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MONEY BOX

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LEWIS: Hello. In today's programme, have you resolved your Olympics ticket problems yet? If not, you have just over two days to call the helpline or you'll lose your seats. Ruth Alexander's here looking into under-18s and Internet deals.

ALEXANDER: Should banks protect under-18s from entering bad deals when they use their debit card on the Internet.

RACHEL'S MOTHER: I think there should be more protection for under-19s. Why have an under-19 account if there isn't protection in place for such cases?

LEWIS: Beware if your pension money is in a deposit fund. The charges may take all the interest it earns and more. And will investors be just as puzzled when investment funds, currently called Active, Balanced and Cautious, are renamed A, B and C?

But first the Olympics. By now most of you who applied for Olympics tickets will know whether you've been successful or not. Stories coming out over the last week have focused on the lucky and the not-so-lucky. Tim Fuell from London told the BBC he'd got the only tickets he bid for - four seats for the 100 metres final - despite a million applications for tickets for that event. One Money Box listener wasn't so lucky. Stuart from Hitchin bid for 37 sets of tickets at a cost of £6,100. He ended up with one pair for trampolining. But some people are still in limbo, through no fault of

their own. As we've mentioned over the last couple of weeks, problems with banks, Visa and the London Olympics ticket helpline are causing misery for some, and Ben Carter's been looking at this. Ben?

CARTER: Yes, Paul. Money Box has received hundreds of emails during the last few weeks from people who've received emails from London 2012 telling them that payments for tickets they've been allocated have been declined by their bank. But a number of people have told us that when they've contacted the bank to query why their payment has been declined, they get a different story. This is Rob Warnes from London.

WARNES: On Bank Holiday Monday, I was contacted by 2012 to advise me that I had been allocated tickets but they had not been able to authorise the transaction with my card issuer and advised me to contact the card issuer. I did so that same day. I was advised by my card issuer that I had sufficient funds in the account, that the card number I had supplied was correct, that they had not had any attempt to take money from my account and had not refused any transaction. I immediately contacted 2012 again to advise them of this. I received a reply saying my query would be looked into, but I received no reply. I contacted them again the following day and still to date have received no reply, so I assume the transaction has been lost.

CARTER: Dennis Morgan from Shrewsbury tried to buy some tickets for the Olympic football, but he also received an email telling him that his payment had been rejected.

MORGAN: I immediately telephoned Barclays Bank. They confirmed that they had received communication about a month ago from the Olympic organisation seeking prior approval, which they gave that approval. They did say they had received no further communication in their request for funds from the Olympic organisation. So here I am totally bemused and confused by the situation.

CARTER: Now the only option people like Dennis have to try and resolve the issue

is to call up the ticket helpline, but that can involve a long call and a very repetitive automated message:

AUTOMATED MESSAGE: Thanks for calling the London 2012 ticket information line. I'm Seb Coe and I want to thank you for supporting London 2012. (*switches to female voice*) If you have been contacted about your lost, stolen or rejected credit card and need to provide us with alternative payment details, please press 1. If you have a question about ticketing, please press 2.

CARTER: And then a few minutes later.

AUTOMATED MESSAGE: If you have a question about your Olympic Games ticket application, please press 1. If you have a question about payment, please press 2. Please be aware that we are currently experiencing high call volumes.

CARTER: And some listeners have told us that they have had to wait in excess of half an hour and some haven't been able to get through at all.

LEWIS: Well thanks for that, Ben. Live now to Chris Townsend, a Director from the London Olympics Organising Community who's in charge of ticketing. Chris Townsend, this is your last weekend for people to get in touch about problems with their bank. Are people getting through this morning?

TOWNSEND: Yes they are, Paul. We have plenty of operators ready and waiting for telephone calls. So do put a call in over the weekend, please.

LEWIS: So stories we've heard in the last week about people being on the line for three days trying and rang twenty-one times - those are over now, are they?

TOWNSEND: Yes I'm very sorry to hear that and you know that's not our intention. But there are plenty of operators ready and waiting to take calls. I've called twice myself this morning and got through straightaway. You do have to go through a

minute or so of filters, but once you're through there's an operator ready and waiting for you.

LEWIS: Yes, I must say I rang this morning at 6.30. I knew it wasn't open and I did listen to Seb Coe and a nice young lady for 2 minutes 30 seconds before I was told the line was closed. Now that told me the line was closed after I'd paid 35p.

