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MONEY BOX

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LEWIS: Hello. In today's programme, high pressure sales techniques have cost thousands of people up to £200 million buying land which is worth almost nothing. We hear the tapes. An astonishing attack on the high street banks by the Governor of the Bank of England. The banks respond. NatWest and Royal Bank of Scotland say customer service has improved because of their customer charter, but what about the recent fine for dealing with customer complaints? The bank's retail boss replies. And the Pensions Minister comes on Money Box to warn of a looming deadline for people who need to pay extra national insurance contributions to get a full pension.

But first Money Box has learnt that thousands of people are being called out of the blue and persuaded to buy small plots of land in the hope of making large profits in a fairly short time. With interest on savings at the lowest level for years, many people are open to such suggestions and police are concerned that this is a bigger business than anyone realised. These small strips that are sold for thousands of pounds are on land which will almost certainly never be built on and are almost worthless. The sales staff make their pitches on the phone, so the promises they make are hard to prove. But one Money Box listener recorded his recent conversations with one such firm called The Property Partnership. Ex-soldier Billy McNaught is 75. After his wife died, he was persuaded to spend just over £100,000 inherited from her and his mother to buy eight plots of land. He tried to get his money out and started recording his calls, but the sales pitch went on.

SALESMAN 1: How long will it take you to get £100,000?

McNAUGHT: What are you talking about? You've already got £100,000 of mine.

SALESMAN 1: No, no, an additional 100 grand out to have this account.

McNAUGHT: Well never.

SALESMAN 1: Come on, mate, we've got to think outside the box. Sell your car, sell your house. Beg, borrow and steal for this. We've got to do it, William!

LEWIS: And then, when Billy tried to buy time, the salesman got tougher.

SALESMAN 1: Oh William, you're wasting my time. What do you mean we'll see what happens? We'll see what happens? What do you mean? Listen, I'm charge in here. Do you want to wait another 5 years?

McNAUGHT: I told you the last time we spoke, I won't be alive in 5 years. I'm 75 this year.

LEWIS: But dealers at The Property Partnership don't give up. Another tried his luck with Billy and makes quite specific promises about what Billy will make if he just sends them another few thousand pounds and reinvests all his assets, which he says are now worth £140,000 in greenbelt land in the London Borough of Hounslow.

SALESMAN 2: You could literally buy into that site and sell to an investor within a matter of days, I would say, okay? We take your entire allocation of £150,000 off you. You get the £150,000 out and everybody's happy.

McNAUGHT: Well you can say that again.

SALESMAN 2: Yeah, absolutely. Secondly, if you can manage to hang on for sort of

4 to 8 weeks, you're going to receive the uplift, which is a 300 to 500% increase. Now on £150,000, that's a sizeable amount of money. That's nearly half a million pounds.

McNAUGHT: Oh yes. But you know as rosy as it seems, I'm afraid I've got no escape holes left. I've used 'em all. And in fact you know I live in dread of the next bill coming in.

LEWIS: Billy still owns the eight small strips of land in different parts of the country, which The Property Partnership sold him. Two of them are in a field just outside Towcester in Northamptonshire. Land registry certificates confirm his ownership, but he had never seen the land, nor spoken to anyone local about its planning potential. Billy agreed to meet me on one strip of his land to find out what he'd really bought.

Well I've brought Billy to see his plot of land. It's the first time he's seen it. It's quite hard to be absolutely sure where his small strip is. There's traffic on a road nearby, as you can hear - the Northampton Road - and just the other side, there are houses. But looking out over this parkland, it's completely desolate, boggy. There's grass and tall plants growing and it has a distinct air of neglect about it. *(to Billy)* So this is your first time on the land, Billy?

McNAUGHT: Yes.

LEWIS: Why did you think that this kind of land was the place for your money?

McNAUGHT: Because I was told that it was going to be sold on to developers.

LEWIS: How much did they say you'd make?

McNAUGHT: A profit of 100 to 130% in a period of 12 to 18 months.

LEWIS: I'm sure some people think this man has been a bit foolish to think that he could put money into land, more than double his money very quickly. Why would

people want to give you that kind of deal?

McNAUGHT: That's something I can't answer, but I can certainly agree with the fact that I've been foolish and I'm now paying the penalty for that foolishness.

LEWIS: What was it that persuaded you it would work?

