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MONEY BOX

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LEWIS: Hello. In today's programme Lloyds Bank says it will spend more than £3 billion to compensate customers who've been mis-sold Payment Protection Insurance. We look at the 10 year struggle to stop this major mis-selling scandal. Bob Howard's here. He's been talking to frustrated Sony customers.

HOWARD: There's still worry and confusion after what may be the biggest data compromise ever.

CHARLES: I can't even find out whether they've got my credit card details. I don't know whether to cancel my card or not, so I'm sort of stuck in limbo.

LEWIS: What rights does the Department for Work and Pensions have to help itself to money from bank accounts of the deceased? And why does £500 of foreign currency cost more on the high street than £500 of holiday?

But first, there was a major development this week in what could turn out to be the second most expensive mis-selling scandal ever. Payment Protection Insurance is supposed to cover interest payments on loans if the borrower falls ill or loses their job, but it was widely mis-sold to those who could never make a claim and was turned into a cash cow by the banks who added the premiums to the loan and charged interest on both. This week Lloyds Banking Group admitted its liability, setting aside £3.2 billion

for compensation and the costs of identifying and finding those who've been mis-sold. Its boss says he wanted to "draw a line" under the issue. Industry estimates now put the total cost to the banks at around £8 billion, which would make it second only to the pension mis-selling scandal of the 1990s. It was 10 long years ago that Money Box first raised concerns about the way Payment Protection Insurance was sold.

EXTRACT MONEY BOX PROGRAMME (MAY 2001) LEWIS: (*Jingle*) Banks and building societies may have to change the way they sell us insurance with personal loans after Money Box discovered that they are forcing customers to borrow more money to pay the premiums. Most people don't realise that insuring their payments against the risk of illness or redundancy can double the cost of borrowing the money, and one reason for that is that the premium is paid upfront and the loan is increased to pay for it. Money Box listener Barry Walsh didn't ask for insurance when he got a quote for a £12,000 loan to buy a new car, but NatWest added it to the deal anyway.

WALSH: When I got the credit agreement, they had included a personal loan protection plan, which I definitely did not want and didn't apply for and I was a bit irate about that - particularly when I saw how much it was. I just didn't believe that £1740 could be added to the amount of the loan and then the interest charged on that over the 3 years or 36 payments.

LEWIS: Well that was May 2001 and it was practices like that which led to cause the Payment Protection Insurance to be tightly regulated. It took though another 5 years of complaints before the Financial Services Authority was given that power in January 2005, and later that year Citizens Advice issued its first report into PPI called simply 'Protection Racket'.

EXTRACT MONEY BOX PROGRAMME 2005: TUTTON: The evidence we get coming in from Citizens Advice Bureau is lots of people find they're paying an awful lot of money for these policies. For instance, in one case we had someone where there was a loan of £15,000 - an extra almost £8,000 on top of Payment Protection Insurance. Although people are paying a lot of money, what they find is when it

comes to claim they can be excluded. Policies often have exclusion clauses around things like if the reason you can't work is disability caused by mental health or a bad back - both commonly excluded; people who are self-employed are often excluded; others in very tight circumstances; people over certain ages are often excluded from certain types of cover.

LEWIS: Well that was the author Peter Tutton talking to us in 2005. That report was soon backed up by the Financial Services Authority itself. After mystery shopping and visits to firms selling the insurance, it found poor sales practices and a lack of control over the process. After that, the regulator kept itself busy.

TIMELINE - FSA DEALING WITH PAYMENT PROTECTION INSURANCE

In September 2006, the FSA imposes its first fine for mis-selling, and by the end of the year it fines 6 firms a total of £850,000.

In October, the Office of Fair Trading weighs in with plans to refer PPI sales to the Competition Commission, and in February 2007 it does just that.

The FSA carries on fining firms and banning some directors altogether. Over the next couple of years Capital One, HFC Bank, Liverpool Victoria and Egg are all fined.

In June 2008, the Competition Commission estimates that customers of PPI are being overcharged by £1.4 billion a year.

And in October that year, the FSA fines Alliance & Leicester £7 million for serious failings in its telephone sales of PPI.

In January 2009, the Competition Commission says PPI should not be sold with a loan. Barclays Bank objects, which delays the process by 2 years.

