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## **MONEY BOX**

**Presenter: PAUL LEWIS**

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**LEWIS:** Hello. In today's programme, Ryanair changes its fee free payment method. Visa Electron is out. Prepaid Mastercard is in. But how much will the new card cost? People wanting a government grant to insulate their home face a 6 month queue. The great bank charges debate as the unsympathetic argues with the feckless.

**BRIGGS:** I'd get charged one month, and that money that's taken off would ensure that I'd be charged next month.

**SEYMOUR:** These were self-inflicted charges. If you'd handled your money better, you wouldn't have incurred the charges in the first place.

**LEWIS:** Well more on that argument later. And how some people living in the UK manage to be officially abroad when the tax man calls. Just what is non-domicile status and who does it work for?

But we start with more on the story about the cost of booking flights online. Last week, we said that the most common way to avoid booking fees was to use a Visa Electron card - but we warned that those cards were becoming harder to get, with some banks phasing them out and even Visa saying their days could be numbered. Nevertheless, Ryanair, whose normal charge is £5 per person per flight, told Money Box then that this payment method was popular with customers.

**McNAMARA:** We have a promotional agreement with Visa Electron. It's widely available throughout Europe, and I'm very glad to say that about 30% of our passengers are now using it.

**LEWIS:** Well that was ten days ago. Bob Howard first brought us that story last Saturday. And, Bob, on the first working day after last week's broadcast, things changed.

**HOWARD:** Yes, well on Monday Ryanair announced that Visa Electron actually wasn't quite as widely available throughout Europe as it would like it to be, so it said it was switching over to Mastercard prepaid cards from 1<sup>st</sup> December. And from 1<sup>st</sup> January, Mastercard prepaid would be its only free payment method, as from that date it was going to start charging for Visa Electron payments. I thought I'd better ask other airlines whether they too were likely to switch from offering Visa Electron as their one free payment method. Aer Lingus and EasyJet both told me this week its future use was "under review". That still leaves Flybe and BMI Baby, amongst others, definitely sticking with Visa Electron. But, Paul, it still looks like a lot of customers who've gone to the effort of getting the Visa Electron card are going to have to switch sooner rather than later.

**LEWIS:** Well in the case of Ryanair, the new free payment method from this Tuesday is something called a prepaid Mastercard. I asked Stephen McNamara from Ryanair why the airline had changed its policy.

**McNAMARA:** The Visa Electron card was, when we introduced it at first, very widely available. More and more it's been withdrawn, so we wanted to move back to a card that was both available on the Internet and also available through the high street. It's any Mastercard prepaid, so irrespective of whatever provider you get it through. And there are a large number of providers and my advice to anybody who's going to get the card is to just do a little bit of shopping around before you decide which card to get.

**LEWIS:** Yes, I mean I've been doing some research today and they are all very

expensive, aren't they? You have to pay a joining fee, which can be (in one case) £29.99, though some are a lot cheaper. You pay a monthly fee for some of them. You pay a fee every time you use the card with some of them. And when you put money on the card, you pay. So this is not a free way to pay, is it?

**McNAMARA:** No, it's not. And, Paul, I'm disappointed that you'd make that type of assertion when clearly on the Internet there are cards which start from 6 euro and attract no additional fees whatsoever.

**LEWIS:** There is not a single card where there are no charges.

**McNAMARA:** Yes, absolutely there is.

**LEWIS:** Give me an example.

**McNAMARA:** Well unfortunately, Paul, just like with the Visa Electron, we can't lift any particular card provider. Even when you look at debit cards, when you look at store cards, when you look at credit cards - they all vary in relation to interest, in relation to charges, in relation to usage policies. So to say that this card differs from those cards completely is absolutely disingenuous.

**LEWIS:** Are you going to tell people about the cost of having a prepaid card when they see your adverts and your prices?

**McNAMARA:** No, that wouldn't be up to us. The costs would be varying.

**LEWIS:** But the Advertising Standards Authority says you have to show non-optional charges. The OFT says where charges are unavoidable and foreseeable, you have to show them. These *are* unavoidable and foreseeable charges. Either people pay you £5 a journey a person, or they pay for their prepaid card.

**McNAMARA:** That's absolutely ridiculous. Firstly, I mean, in that case we'd have to

start ...

**LEWIS:** Well tell me which bit of that isn't true.

**McNAMARA:** If that's the case, you'd have every ticket provider having to say if you don't pay your credit card bill at the end of the month, you will pay interest.