McNAUGHT: Just the way these people spoke over the phone. They were so convincing. Even to this day, they're convincing. And they're still on about huge profit.

LEWIS: So you think you've lost it all?

McNAUGHT: Yes, yes. You're talking to a broken man.

LEWIS: Well also with me is John Townsend. He's the local councillor for the area and sits on two local planning committees. John, across the road from the field Billy's strip's in, there's a housing estate. It's not that old. Why do you think this land on this side of the road is unlikely to be developed?

TOWNSEND: Because if you look through, between us and the houses is a large park wall that is part of the Easton Neston estate. You can never say no, nothing will ever be built anywhere, but you're very unlikely to get them here because of all the constraints: open countryside, Grade II star listed parkland, a conservation area - all the things set to protect the countryside.

LEWIS: And has the council taken any specific steps to protect this land given that it has now been sold off?

TOWNSEND: Indeed we have. We put what they call an Article IV direction, which means that nothing can be put here without specifically having planning permission. They can't put up fencing, they can't put any sheds, huts, anything. No development

can happen here without specific permission from the council.

LEWIS: We've come to the centre of Towcester, to Bartrams Estate Agents, to try and find out what Billy's land might be worth. Billy, what do you think the estate agents might tell you?

McNAUGHT: I think he's going to give me an awful lot of bad news.

LEWIS: Shall we go in and see what he says?

McNAUGHT: Yes, please.

BEES: Craig Bees, Bartram and Company Estate Agents, and I'm the director of the company.

LEWIS: You've seen the map of the plots that have been sold. How big is the plot that Billy's been sold?

BEES: It actually works out at a 37th of an acre. It measures 62 feet by 26 feet. I would describe it as a postage stamp in the middle of a park. You know it really has no access to it and it's too small to build anything meaningful on. It has very little or no planning potential.

LEWIS: So, Billy, we've come in and talked to Craig. We've seen all the maps. What would you like to ask him?

McNAUGHT: Can you give me a true value of that particular plot, sir?

BEES: Yes, of course. In my view, based on the value of land in that sort of location, your plot is worth in the order of £75.

LEWIS: Billy, just remind us what you paid for it.

McNAUGHT: I paid £10,000 per plot, and I have two plots.

LEWIS: So Billy, we've seen the land, we've talked to the council, we've come to the estate agent. What's your reaction at the end of that process?

McNAUGHT: Well I feel totally and utterly demoralised.

LEWIS: Do you think you really have lost almost everything?

McNAUGHT: Oh yes. Yeah, I firmly believe that. I've kissed my money goodbye.

LEWIS: Billy McNaught earlier this week. The Property Partnership is run by a man called Gavin Gravesande. Money Box made numerous calls to his office this week, but he chose not to respond. Let's go live now then to Staffordshire to talk to Jonathan Phelan who's Head of Unauthorised Business at the Financial Services Authority.

PHELAN: Hello.

LEWIS: Hello, Jonathan. The reaction I've had this morning from people who've heard those recordings is to say why isn't someone doing something to stop this kind of business? You're the regulator. Why aren't you?

PHELAN: Well we are. In the past year we've closed down five land banks, which have taken victims money to the tune of £42 million, and we've got another 20 land banks to go through. And over the past several years, we've looked at many dozens of these land banks as well.

LEWIS: But that stops the ones that have happened, but by then isn't it too late? You're closing the stable door after the horse and people's money has well and truly gone.

PHELAN: Well that's right and what we really want to do is to help people to avoid

these schemes in the first place. Nobody wants to take action over these because to take action, we need victims, and we don't want there to be victims. So let's try and avoid that if at all possible.

LEWIS: When you close them down, is there any money left? Can you distribute that at least to some of the victims?

PHELAN: If there's money left, yes we do try and get our hands on it through liquidation processes and we'll make the individuals running these schemes bankrupt if we can and we'll try and get some money back. But they know that we're going to do that, so they tend to squirrel the money away. So I don't want to raise anyone's hopes there. The money is often gone, I'm afraid.

LEWIS: How important as evidence are phone calls like that? I mean we heard a claim there of "Oh you'll make 300 to 500% in 4 to 6 weeks". Is that breaking the law?

PHELAN: Oh it's absolutely vital evidence. I don't necessarily encourage everybody to set up tape machines for their telephone lines, but if we have evidence like that, it is vital. And that's because the land banks running the criminal schemes, they produce written literature which obviously doesn't break the law. They know exactly what words to use. So to disprove their written literature, we need oral evidence like that to present to a judge and it's very useful if we can get our hands on that.