A month later, the FSA asks firms to stop selling single premium PPI where the cost

is paid upfront by borrowing more money. After the banks fail to act for 4 months, it bans those sales in May.

The Financial Ombudsman Service begins to be swamped by complaints from PPI customers, which the banks have rejected. It upholds three out of four claims.

After receiving nearly 50,000 complaints in a single year, the ombudsman asks the regulator to take firmer action.

In August 2010, the FSA outlines new rules for selling PPI and says the banks should apply that to all sales back to 2005.

The banks decide to go to court to challenge the FSA's powers to impose such rules retrospectively and, meanwhile, place all new complaints on hold.

In March this year, the Chief Executive of the British Bankers' Association, Angela Knight, defends the court action on Money Box.

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

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

KNIGHT: And many have ... 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: Well that was Angela Knight of the British Bankers' Association a couple of months ago. A few weeks after that, the High Court threw out their case. But the banks still refused to change and said they wanted time to consider whether to ask for permission to appeal. That time runs out on Tuesday. The decision is made more difficult for them by Lloyds' decision that it wants no part in the legal action anymore and will follow the regulator's instructions. Well with me is Guy Anker, News Editor of Moneysavingexpert.com. Guy Anker, we heard earlier that long timeline. Five years after the FSA regulated these sales, it's still not been resolved. What's gone wrong?

ANKER: Yeah, you have to ask that question. I was at a conference in April 2005 where they raised these concerns. As you say, it's been a long time. We've had fine after fine as the examples you've read out just show.

LEWIS: Yes, I think twelve and a half million pounds was fined from 24 companies. So in that context, how significant is the Lloyds move because it's basically put its hands up and said, okay, we'll pay up?

ANKER: Oh it's of great significance. It's a crushing blow to the BBA's case. You've got Britain's biggest bank. You've got the biggest seller of PPI pulling out. That's quite a major blow.

LEWIS: Yes. And Deutsche Bank I think estimated that the total cost could be £8 billion based on the amount Lloyds now says it will have to spend - a billion or so for Barclays, a billion or so for RBS. That's going to be a lot of money, isn't it?

ANKER: It's huge numbers. It's a lot more than the FSA estimated as well. They were looking at between three and four and a half million.

LEWIS: You say it's a blow for the BBA, but certainly I understand they're meeting possibly even over this weekend to decide on whether they're going to seek leave to appeal on Tuesday. RBS, I'm told, one newspaper's reporting has criticised Lloyds for deciding to pull out. Do you think the banks really will try to pursue an appeal?

ANKER: It's difficult to say. I mean they're obviously having some serious high level talks this weekend, as you say. We would hope they will follow Lloyd's case because PPI mis-selling - again as your examples show - has been rife for years and years and years.

LEWIS: Yes and the thing that struck me about that timeline is the complaints have been pretty much the same since 2001. What should people do if they think they may have been mis-sold?

ANKER: They should make a complaint. I mean the decision is great news for Lloyds customers in particular because Lloyds are now less likely to fight. But no matter who you're with - if you feel you've been mis-sold, complain to that lender. If they reject you or if they don't give you an answer within 8 weeks, complain to the Financial Ombudsman.

LEWIS: Yes, I mean Lloyds told me yesterday that they've taken off the hold on cases - they were going to process complaints they'd already received - and they even said they were actively encouraging complaints from anyone. But I mean not all of these policies have been mis-sold. I know the ombudsman upholds three out of four, but they're not all mis-sales. What should people look for in their history to see if they have been mis-sold?

ANKER: Well your example earlier, Barry, he didn't even know he had Payment Protection Insurance. Some people don't know that. Some people were told that they could only take the loan if they took the insurance. Maybe they weren't explained that if they had a pre-existing medical condition or they were self-employed. If those questions weren't asked, that could mean they're excluded from claiming. That could

mean a mis-sale.

LEWIS: And just briefly, Guy. Some people listening will say you know despite the 10 years of evidence that we've got there, that PPI can on some occasions be a valuable product. What's your advice to those who borrow and would like some protection, briefly?

ANKER: Well I mean PPI itself isn't the problem; it's the way it was sold. But, as Angela Knight said, a lot of banks have now stopped selling PPI, so it's not necessarily an option for everybody.

LEWIS: No, it's quite hard to get now even if you want it. Okay Guy Anker of Moneysavingexpert.com, thanks very much.