**LEWIS:** Are you going to put the Ryanair charge for using other cards on your adverts?

**McNAMARA:** No, because we don't have to. What we have to do is provide the absolute price at the lowest fare.

**LEWIS:** Are you offering this prepaid Mastercard as a free option just so you *don't* have to put that £5 per journey per ticket per person on your website?

**McNAMARA:** That's you know just ridiculous. Before today's news that we've actually made it easier for people to get the card, you were calling me to have a go at us about it not being easy for people to get the card. It is now incredibly easy to get these cards and yet still we can't be congratulated. It always has to be Ryanair trying to do something untoward here. There's absolutely nobody in this world that doesn't know in relation to ... you know, that there's additional fees with all airlines.

**LEWIS:** Well there's a lot of people who don't know about your plastic surcharge and many of them have emailed us.

**McNAMARA:** No, you've probably received I'd say about maybe 20 or 30 complaints from people who clearly, you know, they must never listen to a programme, they must never read newspapers because we've always been very upfront about all of our charges. If there was a problem with that charge, if people were not willing to pay it, we would have to reduce it. The agenda here is that in some way Ryanair are trying to make extra money off people. We're not. We're trying to

make it as cheap as possible for people to fly.

**LEWIS:** Stephen McNamara. Now, Bob, you've been looking into Mastercard prepaid. Is it as cheap to use as he suggests?

**HOWARD:** Well, Paul, I think the answer is it depends on the provider. There's been a big increase in the number of these cards recently. Many are offered by currency specialists. So the first thing is to make sure you can load sterling, if that's how you're paying. Dan Plant from MoneySavingExpert describes the sort of charges to look out for.

**PLANT:** The main charges are an application fee - so sometimes up to a tenner; charges for putting money onto the card because these work almost like plastic cash where you load them with money, then you spend on them; and then a charge when you pay with the card - so say maybe 1 or 2% per transaction. Some of these cards will charge you £10 to sign up for them and then they could charge a 2% fee every time you load it or more, and they could charge £2 every time you spend on it. So certainly don't just get the first one you're told about. Always do your research on it and check what the charges are.

**HOWARD:** Dan told me he couldn't find a card where the only cost was just 6 euros to sign up, although he said there were so many providers it's difficult to check every one. But he did recommend two which were cheap to use.

**PLANT:** The best Mastercard one either charges 2% for topping it up with money of a minimum £100. That's the ICE card. So if you top up with £200, that's a £4 charge. The other one is the CaxtonFX Global Traveller Card. It charges £1.50 per transaction. If you're booking a lot of flights together that come to maybe 100 quid, 200 quid, then that one is probably better for you because you only get charged the £1.50 when you spend; whereas the other one charges 2% without a maximum whatever you actually put onto the card.

**HOWARD:** And, Paul, just to stress - of the airlines we mentioned, it's only with

Ryanair that you won't pay a fee if you pay by Mastercard prepaid. If you're booking with airlines like EasyJet, Aer Lingus, Flybe and BMI Baby, Visa Electron is still the only free payment method. At least for the moment.

**LEWIS:** (*laughs*) Thanks, Bob. I'm sure you'll keep us up to date with that.

The government flagship scheme to insulate homes in England, Warm Front, is in danger of running out of money next year. Warm Front provides up to £3,500 per household to insulate and (if necessary) upgrade heating systems. With fuel prices rising, demand has grown; and to meet that, Warm Front has spent half of next year's money this year and that leaves a big hole in next year's budget. The government's own Fuel Poverty Advisory Group is so worried about the consequences, its Chairman Derek Licorice has written twice to Alistair Darling asking for more money. He told me why.

**LICORICE:** My concerns are that we're going to see the budget dramatically reduced from April next year. In fact it's going to go down by something like 47%. And that means that instead of the 215,000 households that were assisted in this financial year, it will go down to around 90,000 households in the next financial year.

**LEWIS:** Isn't that because the funding has simply been brought forward to this year; there's no less money being spent?

**LICORICE:** It was brought forward into this year because of the dramatic increase that there has been in the number of households in fuel poverty, and it's gone up from something like 2 million households in the United Kingdom from about 2004 to around 5 million households at the end of 2008. And as we look to the end of this year, 2009, we will be getting close to 6 million households in fuel poverty. So it was brought forward, and for very good reason - I support that - but now we must make sure that we do not have an unexpected consequence next year.

