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MONEY BOX

Presenter: PAUL LEWIS

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LEWIS: Hello. In today's programme, more websites that charge you for free advice and free government claim forms. We talk to the man who runs one of them and ask is he exploiting people? As BP struggles to stem the flow of crude oil into the Gulf of Mexico, should pension funds here be suing the company for their losses on the tumbling share price? Bob Howard's here. He's been talking to a frustrated homeowner.

HOWARD: That's right, Paul. Should your lender try and value your property while your building work is being carried out rather than after?

O'NEILL: We can actually afford to pay for the further loan, so it just beggars belief that they've taken this approach.

LEWIS: And the tax that less than 1% of us pay, but a big percentage are afraid of: capital gains.

Now last week we looked at websites that were charging for government claims, cards and information that were available free or at much lower cost through the official government website. And lots of you have contacted us to say that it's not just free health cards that we looked at last week that you've ended up paying for. Our reporter Ben Carter's been delving into other websites.

CARTER: As you mentioned, Paul, dozens of listeners have contacted us to say that they've paid £9.95 for a European Health Insurance Card after using websites with a very similar name to the official government site. Listeners have also told us they've paid an inflated fee when booking driving tests, applying for a United States visa, or even renewing a passport each time they thought they were using an official or affiliated website. But we found one website that is charging people to apply for child benefits online and is even directing people through the official HMRC child benefit line through a more expensive telephone number. They also charge £11.69 to apply for child benefit when of course it's free to do so through the official website: www.direct.gov.uk.

LEWIS: Thanks, Ben. Well I spoke to Shaun Freeman, who's the Managing Director of Digital Select Limited which runs these child benefit websites. And if you think he sounds as if he's reading some of his answers, he was. We cut out some very long pauses and rustling of paper to speed things up. I asked him first why people should pay £11.69 for a claim form they could fill in free?

FREEMAN: They get a service which aids them in accurately completing the form, child benefit HMRC form, that ensures the application is processed as quickly as possible by HMRC and it's not rejected.

LEWIS: But on your forms, you say that you're not responsible in any way for verifying the accuracy, likelihood of success (or otherwise) of the information you submit.

FREEMAN: The personal details that the applicants enter, we don't cross check that against any other records, so the users need to ensure that information is correct.

LEWIS: Just explain this 0844 number that you've got on your website because where does that take you?

FREEMAN: The 0844 number takes you directly through to the child benefit office.

LEWIS: That just takes you through to a number that you could dial yourself with an 0845 prefix that will probably be free, whereas yours costs money.

FREEMAN: The 0845 prefix is actually a charged number as well. It costs up to 4p a minute during the day. The number we provide is only a fraction more than this.

LEWIS: Well yours costs 5 pence a minute. And the 0845 number, as I understand it, costs half a pence to 2 pence a minute, but for many people it's free because it's part of their bundle, isn't it?

FREEMAN: It does vary from network to network, but the website does display ... sorry does not display HMRC's 0845 number for disaster recovery reasons.

LEWIS: I'm sorry, but you'll have to explain that to me. Disaster recovery? So you mean you can't display it for what reason?

FREEMAN: No, no, no. Should HMRC encounter a problem with their 0845 numbers, callers would not be connected. With an independent number, we can quickly and easily re-route this to an alternative active HMRC number to ensure callers always get through to the child benefit office.

LEWIS: How often has that happened?

FREEMAN: It's not happened as yet, but we've got to plan for the future.

LEWIS: So it's never happened?

FREEMAN: Not as yet, no, but the site hasn't been running that long with this service.

LEWIS: Right, so people pay 5 pence a minute to be put through to a number that could be free ...

FREEMAN: *(over)* It's not free.

LEWIS: ... and what they're paying for is at some point in the future one of the HMRC numbers might go down?

FREEMAN: But it would be very frustrating in the future if the HMRC number *was* down.

LEWIS: So this again is information people could find somewhere else if they wanted to?

FREEMAN: It's very difficult to find some of this information, and obviously not everybody wants to trawl through internet sites to try and find the number.

LEWIS: No. But do you tell people that on your website?

FREEMAN: Sorry, bear with me.

LEWIS: You're looking for the answer 'no' somewhere, I think.

FREEMAN: I don't believe that's stated on the website, no.

LEWIS: You also have an 0911 number. How much does that cost?

FREEMAN: It costs £1.50 per minute.

LEWIS: What information is on that?

FREEMAN: Well the service was created due to HMRC information on child benefit being difficult to obtain, not very clear and frequently confusing. And the information pronounced or announced on that service is collated from a variety of sources and the service provides the information in a clear, helpful and convenient manner.