Around 3 million British customers of Sony's Playstation Network are to be offered some form of fraud protection by the firm after hackers stole their personal details last month. The network allows them to play games online against other members, but it's been closed since 20th April following what could turn out to be the world's biggest data breach. Many complain that Sony has kept them in the dark, and this week the company admitted that another service - Sony Online Entertainment - had also suffered a serious data compromise, including the loss of bank card details for thousands of UK customers. Bob Howard's been looking into it.

HOWARD: Paul, slowly we're starting to get more information on who may be affected in the UK and how seriously, but it's taking a long time. Money Box has learned that over 5,000 UK customers of Sony Online Entertainment have had their debit or credit card details stolen. That's the card number and the expiry date, but not the security code on the back. Sony says most will have expired, but we don't know exactly how many are in this category and even expired cards can still hold valuable data for fraudsters. And that's not the only worry. Thousands more had their personal details taken, including passwords and dates of birth. And, Paul, passwords are a worry because many people use the same one for everything, including online

banking logins.

LEWIS: And Bob, this is on top - isn't it - of the estimated 3 million Playstation Network customers?

HOWARD: Yes, although we're getting a lot less detailed information about what may have happened to their data. We do know again that sensitive information like passwords and dates of birth have been taken. What Sony doesn't know yet is whether any debit or credit card details have been compromised from this part of their operation. The company has confirmed though that around 5 million non-US customers have registered cards, so it's a safe bet that if they were stolen that could affect thousands more people in the UK. And the problem is not everybody remembers if they've registered their cards or not. Charles from Southampton is one listener in this position.

CHARLES: Obviously your credit card details are one of the most important things and I didn't know if mine were even stored on the Playstation Network because when I registered 2 or 3 years ago, I'm not sure I gave them. So now, because I can't log back in because the network's closed, I can't even find out whether they've got my credit card details. As I don't know, I don't know whether to cancel my card or not, so I'm sort of stuck in limbo.

HOWARD: And even today the network was still down. But even those customers who know for sure Sony has their card details are still uncertain what sort of risks they may be running. Steven from London's a student who used his bank card to go online also with Playstation Network. He says it took around 12 days before customers were alerted to what was wrong and he's not much clearer about the situation even now.

STEVEN: I haven't been told what precautions I should be taking. I haven't been told if I should be changing bank account details, getting rid of cards. All I've been told is that if I use the same Playstation password for anything else, it's probably

advisable that I should change that, not that there's any real risk to my bank account. But I am a bit worried about that. I've just had my student loan come through. I can get rid of that quickly enough myself. I don't need it stolen from me.

HOWARD: And not only do some say Sony's been slow to alert customers. There's criticism that even now it could be doing more to protect them. Mark Bowman is from the card industry group Financial Fraud Auction UK.

BOWMAN: If we were able to get hold of the card details that have possibly been compromised in this data hack, we would be able to put a marker on those particular accounts and monitor those for suspicious or unusual transactions. And then of course if any are spotted, then a block can be put on those cards.

HOWARD: You said if. Have you not been provided with those details then?

BOWMAN: Well as yet no. We are liaising with Sony and what they have said is that they have no indication that credit card details have actually been stolen.

HOWARD: Sony wouldn't offer anybody from the firm to be interviewed, but it insists it has emailed every customer to explain the situation. And on Friday Sony told US customers it would allow them to sign up for free to what it's calling an "identity theft insurance policy", and it says it will soon tell UK customers what sort of fraud protection it will offer them. Neil Munroe, External Affairs Director for the credit reference agency Equifax, says similar products have been offered by other firms whose data has been breached.

MUNROE: I think what will be offered is probably a 12 months facility where they will be offered the opportunity to have access online to their credit file and they will be alerted instantly to any changes. So the system works that within 24 hours you'll either get an email or a text, an SMS text saying there's been a change on your credit file, and then people can go in and check those changes.

HOWARD: So, Bob, some help in future perhaps, but what should customers do in the meantime?

HOWARD: Well most people I've spoken to have said don't cancel your cards at the moment, but do carefully monitor your account for any suspicious transactions no matter how small. If you use the same password for everything, then change it. And be careful of anybody making contact with you by phone or email who tries to get you to reveal any bank or sensitive information whichever firm or organisation they say they're from.

LEWIS: Thanks Bob.