**LEWIS:** So you're asking the Chancellor for more money in his Pre-Budget Report?

**LICORICE:** I'm asking him for more money.

**LEWIS:** If you don't get anything from the Chancellor - and we are looking at a context of cutting public spending rather than increasing it - if you don't get anything from him, what effect will that have on people waiting for grants and indeed who haven't even thought of it yet but might well apply next year?

**LICORICE:** Those that have already applied will see waiting times increase significantly. And of course for those who are applying in the future will be declined, and it's very difficult to say how long that's going to be for. And of course these are some of the most vulnerable in society.

**LEWIS:** So are you saying that if the government takes its legal commitment to end fuel poverty in the next few years, it will have to put the money back into this scheme?

**LICORICE:** There is no doubt, and significantly more than we currently have today.

**LEWIS:** Derek Licorice of the Fuel Poverty Advisory Group. Now fuel poverty is defined as spending more than 10% of your income on energy bills, and the legally binding commitment to end it begins next year. That'll be harder to achieve if Warm Front is cut back almost in half, from £369 million this year to 195 million next. A point I put to the Department for Energy and Climate Change Minister who's responsible for fuel poverty policy, David Kidney.

**KIDNEY:** I do defend Warm Front as delivering energy efficiency measures to over 2 million vulnerable households in this country since it was set up in the year 2000. We now fund it 3 years at a time, and the present 3 year funding programme that we're in is just £41 million short of £1 billion. It's the most we've ever spent on Warm Front in one period. But what's happened is that in years one and two, such has been the demand and also such has been the need to keep people in jobs during the recession that we've brought forward spending, which now leaves us looking thin in the third year. That is a challenge for me to have to handle, I admit.

**LEWIS:** Well how are you going to handle it because the average waiting time at the moment is 50 days, which causes some complaints. Next year, we're told it's going to rise to 6 months before the work's completed and many people will join that list without any hope of getting the work done in the next financial year because of this cut.

**KIDNEY:** Well I think the first response is to look at the big picture of the challenge, of tackling fuel poverty, and not relying entirely on *one* of the tools. Warm Front is one of them, but there are other measures too. So helping people with energy efficiency comes through the obligation on the energy companies and also the new scheme that we've launched about community energy saving programmes that are going to go house by house, street by street, through the most vulnerable estates in this country.

**LEWIS:** Sure. A lot of that's in the future though and I'm sure people listening will think well that's a lot of political talk.

**KIDNEY:** I don't think that's very fair, Paul ...

**LEWIS:** Well but if we look at the figures ...

**KIDNEY:** ... because the 6 million figure by the Prime Minister started last year and already over 2 million of those 6 million homes have received their energy efficiency measures. So it's not fair of you to say it's all in the future. I would like to be able to boost the budget for Warm Front in its third year, but that is not in my gift. Next week is the Pre-Budget Report. Let's see if the Chancellor says something about my budget then.

**LEWIS:** Well let's see if he does. But of course you're the minister. Have you been encouraging him to restore the level of the Warm Front grant for the third year to what it was in the previous years?

**KIDNEY:** Well, look, I mean to the outside world all ministers are part of the same government and so I stand by the Chancellor's decision, but obviously these discussions go on inside government and of course I've been fighting my corner for Warm Front.

**LEWIS:** So you have been asking for more money?

**KIDNEY:** Of course I have.

**LEWIS:** If you don't get it though, what will be the effect on the people waiting - vulnerable households waiting for insulation?

**KIDNEY:** Well very responsibly my agent who manages the budget, EAGA, has been notifying people to say that it will take longer to process your application and longer to deliver the works if we have less money to deliver the scheme with. Now that's a sensible thing for them to do, so that expectations are lowered in accordance with the amount of money.

**LEWIS:** You have this legally binding target to end fuel poverty among vulnerable groups by some time next year - in England anyway. Are you going to meet that target?

**KIDNEY:** Well I agree it looks very tough to meet the target of all vulnerable households out of fuel poverty by the end of 2010. I know that's going to be very difficult for me to meet. I'm not saying to you I've abandoned that target. I intend to meet it if it's at all possible.

**LEWIS:** David Kidney. Similar schemes in Scotland, Wales and Northern Ireland are not, as far as we know, experiencing budget cuts, and we'll know the Chancellor's decision on Wednesday.

Our report last week on the Supreme Court ruling on bank charges generated a big

response from our listeners. Many of you emailed us to say you were glad the banks had won. One listener described the story as “endless whining by the feckless and financially illiterate.” Others had more sympathy. “Bank overdraft charges are clearly outrageous”, said one. Well we thought we’d get two listeners with different views to debate the issue. Matt Briggs is trying to claim back more than £2,000 in charges in interest, though he now expects to lose that claim. Ray Seymour thinks writing a cheque when you’re beyond your overdraft limit is tantamount to theft. Matt started the debate by explaining why he felt bank charges were unfair.