TOWNSEND: Well the opening hours are 10 am. to 4 pm. We've actually extended that this weekend to 6 pm, so you'll have plenty of time to call today. And, as I said, I've called through twice and got straight through.

LEWIS: Okay. But how have these problems occurred? I mean we heard those two problems. You've sent people an email. They then tried to contact the bank. But then people like Dennis have had money marked on their account for tickets, the mark gets removed and they don't get any tickets.

TOWNSEND: Well we just simply act on information we receive from the banks. If the banks tell us that a transaction has failed, then we're simply acting on that information. We write an email to the applicant just as one would in a normal situation.

LEWIS: Sure. But Rob, for example, says that you said the bank had refused the payment. When he checked with the bank, they said no, that there's money in there.

TOWNSEND: I can't answer on that specific case. You know it's just very, very simply we do act on the bank's instruction. We do send an email. And if I can just add, we've worked incredibly hard with a few thousand outstanding payments to get them completed in time by Monday afternoon.

LEWIS: And as long as people contact the helpline by 5 pm Monday and can sort the payment out, then they will get their tickets?

TOWNSEND: Absolutely right, and we've put on a lot more operators and they're ready and waiting to take the calls.

LEWIS: People are also complaining about the fairness of it, aren't they - people who got no tickets at all? Is a random system fair? Couldn't you have limited the tickets or made it so that they were more evenly spread out?

TOWNSEND: It's an incredibly large and complex process, selling Olympic tickets. As we said, we've allowed over 75% of tickets for the public sale. It's approximately 6 million tickets. Now to distribute 6 million tickets fairly takes a very large ballot system. And in fact it's not just one ballot. We have 2,500 price points and each of those is run as a separate ballot in itself.

LEWIS: Sure, but it's not 75% of the tickets for the big events, is it? That's, what, as low as 40%?

TOWNSEND: No, on average it's 75%. Some of the more popular ...

LEWIS: *(over)* What even for the big events?

TOWNSEND: No, for some of the more popular events, it's approximately 50%; and for some other events, it's 90% or 95% or more.

LEWIS: So if you've got the money or you're a company, you'll have a much better chance, won't you?

TOWNSEND: No not at all, no. All members of the public have an equal chance within that 75%.

LEWIS: *(over)* Sure, but that's not what I was asking.

TOWNSEND: Approximately 6 million tickets.

LEWIS: Let me just briefly ask you what happens to people who've missed out in the first round - people who've got nothing? What happens next?

TOWNSEND: Well the good news is we close the ballot process on 10th June. Very shortly afterwards we'll be writing to everyone to let them know if they've been successful or unsuccessful. We will be telling them the details of the second round sales, so if you've failed to get tickets on the ballot process you'll have a chance at the end of June to go on our live system and order tickets directly that are left. And I can assure you there are hundreds of thousands of great tickets for athletics, boxing, hockey, basketball.

LEWIS: Okay, people will be able to do that. Chris Townsend from the London Olympics Committee, thanks. And if you are disappointed Thomas Cook has tickets for short breaks with a hotel, and authorised ticket re-salers in the European Union such as dertour.de still has some tickets. But do go to an official site. There are cowboys out there.

Now should banks protect customers from entering into contracts online if they're under 18 years old? And just what legal status does a contract have if the person signing it hasn't reached that magic age of majority? A question raised with us by a Money Box listener whose 17 year old daughter bought some diet pills online and then found out she'd agreed to rather more than she expected. Ruth Alexander's been talking to the family.

ALEXANDER: The slimming pills appeared to cost just \$5.14 cents and Rachel (which isn't her real name) thought it was a good deal. But then she found her debit card was charged with a lot more. When I went to meet her, she told me what had happened.

RACHEL: This is what they sent me on confirmation of the order, and they said on the invoice that it was \$5.14 and they didn't mention any other extra charges. So we assumed that that was all they were charging us, which is what they'd said on the

website.

ALEXANDER: It just says at the bottom: total charge \$5.14. That's all that says.

RACHEL: Yeah.

ALEXANDER: What happened next?

RACHEL: The bank statement came and I saw on the bank statement it randomly said like £64; and £64, there was loads of takings. And I said to my dad, "Someone's taken lots of money." I just burst into tears and I cried the whole day and I was so upset. It was horrible."

ALEXANDER: The company taking the payments, amounting to more than £250 from Rachel's account, was the diet pill company Trytdalafil Allegiance Services. The family tried to contact the company, which is based in Cyprus, but they couldn't get through. They then asked Rachel's bank, Lloyds TSB, to refund the money, but the answer came back no.