When someone dies, it sometimes takes the Department for Work and Pensions a little while to stop the payments of pensions and other benefits into the bank account of the dead person. It may seem reasonable for the DWP to ask for that money back, but does it have the right to dip into the bank account of a dead person to recover what it says is an overpayment? That question was raised with Money Box by David Smith. His brother Philip died of cancer on 16th January.

SMITH: They literally took the money out of his account, which I'm the executor of. In March I got a statement from them that said there was a withdrawal of £242.50, which I knew nothing about. Phoned the Halifax up and said to them, "What is this money?" And they said, "Oh we had to pay the DWP back." I said, "But it's a frozen account. You didn't ask me." And they said, "We have to do what they tell us." So I immediately wrote both to the DWP and to the Halifax accusing one of theft, one of negligence.

LEWIS: So what do you want to happen now?

SMITH: I just really want people to be aware. I don't think that the DWP should be allowed to take money from an account. The DWP should have written to me (because they do have my address) and said we overpaid and we want to take the

money back. It's the way it was done. Underhand. It was real sneaky.

LEWIS: Well with me is Andrew Kidd, a partner with solicitors Silverman Sherliker. Andrew Kidd, is the Department for Work and Pensions entitled to dip into a bank account and take that money?

KIDD: Well I think there are two points here, Paul. Firstly there's the legal ability for the DWP to reclaim money which has been bona fide overpaid, and both at common law and under statute it does have that ability. Whatever the legal position, the DWP's position is quite clear. In the first instance, it will write to account holders and request that the money is paid back. When I say account holders, I mean the bank. Therefore the decision rests largely with the bank and it's their decision whether they make the repayment directly to the DWP.

LEWIS: Well we did put that point to Halifax, the bank involved in this case, and it says it's obliged by law to refund credits which relate to a period after the customer's death. And it says it doesn't need executor's permission, and a request from the Paymaster General or Crown Agents (the DWP operates through them) has to be obeyed.

KIDD: Well there is ambiguity here. I mean there is no direct provision in the Social Security Administration Act for the DWP to reclaim directly, and it is largely a matter for the bank to make the decision.

LEWIS: Executors and personal representatives though have obligations, don't they? They have to gather all the money, check all the debts; and then when probate has been granted or letters of administration, they then have to distribute the money - pay off the debts and then distribute the money to the heirs. Now if the department is sort of pre-empting that process by dipping in and saying oh we'll have our money back now, that doesn't allow the executors to do what they're supposed to do, does it?

KIDD: Well it certainly doesn't help them. I mean their obligation is to act with due

diligence and to gather in the details of the estate, and they need to be given the opportunity to scrutinise exactly what has been paid to the deceased and when. Certainly by the DWP dipping in unilaterally to a deceased account holder's money, that certainly doesn't help them in that process.

LEWIS: And it is a bit more complicated than just the fact that any payment after death can go back and any payment before death doesn't have to because payments after death, given that benefits are now paid in arrears, can relate to a period before death and are due to the estate.

KIDD: Absolutely right.

LEWIS: So that makes it complicated. I mean do the executors have to do that calculation and work out what's what?

KIDD: They do have to make that calculation, yes. And if money has already been sent back to the DWP, it would seem very difficult for them to properly scrutinise the position. And if there has been an error on the part of the DWP, their job in correcting that error would be made much more difficult.

LEWIS: I suppose the final point to say though is the DWP have said to me that they don't want to write to the personal representatives because they're often relatives and it's very distressing to have the department saying sorry to hear your mum's died or whatever but please give us back sixty quid, so they do it through the bank to avoid that kind of event.

KIDD: Well the DWP does state that they don't wish to needlessly upset the next of kin by writing to them, but far be it for me to say that's a rather convenient position for them to take.

LEWIS: Andrew Kidd of Silverman Shirliker, thanks. And you can let us know of your experiences of government departments dipping into the bank accounts of the

departed through Have Your Say on our website: bbc.co.uk/moneybox. Many of you are. We may have time for a few of those later.

Now we all know - or we should - that if we use a debit or credit card abroad, we may be charged a fee just for using it in a foreign currency. But some Money Box listeners have contacted us to complain that they've been charged a fee when they've bought their currency in the UK before going abroad. Ben Carter's been looking at this.

