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MONEY BOX

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LEWIS: Hello. In today's programme, paying sales bonuses to staff in banks and insurance firms causes mis-selling. The financial regulator's boss tells me what he plans to do about it. Santander backs down on plans to introduce a charge for small business accounts, which were sold as 'free forever'. Bob Howard's here.

HOWARD: Looking at price guarantees. Are they all they're cracked up to be?

JONATHAN: It seemed a bit like if we ignore you long enough, you'll eventually go away.

LEWIS: I talk to the man responsible for stopping those cold calls and unwanted texts. Why hasn't he used the powers he has? And what do points mean? Well not prizes if they expire before you spend them?

But first, paying sales bonuses to banks and insurance staff leads them to mis-sell financial products to their customers. That was the conclusion this week of a study by the Financial Services Authority itself. The findings didn't surprise Money Box. Here's a reminder from just a few weeks ago of what we discovered about how banks sell things to us whether we want them or not.

MALE/FORMER BANK EMPLOYEE: You have two ways: it's either hook or crook. The hook is when you look at a customer's account when they come up to your till. Shall we say they've got a large balance? Your hook is, "We can make you some money on that." Or the crook way is a simple thing. I've used things such as you know I've spotted something and I've gone, "Oh I'm really sorry, my computer's not working. I'll just get my colleague to sort that out." Providing it's a non-cash transaction, then I can get them into a room with a seller. That was the important bit.

LEWIS: Well that interview was with a man who used to work in a bank and it was first broadcast for Money Box's summer series: Fixing Broken Banking. The Financial Services Authority survey, published this week, looked at 22 banks, insurers and investment firms. It found that 20 of them were systematically mis-selling products to customers. It blamed sales incentives and targets both to frontline staff and their managers. Martin Wheatley will soon head the new regulator, The Financial Conduct Authority. I asked him whether he would end these sales incentives.

WHEATLEY: I don't think we would want to stop banks, financial services, companies from offering products. What I think we want to stop is them almost forcing their frontline staff to offer the wrong products. People would be (in order to earn bonuses) have to go into forced selling, pushing products that were most profitable to the bank rather than for the customer.

LEWIS: You said what you found "wasn't pretty", to use your own words. What exactly did you find?

WHEATLEY: Well things that, for example, would offer a £10,000 bonus to the first 21 people to hit a sales target. I mean those sort of structures are almost bound to create wrong outcomes.

LEWIS: But don't you think there's an inherent conflict of interest between sales staff and the customer if there's *any* incentive scheme, especially when the staff are called 'advisers' rather than what they really are, which is salespeople?

WHEATLEY: Yes, I do. I think there is an inherent conflict of interest. It can be managed if what you are paid bonuses for is much more than just selling a product. So if you're paid on much more of a balanced basis, which is the service you provide to the customer where the customers come back because they're happy with the product, but it has not been managed well in financial services so far.

LEWIS: When you did your survey, you said 20 out of 22 of the firms had systems in place that increased the risk of mis-selling. Will you be telling the public who those 20 were?

WHEATLEY: Where we have enforcement actions, at the end of that process then we will announce the outcome of that. I think it would be difficult to name all of those that were

included in the study, partly because we were only looking at the incentive schemes; we weren't looking at the end result. So what we have said is these are schemes that *could* create mis-selling. We didn't actually go through the full cycle to the end of the process to say and here is the actual mis-sales that occurred.

LEWIS: But you did say that in six cases, the risks were "significant." Those six could be using the same flawed systems today and mis-selling to people as we speak.

WHEATLEY: Well we're comfortable that of the firms we've spoken to, all of them have either completed or are in process of redesigning their systems.

LEWIS: So can we expect a series of mis-selling announcements from these firms and that they're going to offer redress to their customers?

WHEATLEY: Well we have told them that where the outcomes have resulted in consumer detriment, they should be approaching their customers. So we will expect there will be some redress coming out of this process.

LEWIS: One firm we know has been referred to enforcement. Will you say which one that was?

WHEATLEY: No, I don't think it's appropriate for us to say. If at the end of that process, we have an adverse finding, then we will publish at that stage.

LEWIS: It has been widely reported in the press, of course, that it's Lloyds Bank.