LEWIS: So the bank wouldn't take any responsibility for this under-18 year old?

ALEXANDER: No, it pointed out that the diet pill company's website had terms and conditions which the bank argued Rachel must have agreed to when she handed over her bank details. It's true that the company does set out the full charges it makes in the website's small print, but Rachel says she didn't see the terms and conditions; and by missing these, she hadn't spotted that she was authorising the company to set up what's known as a "reoccurring payment" or "continuous payment authority". Her mother says she was shocked that the bank wouldn't refund the money.

RACHEL'S MOTHER: I think that they should have been more understanding and sympathetic to someone, a 17 year old basically, and I think there should be more protection for under-19s. Why have an under-19 account if there isn't protection in

place for such cases?

ALEXANDER: To stop reoccurring payments, you have to write to the company that's charging you and send a copy of that letter to your bank. But what can you do about the payments already taken? Basically if your bank refuses to help, you can take your complaint to the Financial Ombudsman who may be more sympathetic.

LEWIS: Thanks, Ruth. But is there another avenue perhaps for young people? I asked Monica Jaimini, a consultant lawyer with Which? Legal Service whether a contract by someone under 18 is legally binding.

JAIMINI: It's possible for a person under the age of 18 to be held to a contract. Whether they are or not may depend largely on the nature of the contract and what it's for, so whether it's for something that's regarded as a necessary - i.e. something like food, clothing - or whether it's something that's really for their comfort or pleasure.

LEWIS: So probably not if it was a computer game, but possibly if it was food. What about diet pills? Where do they fit into that scale?

JAIMINI: I think it would be a very difficult argument actually to try and argue that a diet pill was a necessary.

LEWIS: And if that contract for diet pills wasn't enforceable, she could say to the company you can't charge me?

JAIMINI: That's quite difficult because you essentially have two contracts here. There is one contract between her and the company that's providing the diet pill, and then there's another contract between her and the bank. And in one sense you can certainly see them all as one and argue you know she's under the age of 18, so it shouldn't be enforceable. But, on the other hand, there's two separate contracts and in terms of her contract with the company providing the diet pill, the bank has had nothing to do with that and that's something she has entered into separately. The flip

side to that is well the bank is providing this account to somebody who is under 18, who may not necessarily understand the legal implications of entering into a contract like that, and so perhaps the bank has to take some responsibility to try and restrict or limit the usage of an account like this, so that situations like this don't occur.

LEWIS: Consumer lawyer Monica Jaimini. And, Ruth, she was talking of course about the situation under English law?

ALEXANDER: Yes, in Scotland the law is different. For example, a 16 or 17 year old could potentially argue that they don't have to be bound by a contract if it can be shown that an adult exercising reasonable prudence wouldn't have entered into it.

LEWIS: And what's Lloyds said now?

ALEXANDER: Well after Money Box got involved - hey presto, the bank credited the girl's account with £256.25. It gave us a statement saying that under its normal policy, it wasn't liable as the customer has agreed to the merchant's terms and conditions and willingly authorised the payments. But as a gesture of goodwill, it had decided to cover the disputed transactions after all.

LEWIS: Ah, the Money Box magic effect. Thanks very much, Ruth.

If you want to take no risk with the money you're saving up for a pension, you might be attracted to a fund called a deposit, imagining that it would grow at least like money in a savings account. Well that's what Money Box listener Susanne Groom thought. She had about £40,000 to put into a pension fund, which she hoped to use for her retirement fairly soon. Her financial adviser guided her to the Aviva Deposit Fund as one where she wouldn't make a fortune, but wouldn't see her money fall in value. Then she got a statement.

GROOM: I was quite surprised to learn that that pot of money, that £40,000, had only earned £11, and I thought that was terribly low actually. I asked them what the

actual interest rate was on this account and the person from Aviva told me he could not “reveal” it to me. The second thing was that I noticed I’ve been paying in the region of £27 a month what they label ‘administration charges’. Now that adds up to over £300 a year, nearly thirty times as much as my interest. I wonder what those charges are.

LEWIS: Well I looked into this and Susanne’s charges are in fact 0.8% of her total fund, about £320 a year. The fund brought in just over £330 in a year, leaving, as she said, a net gain of £11. With me is Malcolm McLean, a consultant with actuaries Barnett Waddingham. Malcolm McLean, why are returns so low on these cash-like deposit funds?