LEWIS: Now I know you regulate financial businesses and sometimes you can regulate these people, sometimes you can't. What do you do when you can't do anything? Where do you pass the information to?

PHELAN: Well in this case we can and we can't, which sounds awkward, so let me explain. What they're doing here is, as you've presented, they're lying and they're misrepresenting the prospects of this land getting planning permission. We can't do anything about that - that's a fraud - but we do pass that to the police.

LEWIS: But this is all quite time consuming. This firm, other firms will be opening on Monday morning and carrying on.

PHELAN: They will, but the sooner we can get the information from people, the better. So if people will phone us up, tell us when they've had a phone call from these land banks, we can start investigating them and we can close them down, as we have done over the past year.

LEWIS: Jonathan Phelan from the Financial Services Authority, thanks. And you can let us know your views and experiences through our website: bbc.co.uk/moneybox.

The Governor of the Bank of England, Mervyn King, strongly criticised the high street banks, warning that unless they're reformed, they could spark off another financial crisis. Mr King told the Daily Telegraph newspaper yesterday that banks are focusing on short-term profits at the expense of their customers. It's not the first time the man with the top financial job has been critical of the banks, but these comments are certainly the most forthright yet and of course they come not long before the Bank of England takes over supervision of banks. Earlier I spoke to Angela Knight, who's Chief Executive of the British Bankers' Association, to find out what she made of them.

KNIGHT: Well I don't think we think it perfectly acceptable at all. I mean as an industry obviously you know we view the Governor and I view the Governor with the highest respect, but I think in this instance there's a number of points which we disagree. None of us pretend that everything has been fine and certainly we continue a programme of change; but the way to build a business, the way to run a business is to be close to one's customers, to provide one's customers with the products and services that they want and at a competitive price. And that's where we sit. We don't recognise that particular statement.

LEWIS: You say that, but Payment Protection Insurance is making money out of gullible customers and the banks were the biggest players in that, charging 1 in 4

customers for their current account for insurance they may not need. That's also taking money off gullible customers, isn't it?

KNIGHT: Payment Protection Insurance is a legacy issue which needs to be concluded and there are some legacies ...

LEWIS: (*over*) Well you did it not long ago.

KNIGHT: And most have come out of that business now, And of course customers are being given compensation, given money back according to the rules that pertained at the time because it's been sold under a few regimes. And, yes, I don't think ...

LEWIS: (*over*) Well that's not true, is it, because all the banks have decided not to pursue any payment protection refunds until it's all been sorted out by the courts.

KNIGHT: There are some legal questions which the courts have got to solve, you're entirely correct on that. We're reforming and we're looking forward. That is surely the right thing to do.

LEWIS: Now by the end of next year probably, the Governor of the Bank of England will be involved in regulating the banks. So whether you disagree with what he said or not, he is going to be in charge of regulation. Are you going to continue to defend yourselves against what he says, or are you actually going to say oh well he's got a point and we're going to change?

KNIGHT: Well we do actually think that he's got some points. And that's what I said at the outset - that we view him with the highest respect.

LEWIS: Which of the things he said yesterday do you agree with?

KNIGHT: We agree that there does need to be a continuing reform within the industry. We entirely agree that recovery and resolution plans need to be concluded,

so that should a bank get into difficulty in future - we don't anticipate it - should it get in future, the customers are protected and the economy is protected.

LEWIS: But the bank is allowed to go bust?

KNIGHT: And the bank is allowed to go bust. Of course we agree that. You know we are at one with our authorities. And, interestingly, outside the UK, we in this country are viewed as having made the changes where others do need to change.

LEWIS: That was Angela Knight of the British Bankers' Association responding to a quote from Mervyn King when he said too many in the financial services have thought if it's possible to make money out of gullible or unsuspecting customers, that's perfectly acceptable.

And still with banks, NatWest and Royal Bank of Scotland claimed this week that they have met most of the targets set in their heavily promoted customer charter. Nine out of fourteen promises seem to have been fully met, but they're the easy ones - opening longer, asking customers what they want, supporting the community. The really tough ones - handling customer complaints, helping customers make the right choices and being friendly and helpful - are in the not achieved basket. When I spoke to him yesterday, the Chief Executive of Retail Banking at Royal Bank of Scotland and NatWest, Brian Hartzer, defended the bank's record.