WHEATLEY: As you know, our policy is we will not comment until we reach the end of the process.

LEWIS: And what are you actually going to do now? You've got a consultation; people can send you their comments by the end of October. What are you going to change and when will those changes be in place?

WHEATLEY: We'll introduce a new set of guidance as to how firms should design their schemes, and if firms don't start to change their systems then we'll take further action against those firms.

LEWIS: So maybe by spring 2013?

WHEATLEY: Well it would definitely be in place by then, yes.

LEWIS: Martin Wheatley. And if you want to let him know what you think, there's a link on our website to that consultation paper.

More than 200,000 small business customers of Santander will continue to get free banking after the bank cancelled its plans to charge them. The bank had been writing to its small business customers, telling them that in future accounts which had been marketed as 'free forever' would in future cost them between £90 and £360 a year. Many small businesses objected, but Santander insisted that the 'free forever' promise made in leaflets and adverts until October last year wasn't binding. Hugh is one angry customer who contacted Money Box.

HUGH: I got in touch with Santander and said, "How can this be because when you sold it to me, you specifically made comparisons with other banks saying where other banks offer you free business banking for 12 to 18 months, etcetera, we offer you free business banking forever," and it seemed to me that that was simply not open to reinterpretation. Santander drew my attention to a clause in their terms and conditions - very small printing, many, many pictures - which when rendered into plain English effectively says we are entitled to stop honouring any promise we make at any time of our choosing. On that basis, I no longer have any trust whatsoever in Santander.

LEWIS: Another listener, Andrew, says he didn't want to be forced to pay for services he didn't need.

ANDREW: What they have offered me in terms of this so-called new account is of no interest to me whatsoever. I have no need of an overdraft; and none of the other services that they're talking about, we have any need of either. And I am much the same as many small businessmen that simply require a bank account to transact income and outgoings. I think one is disappointed at the rather sort of peremptory and arrogant attitude that Santander has approached on this, and of course they are literally welshing on a promise.

LEWIS: Well despite receiving many similar complaints, Santander maintained its stance for more than a month. But this week, it relented. It told Money Box that the 'free forever' promise would be honoured, though small businesses would of course be able to pay if they wanted the extra services such as better overdraft deals. Head of Communications, Andy

Smith, added in an email:

SANTANDER EMAIL: After listening to feedback from our existing customers, a small number of whom do not feel their businesses would benefit from these changes, we will be retaining the fee free option for existing customers.

LEWIS: Santander giving into the inevitable really - that 'free forever' meant ... well free forever.

Lots of retailers offer to pay you the difference if you find the same product or service cheaper from a competitor. But how easy is it to get some of your money back? One Money Box listener thought he had a strong case for getting back the price difference from Halfords after it repaired his car, but he found getting the company to accept his claim wasn't easy. Bob Howard's been investigating.

HOWARD: Paul, Money Box was contacted by Jonathan from Gloucestershire. In May he needed his car repaired, so he took it to the Swindon branch of Halfords. Jonathan paid £634 and was happy with the work, but then the Halfords price guarantee caught his eye. It said if you get the same repairs done elsewhere more cheaply, Halfords would pay the difference plus 5% of the cost.

JONATHAN: You had to get a like for like quotation within 7 days for the same work. The garage had to be within a 3-mile radius. So I thought I'd phone round a few garages and I got a number of quotes, one of which was extremely competitive: £452.40. So that's probably getting on for £200 cheaper, which I consider quite a lot of money.

HOWARD: Jonathan thought all he'd need to do now would be to submit the quote to Halfords and, as promised, he'd get his cash.

JONATHAN: I handed the quotation to the local service centre manager who, I must say, seemed a little surprised. I don't know how many of these he had previously. He tried to discredit a couple of items, but I think we agreed that he would then pass that through his management chain and I assumed somebody would then get back to me fairly soon.

HOWARD: With no response after 2 weeks, Jonathan phoned the Swindon branch of Halfords and left a message for the manager. He didn't call back, so he emailed and then phoned head office. He was told the manager was on holiday, but would call back the

following week. But again nobody called, so Jonathan called again and was told a regional manager would phone him. But by the time he contacted Money Box, he still hadn't been called. He'd been waiting 6 weeks - not just to get the cash but to find out even whether his claim had been accepted.

