the best tariff available online. That's a cost to pensioners. How do you justify it?

**KOHLER:** Oh I think we're confident that in the round we're offering a good deal. That package does include extra cash payments in cold weather, it does include a guarantee of stable prices. If you expected us - and I think it would be rather naïve to do so - to always be offering the cheapest product on the market when these energy

prices go up and down every five minutes ...

**LEWIS:** *(over)* But you could be helping people find it, couldn't you?

**KOHLER:** ... then you know that's really almost unrealistic. The real issue here is actually the acceleration of the numbers of older people in fuel poverty. More than 3 million older households in fuel poverty.

**LEWIS:** Sure, I understand that, but I mean you do this as a commercial exercise. This money helps support Age UK. You're taking a commercial cut from this, aren't you?

**KOHLER:** We are and the money goes back into supporting other services which we provide for older people as well.

**LEWIS:** Mervyn Kohler from Age UK thanks, and earlier Andrew Haldenby of Reform.

People are cutting back on the amount they spend on pensions, and so are their employers. Those findings published this week by the Association of Consulting Actuaries which surveyed more than 400 big employers. The actuaries also said things will get worse when the government introduces rules next year to force every employer to offer and pay into a pension for their staff. Stuart Southall is Chairman of the Association of Consulting Actuaries.

**SOUTHALL:** At the moment only 36% of people in the private sector have a work based pension scheme, and so rightly the government is saying well there's a big rump out there who really need to be dealt with and really should be making some provision and we'd like to help. I think where we possibly differ with the policymakers is that the ACA surveys have fairly consistently suggested that employers faced with the auto-enrolment duties, if they already have a pension spend, a pensions cake, the last thing they are minded to do is to increase the size of the cake.

They will accept that they need to carve up that cake into a lot more slices, but they're not going to unless they're really forced to increase the size of the cake. And they can't afford to, many of these employers, particularly in current financial conditions. So what does auto-enrolment mean for those people who are fortunate enough already to be in pension schemes? It is probably going to mean that the size of their slice gets smaller, so there will be more slices in the cake but they'll be smaller.

**LEWIS:** So employers will want to spend the same on more or indeed all their employees, which inevitably means that the pension scheme will be downgraded.

**SOUTHALL:** The indications we are getting is they're doing precisely as you say, which is they are probably reducing the pension spend on existing pension scheme members so that they can absorb the extra costs which come with all the new potential members.

**LEWIS:** And you say employers are going to level down despite the fact that they seem to think a very high proportion of their workers will ... yes they'll have to join the scheme, but then they'll immediately opt out as they're entitled to do. It's up to a third in some cases who they expect to do that.

**SOUTHALL:** Well that's what the smaller employers are telling us - the ones who have started budgeting on between 33% and 39% of those employees offered these pension arrangements for the first time - to say actually they'd prefer to opt out, probably on cost grounds. We think that if that's what actually happens in the longer term, the auto-enrolment duties that are being introduced will not have fulfilled one of their primary purposes, which was to see that a significant proportion of the un-pensioned workforce become pensioned. So I think the government will monitor the level of opt outs. It has put in place steps to try and ensure that the ability to opt out is sort of controlled and policed. But I think if the opt out levels are too high, then people must expect the legislation might change. It may become compulsory.

**LEWIS:** Stuart Southall. And the Department for Work and Pensions challenges the

findings. Its research, they tell us, says 94% of a bigger sample of employers say they won't cut back on pensions. And you can put your questions on pensions to our panel of experts on Money Box Live on Wednesday at 3 pm with Vincent Duggleby.

Now what the papers said this week.

**PAPER HEADLINES:** Banks to tell families cut back or face losing your home!

Ditch mobiles and gym membership or lose your home!

**LEWIS:** Just some of the newspaper headlines this week, reporting that thousands of homeowners are being called up and warned to cut down on their spending or risk defaulting on their mortgage. The papers are reacting to news of a pilot scheme run by UKAR. That's the company set up by the government to manage the riskier mortgages of the nationalised Northern Rock and all of Bradford & Bingley's mortgages. It's identified 30,000 customers out of 750,000 who it thinks could be struggling financially. Over the next few months it'll phone them to say it may be hard to pay their mortgage, especially if interest rates rise, and to suggest how to manage their money. And now, new to Money Box, Fiona Woods is here to tell us more. Fiona?

**WOODS:** Yes when the story emerged, there were concerns that UKAR were identifying people by using secret credit checks, and lenders do have arrangements to receive updates on their customers from credit rating agencies. It can alert the company to problems they might be having. A number of lenders have these arrangements, though none carried out a full credit check once a mortgage was approved.

**LEWIS:** So does UKAR use those checks to select people for this pilot?

**WOODS:** It is one of the ways. Other reasons include if someone misses a payment or if they change the way they pay from direct debit to cheque, for example.

**LEWIS:** And once it's identified the customers, what's it saying to them?

**WOODS:** It offers advice on how they might manage their money and prioritise their spending, but it has no knowledge of specific expenditure and couldn't for example suggest they cancel a gym membership.

**LEWIS:** As some of those reports suggested. And are other lenders doing this?

**WOODS:** Well those we spoke to stressed they are always keen to help people in difficulties, but none seem to be engaged in a systematic process like this.