McLEAN: Well, as you say, the reason why people have put money into these accounts is because they don’t want to take risks, they want a stable return. And there is obviously less scope for big returns, which you would get from perhaps putting your money in the stock market, but it is relatively secure. Now we are in a low interest rate environment at the moment and these type of pension cash funds as it were, they work on corporate interest rates, not personal ones, so the rate will always be at the moment very low.

LEWIS: Yes, so it’s not like going down the high street and getting 3% on an online account?

McLEAN: Absolutely.

LEWIS: That’s certainly what Aviva said to me. In Susanne’s case though, the returns are low but the charges were high. I mean some are even higher than she paid. What do they do for their money?

McLEAN: Well there’s always questions about charges, particularly when returns are low. When returns are very good people tend not to worry too much about charges. It’s the net amount that they’re interested in. The charges are levied as a fixed

percentage of the fund value and some years obviously that will be much more than others. The money is there to pay for the fund manager and to reimburse the financial adviser by way of commission.

LEWIS: Yes commission for them. Now Susanne chose this fund because she was close to retirement, she wanted to take no risk. But some people find their money is moved into these kind of investments without them even knowing, Malcolm?

McLEAN: Yeah, absolutely right. And there can be a problem here. When people take out a personal pension, they're given a choice as to what sort of investment vehicle they want to use and that can range from something pretty stable and secure to something really extravagant - you know Far Eastern equities or something like that. And the scheme will have what's known as a default option - that is to say somewhere probably in the middle of there - and if people don't wish to choose to exercise a choice, they will be put into that fund. And 90% of people, believe it or not, are actually put into that type of fund. Some of them are constructing what is known as a life styling arrangement, so what it means is - and particularly for a younger person - you will be invested in the stock market initially; and then as you get closer to retirement, you will be moved out into something more stable - bonds or cash. So that's how it works. But you need to make sure your scheme knows when you're retiring and any changes along the way.

LEWIS: And very briefly, Malcolm, what should cautious people do to avoid these problems?

McLEAN: Well be aware of the consequences perhaps of putting money into the stock market. But as a long-term investment experience has shown that that is probably the best place for the money, but you've got to have an appetite for risk and you've got to be prepared for ups and downs.

LEWIS: Got to be prepared to lose money as well as make it. Malcolm McLean from Barnett Waddingham, thanks very much.

Now still with investments, we've talked before about how investment funds are named. Aggressive, global growth, managed balance, income maximiser - just a few of the adjectives I found attached to them in the Financial Times listing this week. But this week the Investment Management Association came out with its own ideas. In its classification of managed funds, it's giving up the three adjectives Active, Balanced, and Cautious, and replacing them well with their initials - A, B and C - and a new category, D, to be introduced next year. The response from the industry was almost universally hostile to those plans - so much so that the Investment Management Association says this is just a consultation and before the scheme starts in July it may change. With me is Richard Saunders, the Chief Executive of the Investment Management Association. Richard Saunders, Active becomes A, Balanced becomes B, Cautious becomes C. What's the point of that?

SAUNDERS: Well, Paul, I think there was pretty widespread agreement that the old names had passed their sell by date. I think a lot of people felt that Cautious wasn't a good name for a fund that could in theory be up to 60% equities, and that if something was up to 85% equities then that's hardly a balanced fund. And also people said that the term Active Managed was something of a tautology - what does it mean? So I think there was a feeling that we needed to change this. So why have we gone for A, B, C? Well I think let's rewind slightly. These funds are a bit different to other funds. They're not like say a North American equities fund or a UK gilts fund where there's a very straightforward benchmark you can compare against, you can rank the funds, and the naming is actually pretty straightforward.

LEWIS: So you know they're in American shares or in government stock or whatever?

SAUNDERS: Exactly. These are different. They're in mixed assets and they're trying to do something a little bit different. What they're trying to do is to deliver the best return they can for a certain level of risk, and we categorise and group these into funds according to parameters which set that overall level of risk.

LEWIS: So A is most risky still, is it, and C the least risky?

SAUNDERS: Now the problem with that - that's quite a subtle and sophisticated concept and you can't capture that in a single soundbite, so we've gone instead for a straight hierarchy.

LEWIS: *(over)* With a single letter.

SAUNDERS: *(over)* A is the high ... And I don't think that's difficult to understand actually once people get used to it. I know it's new, but once people get used to it - the idea that A is higher risk and a potentially higher return than B, and B than C - I don't think that's difficult.