JONATHAN: It seemed a bit like if we ignore you long enough, you'll eventually go away. They really do need to take a look at this to ensure that it's fair, claimants are not stonewalled - that's the feeling that they gave - and customers are not drawn in by, as far as I can see, a series of hollow words.

HOWARD: We asked Halfords for an interview regarding how customers should be making a claim under its price guarantee. Nobody was available, but the firm did send a statement.

HALFORDS STATEMENT: The work we carried out on Mr Porter's car included our 'brakes for life' guarantee. This is a benefit that no other garage offers and wasn't included in the rival quote that Mr Porter gave us, so we telephoned him several times to discuss this. We accept we should have given Mr Porter a clearer and more polite explanation and have sent him a cheque for the price difference.

HOWARD: It's not just repair work on cars where price guarantees can throw up problems. David Sanders, Lead Officer for Civil Law at the Trading Standards Institute, says they're sometimes also offered on goods where no alternative product would be accepted by the retailer.

SANDERS: If you're selling a product that's unique to that company - it has a unique specification or a unique serial number - then you get to a situation where this price guarantee is a bit of a nonsense in that you will never find the product somewhere else, and that is a situation that should be looked into by enforcement.

LEWIS: Thanks, Bob. Well that was Trading Standards' David Sanders. But often it's the Advertising Standards Authority which gets the complaints about these offers. Vena Raffle is its Head of Investigations. I asked her how difficult it was to judge whether a price guarantee was misleading.

RAFFLE: It's relatively straightforward for us to assess whether these ads are misleading. Obviously we need to look in to see whether or not there are any terms and conditions

attached to that ad and very often there are.

LEWIS: But they have to be clearly expressed, presumably?

RAFFLE: They have to be clearly expressed. They can't contradict whatever the claim is and they can't be buried in the small print either.

LEWIS: I was looking at one of your adjudications, a company called Holiday Extras which offered a price on somebody finding car parking, as I understand it. And it said in order to fulfil it, the person had to find car parking at the same hotel car park or the same meet and greet operator, so basically they were saying find the same product exactly and we'll sell it at its cheapest to you.

RAFFLE: Yes and that can be quite tough to do.

LEWIS: It can be difficult, can't it, especially with an own brand product, or perhaps with extras like a warranty or a delivery or something like that, to prove that it is exactly the same product?

RAFFLE: If a offer is virtually impossible because you have to (for example, like Holiday Extras) absolutely match every detail, then it's unlikely to be acceptable.

LEWIS: In the case we've been looking at involving Halfords, they claim the price comparison wasn't fair because they offered what they called 'brakes for life' - if your brakes ever went wrong, they would repair them. They said no-one else offered that, so no-one else could possibly have exactly the same product at a lower price. Is that reasonable because inevitably if they offer a unique product, the price promise is meaningless, so they shouldn't be making it?

RAFFLE: Well that's right. We would have to look at the advertisement and see what the advertisement said. If it was impossible to get that deal, then it should say so. If in order to get that deal you had to meet impossible criteria, then it seems illogical to put that offering out there to consumers. They will get misled and they hopefully will complain.

LEWIS: Looking at it though from the other point of view, shouldn't customers really find the cheapest before they buy it rather than buying it on a promise and then scurry about finding a cheaper one and saying, "Ya Boo, I'd like a hundred quid back?"

RAFFLE: The burden of proof is on the advertiser. It's the advertiser that makes the claim and he's got to be able to substantiate it and he's got to have the evidence to back it up before he makes it.

LEWIS: Your power consists of making companies withdraw adverts and not repeat them. Is that enough because, after all, you could put out a misleading advert, get a lot of business and then say ooh, sorry, I won't do that again?

RAFFLE: We don't come across advertisers who set out to mislead consumers. It's a very bad business model. We do publish adjudications. Those adjudications serve several purposes, but the main ones are to tell the world at large what it is that we've done, what we've looked into and what we've decided, but also to educate the industry.

LEWIS: Vena Raffle of the Advertising Standards Authority. And you can let us know your experiences of these money back if you find it cheaper offers through Have Your Say. Our website: bbc.co.uk/moneybox.

And now members of the Money Box team reading text messages they've had recently.