**LEWIS:** Thanks Fiona. So should lenders be proactively calling people up if they think they might hit difficulties? Ray Boulger's from mortgage brokers John Charcol. He's Senior Technical Manager. Ray, the newspaper coverage has been pretty hostile. Are they right?

**BOULGER:** Well I think one of the interesting things here is that Northern Rock - because I gather this is mainly Northern Rock rather than Bradford & Bingley customers - have refused to actually be too clear on how they've identified these customers. Now if people have changed their payment method by for example cancelling a direct debit and paying by cheque, that is an indication they're under stress. So in those circumstances, I think a telephone call can be very helpful. But if they're contacting people whose mortgage is up to date, who are meeting their side of the contract satisfactorily, then that I think is where it goes too far. The key thing is how this is dealt with. A letter to people may be perfectly appropriate, but if you get a telephone call out of the blue from your mortgage lender, the first thing you should do is actually check that they are who they say they are. You know if you call your bank, you have to go through an ID process, and you need to make sure that who's calling you are really who they say they are.

**LEWIS:** Yes, well that's an important point, especially in light of those frauds we've been hearing about earlier. But you're saying that there are some indications that

some of the people who are being called, as we understand it, will simply ... they will have looked at the credit record and seen maybe they're right up to their limit on a credit card, they're not making full repayments. Are those not also indicators of financial stress?

**BOULGER:** Well if they are not making full payments because they've got a cheap balance transfer balance rate, for example, that is a sensible thing to do. So it really depends on how much detail Northern Rock have got and that's what they're not being clear of. And it always worries me when the media contact a provider to ask for more information and they refuse to give it. What have they got to hide?

**LEWIS:** Yes, yes. Well it did find some things out, but not as much as we'd have liked either. Alex MacDermott from Citizens Advice is also here, a policy officer. Alex MacDermott, how do you react to this? Is it a good idea?

**MACDERMOTT:** Well yeah, we think it is a good idea. You know lenders should have been proactively approaching people for a long time now, and again it's how they get this message right and how they select those customers. So if someone is, like you say, at the limit and hanging on, then in fact they might not be opening letters because they might be worried or anything like that, so a telephone call might be helpful; and if it's done in the right way could get them to start looking at their budget a bit better and get them into advice ... Northern Rock might be signposting people to us, to other advice providers to get them the help that they need.

**LEWIS:** They might. But if people aren't actually missing payments and if okay they've got a credit card with a big credit limit, if they're coping a phone call out of the blue from a mortgage lender - even assuming you believe it's them, as Ray Boulger was pointing out - it's a bit intrusive, isn't it, to say well manage your money, stop spending, you know don't buy that new top?

**MACDERMOTT:** Well again it depends. Taking a subjective approach like that could be difficult and could lead you into further debts, which is something that

should be avoided. But you know given them a quick call ... When people come for advice, they're often really, really struggling, so they're making the payments, they're just about up to date, but they're cutting back on food, they're cutting back on other essentials and things like that.

**LEWIS:** So they've come to you as a sort of last resort?

**MACDERMOTT:** Yeah. So getting that message through a bit more quickly and saying look we can help you, there are things we can do, can help them manage their money better.

**LEWIS:** Ray Boulger, one of the things that many people have been calling for - Citizens Advice and others, and I think probably you will agree with this - is banks should have been getting into people earlier when they're having difficulties. They shouldn't leave it until they're practically ... you know they're missing payments, they can't cope. They should be getting in there with a bit of advice earlier.

**BOULGER:** Yes, once they have any real evidence of a problem, I absolutely agree. And I would also suggest people should contact their independent mortgage adviser if they have one because we find that some of the advice lenders are giving is actually not always appropriate. Now if we take this Northern Rock example, Northern Rock's standard variable rate is one of the highest of the banks at 4.79%. If they really wanted to be proactive on the basis they say they're worried about what's going to happen when rates go up, what they should be doing is offering their customers a fixed rate. If they did that, it would actually be something they could possibly suggest to the customer. It may not be right for everybody, but at least they should be able to offer a fixed rate cheaper than the rate they're currently paying.

**MACDERMOTT:** Can I just come in there? I mean that is one of the tools and things they might be able to offer when they've had this conversation with people. It's about low modifications - changing the terms, the length of the mortgage, possibly the interest rate and things like that to get it back onto sustainable terms - and those are

only things you can do once you've engaged; and if people are feeling under pressure and they're not opening mail, they're not dealing with things, that little proactive telephone call to nudge them in the right direction could be all the help they need. And at the same time they still need to be protected from sort of unsecured creditors who are maybe putting too much pressure on them.

**LEWIS:** Alex MacDermott from Citizens Advice, Ray Boulger from John Charcol, thanks, because that is it, we've run out of time. Find out more from our website, [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox). Read a newsletter, listen again, send us your ideas, and of course have your say on credit card security - and my goodness, they're coming in already. You can see some on the website. Vincent Duggleby's here on Wednesday, as I said, with Money Box Live - this week taking questions on pensions. I'm back with Money Box next weekend. Today the reporter was Bob Howard, the producer Lesley McAlpine. I'm Paul Lewis.