HARTZER: We're actually pleased with the progress. We've hit 20 out of 25 of the specific goals we set for ourselves in the first 6 months. And we said when we launched the charter back in June that we didn't expect to hit all the goals straight out of the box because this was a series of long-term commitments. The charter is the cornerstone of our retail strategy to turn the bank around and we know we have quite a lot of work to do.

LEWIS: But aren't the targets you've hit the easy ones - opening longer hours, having a UK call centre, which you have anyway? And the ones you haven't achieved

- the harder ones, the more important ones like customer happiness with the bank and customer complaints - you haven't met, have you?

HARTZER: Well we have made complaints a central part of the charter as well because, as you say, this is something that's very important to customers. Now I guess there's several aspects to it. First of all, on the volume of complaints, I think the important point that often gets lost in these high level statistics is that most of the increase in complaints is to do with Payment Protection Insurance, which is a product we stopped selling in 2008. And so what we're dealing with here is third party claims companies who are drumming up business and encouraging people to complain about this product, which we absolutely acknowledge is not something that we would like to do today and is a legacy issue we have to address. I guess the second thing around that particular one, which is an interesting fact, is that as we've looked into these complaints around Payment Protection Insurance, 20% of them turn out to be people who never actually had a policy in the first place or indeed had one and claimed on it. So you know it just shows that there's a lot of external factors going on into these variables. Now turning to the issue of how we handle complaints, I absolutely agree that we have more work to do here.

LEWIS: Of the complaints that went to the Financial Ombudsman 39% were upheld, so you got it wrong in those cases.

HARTZER: We're working very constructively with the Ombudsman. We meet with them on a regular basis to share our understanding of what the issues are, to look at specific cases. I guess what I'd say is we all share the same objective, which is that we don't want cases going to the Ombudsman and being overturned. We want to understand what we need to change in our policies, in our processes and so forth. We will get there.

LEWIS: Let me put a couple of complaints that we get to you, particularly about when people get a credit card - a new credit or debit card - there's a number on the front that says it's important to phone this number to confirm safe receipt of your card. And when they do that, they get a sales pitch for insurance. Why do you do that?

HARTZER: What we try to do is whenever we have an opportunity to talk to customers, we look for ways to help them.

LEWIS: To sell them stuff.

HARTZER: Our view is that, and our general approach, is that helping customers by understanding their needs more broadly will result in finding opportunities for us to help them and, yes, that will result in sales. We are a commercial enterprise.

LEWIS: Well let me just read you what one listener has sent us. It rang up to activate a credit card from NatWest. The reply was, “Do you have insurance?” He said, “No”. NatWest said, “You’ll be liable if someone steals your identity”. And the customer said, “No, that’s between the bank and the fraudster.” And NatWest said, “No, you will be liable.” None of that’s true, is it? It’s just a way to sell ID theft insurance to people that they don’t really need.

HARTZER: Well I’m sorry to hear that that was what they heard. That’s certainly not the intention of the type of conversation that should be going on, and if you want to send me off the air a specific example, I’d be happy to look into it.

LEWIS: So you’re saying that isn’t on the script?

HARTZER: No, that would not be on the script.

LEWIS: Brian Hartzer of NatWest and Royal Bank of Scotland. And there’s a longer version of that interview, including an exchange about the £6 a day overdraft charges, on our website: bbc.co.uk/moneybox.

A deadline looms for people who want to boost their state pension. If you don’t have enough national insurance contributions to get a full pension - and you need 30 years if you reached pension age from April 2010 - you have just a month to pay extra under a special scheme that lets some people fill gaps for up to 6 years right back to

1975/6. That's on top of the normal right to fill gaps for the last 6 years. I know, it's getting complicated. But live now to talk to the man responsible, Pensions Minister Steve Webb. Steve Webb, even you admitted this week the state pension was so complicated even your own officials struggle to get it right. Just run through with us who can make these extra contributions by 5th April.

WEBB: Sure, I mean it's a very specific scheme. So first of all we're talking about people who reached state pension age since April 2008, so not people who retired a long time ago, people who retired relatively recently. Second, as you say, they have to not be getting a full state pension, and the full basic pension this year is £97.65. And the third thing is they need to have at least 20 years either of contributions or credits into the scheme. So they'll be getting typically £70, £80 a week. That's a typical sort of figure. They'll have some gaps and under this scheme they can fill those gaps but they need to act by 5th April this year.