LEWIS: Yes. I mean when we listened to it, it's just a pre-recorded message that takes information from the government website: direct.gov.uk. Is that right?

FREEMAN: It takes it from a variety of sources.

LEWIS: What are they?

FREEMAN: Well the government being one source; personal experiences and market research amongst other sources.

LEWIS: So there's personal experiences and market research on that tape, is there?

FREEMAN: There's information from a variety of sources, yes.

LEWIS: The telecoms regulator Ofcom though has told us it's so worried about your activities, it's put you on a number refusal list to prevent your company, Digital Select, getting any more premium rate numbers.

FREEMAN: That's correct: we are on the Ofcom barred or refusal list. It's related to two incidents in the past.

LEWIS: But a company goes on that list because Ofcom's satisfied it has caused 'serious or repeated harm to consumers in the past'. Do you accept you've done that?

FREEMAN: We dispute that.

LEWIS: So you don't agree you've caused serious or repeated harm to consumers in the past?

FREEMAN: That's correct.

LEWIS: You disagree with Ofcom?

FREEMAN: That's correct.

LEWIS: So why are you on the list?

FREEMAN: Because it's the route that Ofcom decided to take. We appealed it and their decision is final.

LEWIS: How much were you fined by the telecoms tribunal in July 2009?

FREEMAN: I believe that relates to this child benefit service and it actually consists of three different services, including a client of Digital Select, so the total fine was £50,000.

LEWIS: Aren't you just exploiting people?

FREEMAN: Not at all.

LEWIS: But why isn't that exploiting people? Providing information that they could get free for a fee - why isn't that exploiting people?

FREEMAN: Because we make it very clear that we're not affiliated with HMRC or the official source and the information ...

LEWIS: Well that's not my point. Why isn't it exploiting people to charge them for information that they could easily get free?

FREEMAN: The information is very useful and value added to the consumer, and in addition to this we do clearly state the call costs or the charges to use the service. And again, we do state that we're not official and that we're not affiliated with HM Revenue & Customs.

LEWIS: Just remind me where you state the cost of the 0844 call?

FREEMAN: On that particular service, we don't, but it's not a requirement of Ofcom.

LEWIS: Alright, so you don't state it because you're not forced to?

FREEMAN: That's correct. I mean it's something that we are reviewing and we have in other instances stated the cost of 0844 numbers, and we may consider to do that in the future as well.

LEWIS: Digital Select Managing Director Shaun Freeman. And there's a longer version of that interview - with most of the pauses left in - on our website: bbc.co.uk/moneybox. Our website also has all the links you need for free information and claims for child benefit. Well live now to talk to Conservative MP for Sevenoaks, Michael Fallon, who is currently the only candidate to be Chairman of the powerful Treasury Select Committee when votes are cast on Wednesday in the new Parliament. Michael Fallon, how do you react to these businesses that charge the public for services the government provides free?

FALLON: Well I think these are rip-off sites. I think that's clearly unscrupulous market behaviour. And what worries me about the child benefit one is that it's taking advantage of the most vulnerable people who may be in most need of getting child benefits sorted out quickly.

LEWIS: Yes, it's not just child benefit either, is it? There are commercial sites, re-selling, Companies House information, Land Registry information, charging more for replacement birth certificates. Do you think we need tougher laws about them?

FALLON: Well I think we need tougher regulation. I mean Ofcom I think certainly ought to look at the codes of practice in this area: the length of Mr Freeman's message of course, which adds considerably to people who just want straightforward information about child benefit; and the failure of his website - which I've been looking at - to make it absolutely clear that it's a commercial website and not official. So I think you know the regulator has got work to do there. And I think the cabinet

office actually ought to look at all these fake government sites. There's no point using taxpayers' money to create all the proper official sites if they can be so easily bypassed, particularly on the web search engines, and people can buy their way in and get their sites listed higher up than the proper sites.

LEWIS: Now you mention the cabinet office, and I must say one of the problems we had with this item was getting a government minister to take overall responsibility because it does cut across different departments. Should there be somebody senior in government who is looking at it?

FALLON: Yes, I mean it should be somebody in the cabinet office. I mean they're going to great lengths, and it has got much easier now, to put so much government information online through directgov and so on and to direct people to be able to download stuff at no cost to themselves and to get on with accessing the government services they want. But there's no point in doing all that if they don't at the same time do something about these fake government sites that are clearly, as your example illustrates I think brilliantly, are clearly just ripping people off.

LEWIS: Yes. I mean I must say at this point, I suppose Shaun Freeman would deny that. And some people might ...