LEWIS: Okay well listening to that in Bristol is Mark Dampier who's from the IFAs Hargreaves Lansdown and has been, along with many of his colleagues, very critical of this change. Mark Dampier, will they make any difference, do you think, to public understanding?

DAMPIER: No, I don't think the public understand most of them anyway in the first place, so in that way you could say Dick may be right - let's call them A, B and C. But I mean I think he's made a bit of a laughing stock of most of us. Most of us when we saw it thought it might be April 1st when we saw A, B and C.

LEWIS: Well that's a bit harsh. I mean he did explain A is the most risky and perhaps the best rewards, though you never know.

DAMPIER: Well if it's called Aggressive and it's called Cautious and it's called Balanced, you've kind of got the names. The trouble is with all these things is you're trying to pigeonhole funds and resolutely they refuse to be pigeonholed. And the answer on all these things is it doesn't really matter what the category is. It's not just these, by the way. The All Companies category, which is UK, mixes up four or five different types of UK funds. The answer from both intermediaries and investors alike is to actually look very closely, look under the bonnet of the actual fund they're going to invest in.

LEWIS: Sure, but the truth is, isn't it, that no-one - not your company, not the Investment Management Association, not the cleverest investor in the world - actually knows whether a fund is going to make a certain amount of money next year or not?

DAMPIER: No, no, of course not, but there has to be some kind of parameter and that's the idea of pigeonholing the funds. But you're absolutely right, that the only way to do it ... Otherwise you end up with the Arch Cru debate that we had a year or so ago, and you had it on Money Box, where their cautious fund had 25% in private equities.

LEWIS: Well yes and that was a disaster and we looked into that, but that was perhaps an exception.

DAMPIER: Well I'm not sure it is actually. There's lots of problems and Dick will know that the word 'cautious' means different things to different people, and that's the problem.

LEWIS: Richard Saunders, do you feel a laughing stock?

SAUNDERS: Well I think Mark has just made rather well my case actually.
(Dampier laughs)

LEWIS: I don't think he meant to.

SAUNDERS: Can I come back to something you said, Paul, when you said it's difficult to tell how these things are going to perform.

LEWIS: Well it's impossible, isn't it?

SAUNDERS: Well we looked at the performance of these three groupings of funds and there's quite a detailed analysis published in the report that we did, which actually shows that they actually do deliver that in the sense that there is higher volatility in

those groups now in category A but a somewhat better return, lower in B, lower in C. So they are doing actually what they say they do. We don't know what the numbers will be, but in terms of the type of investment you're buying, they're actually doing what they're intended to do. But the problem is the name Cautious, I think conveys the wrong message to many people.

LEWIS: Well it did really because when I looked at those graphs Cautious funds had actually lost money. That's hardly cautious, is it? Or is it, I don't know?

SAUNDERS: Well that's exactly the problem, Paul. These funds are not intended to be cautious in some absolute sense. They're cautious relative to these other mixed asset funds, but they're trying to take some risk.

DAMPIER: *(over)* The problem is they're low risk, they're not no risk.

SAUNDERS: As Mark says, they're low risk, not no risk.

LEWIS: Low risk, not no risk - that's absolutely right. Yes and of course risk always means you could lose money, though that's not often made very clear by people in your business, Mark, is it?

DAMPIER: Well I actually don't agree with that at all anymore. I think we're peppered with compliance and regulation all over the place.

LEWIS: So you say to people well this may be cautious, but of course you could lose half your money?

DAMPIER: Well we actually do spend a lot of time ... Well we actually look at the actual funds themselves and try and sort that out ourselves. But it is a cautious fund; but, as you say, cautious, you can't guarantee that it won't fall 10% or 15% or more actually. That's the problem.

LEWIS: Absolutely. Well we could debate ...

SAUNDERS: Which is why we want to get away from the term cautious.

LEWIS: Okay Richard Saunders and Mark Dampier, thanks very much. Must end it there because we're running out of time. You can find out more from our website, bbc.co.uk/moneybox, do all sorts of exciting things. You can have your say on under-18s and bank accounts. I forgot to tell you that earlier. Under-18s and bank accounts is our have your say. Vincent Duggleby's here on Wednesday with Money Box Live, taking your questions this week on sending money and spending money and how much it costs. I'm back with Money Box next weekend. You can read my random thoughts on money whenever I'm awake - [Paullewismoney](https://twitter.com/Paullewismoney) on Twitter. Today reporters Ben Carter, Ruth Alexander, producer Lesley McAlpine. I'm Paul Lewis.