LEWIS: And there are some who haven't retired as well, aren't there?

WEBB: That's right. There's a scheme for people who have yet to reach state pension age, but this deadline is significant because if you pay by 5th April, buy back one or more years, we treat you as if you'd paid it before you hit 60. So you pay the money upfront, you get a bigger pension for the rest of your retirement, and potentially get a lump sum backdated maybe 3 years.

LEWIS: Now you're very keen to promote this ahead of the deadline, which is about a month away. When you were in opposition, as the Liberal Democrat Pensions Spokesman, you came on this programme and were very critical of these artificial deadlines. Why haven't you scrapped that deadline to let anyone buy 6 years back to 1975/76?

WEBB: Well I accept it is a complicated scheme and I'm sure that's exactly what I said at the time. One of the things is these deadlines are set in statute, in primary legislation, and what we're trying to do at the moment is make people aware of them.

And the key thing is to either visit the website - and I think your website has details. There is a local call rate number where people can leave their NI number and get details. And I would like to just give you that. It's 0845 6042931. 0845 6042931. And, as I say, the key thing is to make sure people get their full pension if they can.

LEWIS: Well indeed. But I think many people think the key thing for you as Pensions Minister is to change that law. Why are you not changing the law to make it easier and relax the rules?

WEBB: One of the reasons the scheme came in was that in April 2010 the pensions system was changed and it was enabled to people to get a full pension on 30 years. And the people who mainly benefit from what we're talking about today need 39 years, so there are gaps. We're trying to rewrite history essentially going back 30 years and I guess there comes a point where you have to say fewer and fewer people benefit from these things. It's really a matter of practicality. But people can still do it after 5th April. They just don't get the backdating.

LEWIS: And briefly, Steve Webb, there was news this week that those people paid pensions and benefits by cheque - and there are a few hundred thousand of them - from next year will have to collect their benefits at paypoint outlets instead of the Post Office. Do elderly people really want to take out £100 in cash at their local shop?

WEBB: Well they won't have to. What's happening is that these cheque payments, the contract has gone to Paypoint who are often, as you say, in shops and other local outlets. But anyone who wants to go to the Post Office still can - either through a Post Office card account, which is open to them, or other sorts of accounts at the Post Office. So many Post Offices are only handling a handful of these per day and they'll still be able to go to the Post Office if they want to, but through a different sort of account.

LEWIS: Steve Webb, Pensions Minister, thanks very much for talking to us.

Now the government has announced that from April 1st prescription charges in England will rise. Ben Carter's got more on this.

CARTER: That's right, Paul. Prescription costs will rise from £7.20 per item to £7.40. But it's much better news if you live in Scotland: prescription charges there will be scrapped completely from the same date, April 1st. And of course people in Wales and Northern Ireland already get their prescriptions for free.

LEWIS: And, Ben, Consumer Focus have written to Clydesdale Bank asking them to do the right thing, as it puts it, by the mortgage customers.

CARTER: Yes, this comes after the bank admitted miscalculating repayments for 18,000 customers last year and then raising monthly payments to recover the resulting shortfall. Consumer Focus have written to the bank and Financial Services Authority to argue that despite the Financial Ombudsman Service saying that consumers shouldn't be held responsible for bank errors, customers are still facing higher repayments. And we've heard from one Money Box listener who was undercharged £7,000 over 18 months and faced increased repayments of £500 per month. The listener complained to the Ombudsman and they ruled that he did not have to repay any of the £7,000.

LEWIS: Ben, thanks very much for that. If you're one of those customers of the bank, I suppose you should complain to the Ombudsman because, according to Consumer Focus, you really should get your money back. The bank has said it's following the rules and it's disappointed in what Consumer Focus has said.

But that's it for today. That's all we have time for. You can find out more from our website: bbc.co.uk/moneybox. You can find my weekly newsletter there, download a podcast, listen again, send us your ideas, and of course have your say on land banking, as many, many of you are. I'm back on Wednesday with Money Box Live, this week taking your questions on bank, plastic card and ID fraud. You can email questions now through the website. I'm back with Money Box next weekend. You

can read my money thoughts every day if you can't wait on my Twitter, Paul Lewis Money. Today the land banking investigation was by Bob Howard, the producer was Lesley McAlpine. I'm Paul Lewis.