FALLON: *(over)* Well he may deny it, but he doesn't make clear that you're going to be charged quite expensively for calling his particular number and he doesn't make it sufficiently clear that he's not running a proper official organisation.

LEWIS: Some people might say though, mightn't they, buyer beware: if you're not careful, you might pay?

FALLON: Well sure, but in this particular case ... You know that may be if there's a service offering to get you a passport quicker than the official passport service. Fine. But in this particular case, he's quite clearly taking advantage of people who could easily access this information for free - may be quite vulnerable, they may need the child benefit quite quickly, they may be people who are in most need of child benefit -

and I just think it's wrong that people are allowed to rip off the public in this particular way.

LEWIS: And very briefly, Michael Fallon, if you succeed in becoming Chairman of the Treasury Select Committee, is this something you might ask your committee to look at?

FALLON: Yes, I mean under John McFall's leadership, the committee had a very good record in pursuing consumer issues like this, and this interacts directly with government. I think there is a role for the regulator and for the cabinet office in looking at these unscrupulous websites and doing something about them.

LEWIS: Michael Fallon, thank you very much for talking to us. And you can let us know your experiences of expensive websites that should be free on *our* website, which *is* free: bbc.co.uk/moneybox.

UK pension funds are counting the cost to them of the human and environmental tragedy of up to 30 million gallons of crude oil erupting into the Gulf of Mexico. It affects pension funds because most of them have extensive shareholdings in BP, and those shares have plummeted in value by a third since the day the explosion that killed eleven people working on the Deepwater Horizon drilling platform on 20th April. Pension funds of course invest in BP partly because it's one of the biggest UK companies, and also it has a history of high dividend payments. Well with me is Bob Campion, Editor of Pensions Insight magazine and himself a pension trustee. Bob Campion, there's some hope this weekend the oil has been at least partly contained. How big a role does BP play in British pension funds?

CAMPION: Well it plays a massive role because it's such a large component of the stock market - around 7% of the whole UK stock market BP accounts for - so pretty much every pension fund in the country will have significant investment in it. I estimate it's probably about £20 billion. Could be more. If they don't pay the dividend, which you know we're waiting to hear from, that could be a massive problem in July because a lot of pension funds rely on it partly to pay their pensions

in payments.

LEWIS: That is an awful lot of money - £20 billion. We know they'll pay the already agreed dividend on 21st June, but it's the next one that they're discussing. And of course President Obama himself - the US President - has said they shouldn't pay it. They should be giving more money to people in Southern United States.

CAMPION: Yes he has said that and the mood's getting pretty black in America, so you can see why that's the case and why BP have shied away from confirming they're going to pay it. I have to say a lot of analysts think they still will pay that and that they're just playing it calm, hoping to stem the flood of the oil over the next few weeks.

LEWIS: Yes, I mean it'll be a very unpopular move though, won't it, particularly in the United States? Do you think this could damage BP as a company in the long-term?

CAMPION: Well that's a good question, isn't it? We've seen a lot of companies that have suffered significantly because of their loss of the reputation and the value of their brands diminish. BP of course though, it's not a bank. It produces something real and valuable that everyone wants - oil. So I think in the long-term it's likely to survive as a company, but it's going to be a pretty bumpy ride over the next months, possibly longer.

LEWIS: Yes and big losses by the falling share price. And I'm just going to turn to another pension fund now - one that is suing BP in the US courts for what it says is negligence which led to an oil spill in Alaska four years ago. And this fund, the Lothian Pension Fund, looks after 67,000 council workers pensions in the Edinburgh area, and I spoke yesterday to Councillor Tim McKay who's Convenor of the Pension Fund. He told me how much it had lost.

McKAY: We've quantified the loss as being about half a million dollars at the time, so that's essentially what we are suing them for.

LEWIS: That doesn't sound very much in the context of your fund. How much was your fund worth?

McKAY: At the time, I think it would probably be worth about two and a half billion sterling.

LEWIS: So it's pretty negligible in terms of the fund itself, isn't it?

McKAY: Half a million dollars is still a substantial amount of money.

LEWIS: Well that was the Lothian Pension Fund, Tim McKay. And Bob Campion, they're still awaiting the outcome of that case after four years. Do you think we're going to see other pension funds suing BP over the much worse events in the Gulf of Mexico?

CAMPION: Well we're certainly hearing about lots of court cases pending for BP; but whether it's shareholders that we bring in, I'm not so sure. Typically we're talking about class actions here, which is where the shareholders need to show that the company has misled shareholders in some way, shape or form. Has that happened here? Not sure. On the other hand, you could argue maybe if pension funds simply hang onto their BP shares - if they sort out the mess of the next few months or years that share price could come back, so ultimately they won't lose any money. The problem is if they sell them in the eye of the storm, which is where we are at the moment, and effectively crystallise that loss.