**BRIGGS:** At the time, I was probably taking home £800, most of which was spent on work transport and the mortgage, and to be hit with pretty much £60 a month had no chance of climbing out of debt. I mean I was on the cusp of my overdraft limit and these extra £60 was ensuring that I was never going to get far above that. It was keeping me in debt. You know the charges were just self-perpetuating. I’d get charged one month, and that money that was taken off would ensure that I’d be charged next month.

**SEYMORE:** But these were self-inflicted charges. If you’d have handled your money better, you would not have been overdrawn or you wouldn’t have bounced your cheques and you wouldn’t have incurred the charges in the first place. Indeed I would say you’ve been very lucky that having breached your contract with the bank, they didn’t charge you then for every transaction that went through. In France, for example, if you go overdrawn, they close your account.

**LEWIS:** Ray, I’ve got to ask you this. Have you ever been overdrawn?

**SEYMORE:** Of course. In all parts of your life, you have different circumstances, which Matt’s just alluded to, and at times money has been what you call extremely tight. But then I had to look at my affairs on a weekly basis and sometimes on a daily basis to make sure I knew what I was doing. And, yes, I did go overdrawn once. I got hit by charges. But I learnt my lesson straightaway and I made sure they didn’t take any more of my money.

**LEWIS:** Matt, could you have learned more quickly?

**BRIGGS:** I'm not so sure that I could have done. My thing is that I feel that I paid twice for this and I was stuck. And I think that's the problem. This £60 a month might have been enough to just keep me above sinking. I had to be rescued in the end, and I know there's a lot of people that cannot be rescued by friends and family.

**SEYMOUR:** I think really the problem which you faced is one of responsibility, and this is something that should be taught to everybody whilst they're at schools.

**LEWIS:** And, Matt, you've heard Ray's point of view. Do you have any sympathy with it?

**BRIGGS:** I do. I mean, as I said, I'm in a completely different situation at the moment. I would never let myself get into that kind of debt. But I think that, you know, the sun's shining on me. My circumstances are very good.

**LEWIS:** But perhaps you're in that situation now because of those high charges? They really brought you up and made you think, gosh, I've got to get out of this?

**BRIGGS:** I think the whole debt issue really made me turn my head round. I knew I was in debt. I was desperately trying to get out of it. The way I felt about the fees is they were kicking me when I was down. That's what the fees were, you know.

**SEYMOUR:** But that was the consequences of your own actions. That's the whole point of this. And this is where responsibility comes in - responsibility of the individual to take the consequences from what they do or fail to do should they have done so. Everybody's circumstances are different and I do sympathise with people being in debt, but at the same time it's no good pleading and bleating about it. You caused this yourself. You have to put it right and you have to take the hardship that goes along with that.

**LEWIS:** And you and others have used the word 'feckless' about people like Matt. Do you stand by that?

**SEYMOUR:** I do stand by the word 'feckless'. You have to live within your means, and sooner or later you're going to come up against a ceiling and be forced to do so. So the sooner you grasp the nettle on this, the better.

**LEWIS:** Good advice, I'm sure. Matt, do you have one word you think applies to Ray's point of view?

**BRIGGS:** Unsympathetic.

**LEWIS:** *(laughs)* Unsympathetic.

**SEYMOUR:** *(laughs)* Well done, Matt.

**LEWIS:** Well thank you both very much, Matt Briggs and Ray Seymour - a debate that will run and run.

### **MUSIC: WHO WANTS TO BE A MILLIONAIRE?**

**LEWIS:** Well that hit song from the 1950's film High Society doesn't mention one of the things aspiring millionaires have to spend their money on nowadays: tax advice to make sure they keep as much of their millions as they can. This week, many people were puzzled how a 34 year old man born in Britain, educated in Britain and standing for the UK parliament, could claim to be non-domiciled when it came to charging tax on the estimated £200 million fortune held for him overseas. Zac Goldsmith, the prospective parliamentary candidate for Richmond Park, said this week he was giving up his non-dom status. But how did he have it in the first place? Well who better to ask than Mike Warburton from accountants Grant Thornton. Mike, how can the British born Zac Goldsmith claim to be non-domiciled when he actually lives here?