CARTER: That's right, Paul. As you say, a number of unhappy listeners have been in touch. Alexander Walker from Edinburgh is one of them. He banks with the Royal Bank of Scotland.

WALKER: I ordered from Travelex 600 pounds worth of euros and was charged £4.50 from the bank. I was debited from the bank in sterling, so where the £4.50 came from, I didn't know. I have spoken to the bank since. They have informed me that as I didn't know there was a £4.50 charge because they had changed their standard conditions, they would refund the £4.50 but I would be charged for any other purchases I made to buy currency from anybody else bar them which is really quite outrageous.

LEWIS: So, Ben, just to be clear. Alexander bought 600 pounds worth of euros using a Visa debit card and he was debited £600 by Travelex, but his bank then charged him another £4.50?

CARTER: That's right. RBS apply a foreign currency charge of 1.5% with a minimum charge of £2 and a maximum charge of £4.50. An RBS spokesperson told me that when customers purchase currency from a travel agent, it is treated under the Visa scheme as a cash purchase. As a result, RBS have to pay Visa and then they recoup that cost from the customer.

LEWIS: But some banks don't charge for these transactions, do they?

CARTER: They don't. HSBC, HBOS and the Santander Zero Account don't apply charges.

LEWIS: So Ben, we know what the banks are charging, but what's the actual charge that you mention that Visa makes which the banks have to pay to Visa?

CARTER: Well it's a flat fee of £1.75 plus 0.33% of the transaction. And in Alexander's case, that was split between Travelex's bank and Travelex. But we should point out that if you spend less than £833 on currency, then the bank is making a profit on that transaction.

LEWIS: So what can people do to avoid these charges, Ben?

CARTER: If you're using currency exchanges, I think the best thing to do is to pay with cash. But a lot of people might not be happy carrying large amounts of cash around with them.

LEWIS: Thanks Ben. Well one alternative is to take a small amount of cash abroad and use your credit or debit card there. I asked Michelle Slade from Moneyfacts how people could avoid charges once they were abroad.

SLADE: You can use your card while abroad for cash, but there still will be a charge for doing so. All of the banks pretty much make one charge or another, with the only exception being the Norwich and Peterborough Building Society. So even if you pay by card, you still are going to be hit by some sort of charge of around sort of 2.75%.

LEWIS: So is it better to use a credit card?

SLADE: Credit cards will charge around between 2.75% and 2.99% for using your card abroad. So unfortunately no matter how you use either card, you're going to be charged. There are some exceptions on credit cards there as well a bit more. The Post Office, for instance, doesn't make any charge; Santander has some cards also that

don't make any charge; and the Halifax has the Clarity card that doesn't make any charge. So there are some options if you do travel abroad and maybe you want a card just specifically for that.

LEWIS: So it may be worth getting a card just for travelling abroad that doesn't make these charges?

SLADE: Yeah, that could be a good option for people, and that way you can save.

LEWIS: Michelle Slade of Moneyfacts. And holiday finance is the topic for Money Box Live on Wednesday with Vincent Duggleby here on Radio Four. And Bob Howard's still with me. Bad news, Bob, if you're having to pay back credit card debt this year.

HOWARD: Yes, the average interest rate charged on credit cards now stands at the highest level for 13 years at 19.1% according to the comparison site Moneyfacts. It says rates have increased significantly in the first months of this year with increases of up to 2%. It found that 18 credit cards have had their rates increased since the start of 2011 compared with just 4 in the same period in 2010. Several of the high street's most recognisable names have raised rates, including Barclaycard, Halifax, Royal Bank of Scotland and Santander.

LEWIS: Thanks Bob. And that's just about it for today. There's more on our website, bbc.co.uk/moneybox, where (among other things) you can listen again to last week's special programme on the death of final salary schemes, and you can have your say on how the DWP treats the money of people who've died. Some of you are. T. Lewis (no relation) works for a building society. Says they get letters frequently about this from the DWP asking for money back. But Graham Hickling says, 'We had to use the DWP's bereavement service and found it excellent. I can't see the problem'. Glad to hear that. Vincent Duggleby's here on Wednesday with Money Box Live, this week taking your questions on holiday finance. I'm back with Money Box next weekend. You can read my money thoughts whenever I'm awake on my Twitter,

Paullewis money. Today reporters Bob Howard, Ben Carter; producer Lesley McAlpine. I'm Paul Lewis.