LEWIS: Yes and do you think trustees themselves should be more active in looking at the risks? I mean BP seems a big, safe company, lots of dividends, but deep down in the Gulf of Mexico there was this big risk going on.

CAMPION: Well I think every trustee board in the country over the next few weeks or months is going to be asking themselves (and the fund managers that manage their money on their behalf) did you, did we really understand the risks that BP was

running in its deep sea mining operation? It's a similar question that they were asking themselves a few months ago or years ago about whether they really understood the way the banking industry was operating.

LEWIS: So more active fund management, more active trustees. Bob Campion of Pensions Insight, thank you very much.

Now if you want to extend your home, how easy is it to persuade your mortgage lender to lend you the extra money? Credit is tight at the moment, but one Money Box listener has had his loan application declined for a reason he's finding very hard to understand. Bob Howard's been to meet him.

HOWARD: This is Cobham in Surrey, an affluent area of the home counties. Kevin O'Neill and his family live in a modern three bedroom converted bungalow here, but would like more room. Instead of moving, Kevin and his wife want to extend by building extra rooms above the existing living space. (*to O'Neill*) So we're just walking up your garden path. The house is set into a hillside.

O'NEILL: Yes, it's quite a steep hillside, as you can see.

HOWARD: Yuh.

O'NEILL: There's fantastic views from the top of the local woodland.

HOWARD: You've got your architect's plans, so just run me through what changes you're going to make.

O'NEILL: So it's the usual three bedrooms, one bathroom and living room, dining room. What we actually want to do is actually move up into the roof to actually create a master bedroom/ensuite and two further bedrooms and the study. That's the intention.

HOWARD: To raise the money, Kevin approached his mortgage lender Alliance and Leicester. The initial paperwork went through and Kevin outlined to me the figures involved.

O'NEILL: We actually bought the house two and a half years ago. We put a deposit down of £320,000. Our current mortgage at the moment is £295,000. The value of the property at the moment, we understand is approximately £650,000.

HOWARD: More than 50% equity there?

O'NEILL: Absolutely. And after the work is done, the surveyor verbally said that the property would probably be worth about £850,000. So again there would be plenty of security, I think.

HOWARD: And the cost of the work is going to be?

O'NEILL: Approximately £110,000. Okay it's a significant amount, but still with the loan to value ratio, you would think that even if something went horribly wrong, the value of the house would be sufficient for someone to buy it.

HOWARD: And how long do you think the work would take?

O'NEILL: To get everything done would probably be about 6 months. But in terms of the roof coming off - when I was talking to the builder, he said if we start in July, the whole of the outside would be done by mid to end October. So not very long at all.

HOWARD: Alliance and Leicester appeared to accept that Kevin and his wife could afford the extra loan, but when a surveyor came to look at the property, they then received an unexpected rejection letter for their loan application. So, Kevin, you've got the rejection letter here. What do they say?

O'NEILL: 'The property's value will be adversely affected during the construction

period. Whilst the temporary roof may enable you to remain in the property during the proposed alterations, the value and saleability of the property would still be considerably reduced during the alterations.'

HOWARD: Presumably that would be true of any major work? If you're building a new kitchen or a loft extension or anything like that, the value of the property's going to be affected while that work's carried out.

O'NEILL: Well absolutely. We've had a structural engineer around. We have full planning permission that the house that going to fall down. It just seems that the Alliance and Leicester or Santander are more worried about the us defaulting during the six weeks or so the roof is off the house.

LEWIS: Well Bob, listening to that I'm a bit puzzled. He's got a mortgage for less than £300,000 on a house worth well over £600,000 that's going to be worth well over £800,000 after all this work and he only wants to borrow £100,000. Why is the Alliance and Leicester being so difficult?

HOWARD: Well it's very puzzling, isn't it? Alliance and Leicester told me it would decide loan applications like Kevin's on a case by case basis, so there is no blanket ban on lending further to homeowners who want to do major work to their property. So I spoke to two other big lenders to see what their position would be. One told me that during any structure work, there may be a short-term dip in value; but it said it would look at the longer term valuation of the property, and it had the processes in place to do this. And Nationwide said that extensive works to a property could see a reduction in value while those are in progress, but in most cases this wouldn't fall below the outstanding debt. And I also spoke to the Council of Mortgage Lenders and it said that lenders had generally become more cautious in the current climate, but it didn't believe people wishing to extend their home specifically were being disadvantaged. So the O'Neill's remained very puzzled why they didn't get that loan.