**WARBURTON:** Well he made a very important decision early in life because he chose the right father. We don't normally have a lot of say in that, but his father ...

**LEWIS:** A rich one, you mean?

**WARBURTON:** Yeah. Well he chose a rich one. That's a good start. He also chose a father who was himself domiciled outside the UK because Jimmy Goldsmith originated I think France and Germany. I think his own father was German. But the point is he wasn't British. So Jimmy Goldsmith, Zac's father, was domiciled outside the UK, and at birth that is the domicile that Zac Goldsmith took. And indeed when he became an adult, Jimmy Goldsmith was still domiciled outside the UK, so Zac Goldsmith could say quite legitimately his domicile is overseas. And unless he takes a specific step to change that, then he will continue to have that overseas domicile.

**LEWIS:** So it's the domicile of your father, that you're born with - the nationality, the domicile of your dad basically?

**WARBURTON:** Absolutely. A bit sexist, that. It only counts of your mother if your parents divorce when you're still under age. So essentially it's your father that counts.

**LEWIS:** And we've all been getting a bit worked up about it because we all know Zac Goldsmith's very rich. He admits, he says so himself. What effect did it have on his tax for him to be non-domiciled in the UK?

**WARBURTON:** If you're not domiciled in the UK, even if you've lived here all your life, you can quite legally claim that you do not need to pay tax on the income and the capital gains, on the assets that you keep outside the UK. So quite naturally that's what wealthy non-domiciled people do. They keep the assets outside the UK and you only pay tax on the income that you actually bring into the UK. And, surprise surprise, there's lots of ways you can control things, so that you don't need to actually bring a lot of income into the UK - if you have two sets of bank accounts and you only bring in capital, not income. Now the rules have tightened up a lot on this in the last 18 months, and it is no longer worthwhile for most non-domiciled people to claim

a non-domiciled status. There are, by the way, almost 5 million people in this country who could claim it, but the vast majority it's not worth it. First of all, you lose your personal allowances. That's the amount of money that you can get before you pay tax. So that will be a cost of about £2,500. But perhaps more importantly, if you want to continue to have this special status after you've been here for 7 years, you have to pay £30,000 a year for the privilege. So you can imagine, you need quite a lot of money to make it worthwhile.

**LEWIS:** A lot of money abroad. And what about people who've got a home abroad and may think well if go and live there permanently later on, I can be non-domiciled in the UK? Or is that something different?

**WARBURTON:** I think we've got to distinguish between what's domicile and residence. Domicile is all to do, as we say, with your father's status when you start life. Residence is all to do with physical presence. Now it is possible to be a combination of these things. You can be non-domicile but UK resident, but you can also cease to be UK resident but still keep your UK domicile. It's very difficult to shift your domicile. It's actually become more difficult to shift your residence. But people who have a holiday home overseas and go and stay there a lot but still have a base in the UK, it's not going to work for them.

**LEWIS:** Mike Warburton of Grant Thornton, thanks. And you can have your say on non-doms and tax avoidance generally on our website, [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox). Bob, important news for members of the Yorkshire and the Chelsea building societies?

**HOWARD:** That's right, Paul. They're to merge by April next year and create a new building society with 2.7 million members. The two brand names will remain. The merger must be agreed by the societies' members and voting packs are being sent out now. However, I'd better stress that members will not receive a windfall from the deal.

**LEWIS:** And where does this leave financial protection if you have accounts with both societies?

**HOWARD:** Well customers with savings in both societies at the time of the merger will retain their separate £50,000 cover under the Financial Services Compensation Scheme until 30<sup>th</sup> December next year. After that, they receive £50,000 of cover for their total savings in both the Yorkshire and Chelsea.

**LEWIS:** And, Bob, on another bank - if you're a Halifax or Bank of Scotland customer and overdrawn, it's time to act.

**HOWARD:** Beware! From tomorrow, if you're overdrawn at all - even if it's agreed with the bank - you'll pay at least £1 a day for the privilege.

**LEWIS:** And £5 if they haven't agreed it, yes. And that's it for today. You can find out more from the BBC Action Line - 0800 044 044 - and of course our website, [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox). All sorts of exciting things to do there, including having your say on non-doms and tax avoidance. Some of you are. Tax is the topic for Money Box Live on Wednesday. It's the day of the last Pre-Budget Report before the Election. I'll be here to take your calls on the Pre-Budget announcements and on tax in general. Next week, Money Box as usual. Today reporter Bob Howard, producer Lesley McAlpine. I'm Paul Lewis.