TEXT MESSAGE 1: We've been trying to contact you regarding your PPI claim. We now have details of how much you're due. Just reply confirm and we'll call you back.

TEXT MESSAGE 2: Records indicate you're entitled to circa £3,666 in compensation from the mis-selling of PPI.

LEWIS: Well we all get them, don't we - invitations to claim money, and almost universally we hate them. Last week, we talked about controlling claims management firms, but we didn't look at how the cold calls and texts themselves could be controlled. The body that polices them is the Information Commissioner's Office. I asked its Head of Enforcement, Steve Eckersley, why he hadn't stopped them.

ECKERSLEY: We do take our regulation enforcement responsibility seriously and we've elevated this now to one of our priorities. And what that means is that we've introduced additional teams in order to investigate this sort of problem and they're supported by an intelligence hub. And the way that works is that we gather information from a wide range of sources - for example information from the Telephone Preference Service; we can now collect our own information from formal complaints.

LEWIS: I'm sure people listening though will think well escalated, dedicated teams, intelligence hub - fine - but I'm still getting them. Why can't you stop them?

ECKERSLEY: Well we do have powers to tackle the problem, particularly in relation to issuing civil monetary penalty, and we can issue a monetary penalty up to £500,000 and ...

LEWIS: How many penalties have you issued?

ECKERSLEY: Well we haven't issued any. The power was only introduced in January of this year and these ...

LEWIS: *(over)* Well that's 8 months and you haven't issued a single one.

ECKERSLEY: We haven't, no, but these investigations do take time.

LEWIS: But my understanding is that many of these calls and certainly the texts are illegal under the Privacy and Electronic Communications regulations, which have been around for nearly 10 years.

ECKERSLEY: The actual power itself, if you like, that will give us the teeth and the power I'm talking about obviously is the issue of a civil monetary power.

LEWIS: Okay, but when are these calls and texts illegal?

ECKERSLEY: The calls and texts are illegal when they are sent to consumers who've not consented for their number to be used.

LEWIS: How easy is it to consent because a lot of us, we go online, we do some shopping, we tick a box or we don't tick a box, we don't un-tick it. Does that mean we have consented to get these wretched things?

ECKERSLEY: Well there lies the problem. One of the problems we have of course is recently there's been a lot of money and financial gain to be made from some of these organisations (and we call them the instigators or senders of the texts), particularly around the claims management industry, and that seems to be one of the key drivers to this particular problem.

LEWIS: If I buy a list of names and numbers and I'm told it's been checked and it's clean and I can ring them all, do I have an obligation at that point to check again before I start

calling them, or can I take the word of the person who I've probably paid a lot of money to?

ECKERSLEY: Well they should do. Yeah, they should screen against the Telephone Preference Service to check the numbers.

LEWIS: We know companies, a lot of companies simply won't do that. You'd like them to; I'm sure all our listeners would love them to. But can you make them do it?

ECKERSLEY: Some of the organisations that we're talking about, the call centres in particular, are operating from overseas and outside of our jurisdiction.

LEWIS: So you can't. If they operate from overseas, you can't do anything about it, can you?

ECKERSLEY: Well they're operating outside our jurisdiction, but what we've found is that a lot of the instigators are actually based in the UK.

LEWIS: And what can individuals do? We all get these calls, we all get these texts. Many people find them deeply annoying, even distressing.

ECKERSLEY: My advice is pretty simple. Obviously tell the company/organisation to stop calling. Try and find out more information as to who they are and, where possible, try and obtain their number, and then complete our online survey.

LEWIS: And if you have a call, I suppose it's annoying but easy enough just to hang up. What about texts? Some people are tempted to reply, saying don't ever text me again. But I think your website says that's exactly the wrong thing to do.

ECKERSLEY: Any contact or return of the text is confirming that number's in use. It's almost inviting a further response.

LEWIS: How long do you think it will be before we can begin to see a few fewer of these annoying calls and texts?

ECKERSLEY: Once we do issue the civil monetary penalty in the next few months, we hope this is going to act as a good sanction against the company and also a deterrent against others.

LEWIS: So a few months and you'll issue a big civil penalty?

ECKERSLEY: That's what we've got planned, yes.