LEWIS: But Bob, you have a smile on your face which tells me there's a happy ending here.

HOWARD: Indeed. They eventually got some good news. They've been able to get a separate loan through a broker, so the extension work is going to go ahead after all.

LEWIS: The Bob Howard effect. (*Howard laughs*) Thanks very much, Bob.

Now the latest figures show that capital gains tax was paid by just 130,000 in 2008/9. That is one quarter of 1% of the adult population - 1 in 400. But plans to raise the rate of CGT - up to 40% in many cases - are causing the coalition government a lot of problems. Liberal Democrats support the changes; but some Conservatives want such big concessions, the new rates of tax may raise little extra money. Newspapers are joining in. The Daily Mail asked this week: will the capital gains tax hike hit you? And the Daily Telegraph had its 'hands off our assets' campaign today. Well judging by the Money Box emails, there's a lot of anxiety about the tax among many people who may never have paid CGT but fear the effect of it on their future retirement plans. Even since I trailed the programme on breakfast television this morning, more emails have come in from people afraid that CGT will hit them hard. Well live now to Exeter to talk to Anne Redston, Professor of Tax at King's College London. Anne, first, how do you react to the press coverage? Is it fair?

REDSTON: I think it's an overreaction really. I understand that it's very scary for people to hear that there's going to be a tax increase, but they don't know *when* it's going to happen and they don't know how much it's going to be. But, as you said Paul, the majority of people, the vast majority of people can relax because they'll never pay CGT.

LEWIS: No, but I think the fear people have - and it certainly comes out from the emails we've had just this morning - it's fear about they've bought a second home which they're renting out or they've got a big shareholding and they're looking forward to retirement, but they think when they reach retirement a big chunk will be taken away. I mean they may only pay it once in their life, but it could be devastating.

REDSTON: Certainly the rate is likely to go up and I think that the predictions that it's going to go up to 40% or 50% are right. But people should remember that they

have a personal allowance of £10,100 per person. So if you're a couple, you each have that allowance. So if you for instance hold your shares between you, you've got over £20,000 of gain without there being any tax at all.

LEWIS: Sure. I mean that might be true for most people's shareholdings, but if it's a house or a flat, you know it might have gone up by a 6 figure sum, mightn't it? So even with that amount off. And of course the Liberal Democrat part of the government wanted to reduce that to £2,000. Now that *would* bring a lot of people into the tax, wouldn't it?

REDSTON: It definitely would and I think that is probably a step too far. One of the good practical reasons for not doing that is that it would be a huge burden for HMRC who will have a vastly increased number of tax returns to deal with. So I think it's very unlikely.

LEWIS: So they'll be lobbying against it?

REDSTON: Well they may be lobbying in favour of it - it'll increase the numbers of tax officials - but I suspect it won't happen. I think there's too much paperwork for the Revenue.

LEWIS: Yes, and of course we're supposed to be cutting civil servants posts rather than increasing them, aren't we?

REDSTON: Indeed, yes.

LEWIS: Concerns have also been raised about people in Save As You Earn schemes where you put money into your own company's shares during your working life and there are tax concessions for that. They might be hit if they make a big gain. Is that likely?

REDSTON: Again I think that's unlikely. The government has said that they're

going to give relief for business assets. And they haven't defined business assets, but shares in your own company is really shares in your business and I would think relief for employee shares is wholly consistent with the relief of business assets.

LEWIS: Yes. Now that's a way out and of course there are lots of calls for all sorts of exemptions from many members of parliament. If too many get them, it won't raise much money; and if the government doesn't raise money from capital gains tax, it's going to have to put up another tax that we all pay like VAT, isn't it?

REDSTON: Absolutely. I think that will go up anyway. That would be my prediction.

LEWIS: And do you think it might even be extended because at the moment there's children's clothing, travel, books, newspapers all exempt?

REDSTON: I think they're more likely to put it up perhaps by slightly more, perhaps to 20.5, than to take away the exemptions. If they do take away the exemptions, the most vulnerable I think are the children's clothes.

LEWIS: 20.5%.

REDSTON: Or even 21. (*laughs*)

LEWIS: Oh dear. I think we'll stop there before you go any higher. Anne Redston, thanks very much. And you can let us know what you think about capital gains tax and indeed tax rises on our website: bbc.co.uk/moneybox. But that's it for today. On that website, you can do all sorts of interesting things and also tell us about your website experiences - paying for what should be free. I'm back on Wednesday with Money Box Live, this week taking your questions on long-term care. Some of you emailing us already. I'm back with Money Box next weekend. Today the reporter Bob Howard, the producer Monica Soriano. I'm Paul Lewis.