LEWIS: Steve Eckersley of the Information Commissioner's Office. And the link where you can report texts and cold calls is on our website: bbc.co.uk/moneybox.

Do you get points when you spend money on your credit card? If you do and you're saving them up for some expensive treat, beware: points may not mean prizes, as Money Box listener Kevin McGill from Newry discovered. He has an MBNA joint Visa and American Express card and earns points for every pound he spends. He's been collecting them a long time and was hoping to have enough to buy an iPad. But when he tried, he found he was short of the number he needed; and when he checked why, he made an awful discovery.

McGILL: I didn't have enough reward points and when I checked, I discovered that on 2nd August 30,842 points had been deducted from my account. I'm rarely slave to advertisements, but because I wanted the iPad I was particularly conscious of it and went out of my way to spend money on the card. It made me feel like they'd almost stolen the points from me. There is no way of me checking to see how many points I acquired 36 months ago and, therefore, how many I'm about to lose.

LEWIS: MBNA wouldn't do an interview, but told Money Box it "makes every effort to inform customers about the expiry of their reward points" - it claims details are in the documents it sends out and on its website - but it told us that it will credit Kevin's account with enough points for him to get his iPad. So how good are credit cards with rewards? Rachel Springall is from the comparison site Moneyfacts.co.uk.

SPRINGALL: Predominantly it's a points basis if you go for a reward card, which means you spend a pound, you get a point. Points means prizes. Unfortunately for a lot of loyalty cards out there where you get rewards, you need to spend quite a considerable, significant amount of money to get a decent number of vouchers.

LEWIS: And do they all expire if you don't use them?

SPRINGALL: I know for a fact with the NatWest, they have a reward card where you spend a pound, you get a point, and they will always keep your points until you close your account with them. But some card companies are different, so they may have a time frame on the amount of time you have to use your points up, so you do need to check with the issuer.

LEWIS: Well you say check, but one of the problems we've identified is it's actually quite hard to find out when your points do expire.

SPRINGALL: Correct.

LEWIS: You're told you've got x thousand points, but you're not warned that by the way a thousand of those will expire if you don't spend them by next Tuesday.

SPRINGALL: Precisely. The actual points terms and conditions can be quite hard to find. From looking just on the websites, it's really hard to get an absolute rule as to when your points can run out, so the best thing to do is you do take up one of these cards is contact the card company direct. Phone them up and find out where you stand.

LEWIS: And even if the points are converted into vouchers, we've discussed before on Money Box the fact that vouchers also run out, don't they?

SPRINGALL: Exactly. All vouchers predominantly have an expiry. With John Lewis, if you had 500 points, it gets converted into vouchers, and 500 points is worth £5. However, the vouchers themselves only have a period of 3 years to be used. With Marks and Spencer, if you accumulated your points and eventually got your vouchers, the vouchers themselves could expire in 15 months, so you really do need to keep on top of when your vouchers expire.

LEWIS: I know people like to save up points and they see it as a way of saving, but isn't it more sensible to have a cashback card where once a year or once every few months you get the cash back, the percentage of what you've spent automatically credited to you?

SPRINGALL: Indeed, cashback cards are a great option. With shoppers, they believe that a long-term option would be a reward card. However, they looked at short-term purchase period. You may actually get more for a cashback return than you would eventually after a year or so of spending on a reward card.

LEWIS: And just give us an example, what kind of rewards and what kind of cashback you might get.

SPRINGALL: For example, for cashback, there's two cards on the market; one with American Express and one with Capital One where you can get an introductory 5% for 3

months cash back, which means if you spent £500, you could get £25 in cash back in a month. If you did the same on a reward card, you would have to spend say £2,000 potentially to get the points to get a £10 voucher.

LEWIS: Rachel Springall from Moneyfacts.co.uk.

And that's it for today. More on our website, bbc.co.uk/moneybox. You can download the programme, send us your ideas, and have your say on those money back if you find it cheaper deals. Vincent Duggleby's here on Wednesday with Money Box Live taking questions on insurance. On Tuesday, the BBC World Service at 11 a.m. It's the first of our new series, Your Money, looking at borrowing and lending around the world. You can listen on digital and online. I'm back with Money Box next weekend. Today producer Bob Howard. I'm Paul Lewis.