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MONEY BOX

Presenter: PAUL LEWIS

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LEWIS: Hello. In today's programme, faster money transfers by the banks. Our latest survey reveals repeated promises still being broken. Are personal pensions a waste of time? Would you be better off with an ISA? One adviser says you would. Bob Howard's been to the cash point.

HOWARD: With a man who feels he was mugged twice: once by thieves and then by his bank.

GREGG: They're obviously intimating that I should have covered the number up better than I did. I think it's appalling.

LEWIS: Virgin Money buys a bank as part of its bid to become a new force on the high street, but will it really shake up our current accounts? And coping with the cold: boiler scrappage and cold weather payments.

But, first, a year and a half after twelve banks and one building society signed up to a system to transfer money instantly, some are still failing to do this for all transactions. The latest figures show that half of standing orders and a quarter of single payments are not being processed under the new instant system. For those customers whose banks are failing to meet their pledges, the restriction is very frustrating. Here's Money Box listener John Carney.

CARNEY: We're approaching retirement and we want to get the best rate for our savings, and that means moving it around, you know. It goes out of your account on the one day and three days later it appears in another account, so in reality I've lost three days of interest on that money. It grieves me that the banks can't sort out something very simple, so I just feel that I'm being cheated.

LEWIS: Well Money Box's Charlotte McDonald has been looking at the good, the bad and the downright indolent among the banks. Charlotte, what have you found?

McDONALD: The good news is that all 13 firms are now using it one form or another. RBS, NatWest and Barclays send almost all transactions through the Faster Payments Service, and many banks which *were* struggling have improved. Last year, Lloyds was forced to withdraw faster payments for its online customers. That's now available again for payments of up to £2,500.

LEWIS: Well that's the relatively good news. What's the bad news?

McDONALD: A year ago, Abbey customers were unable to send *any* faster payments. They can now, but only up to £250. In fact, a number of banks have a relatively low maximum amount with Nationwide scooping the prize by only allowing a grand total of £10 to be sent.

LEWIS: £10?

McDONALD: Yes. Nationwide says it's found it difficult to implement faster payments, but it's still working on it. The worst offender is Citibank. None of its personal account holders are able to send money instantly, although corporate customers may. The bank says it hopes to roll out faster payments for some personal accounts by June.

LEWIS: Thanks, Charlotte. Well Sandra Quinn from the Payments Council is here. Sandra, announced in May 2008 - I won't even mention the years we waited before

that announcement - promised by the end of 2008; and still at the start of 2010, Charlotte's survey's found - still delays, even one of the founding members not offering any faster payments. What's gone wrong?

QUINN: Well there is good news, as Charlotte herself said, and I think that's important to make. And what we're seeing now is 15 million payments a month going through this system; whereas before faster payments existed only 10 million payments a month were being made of this type at all. So it has encouraged massive growth.

LEWIS: I know it's improved, but you know people like John Carney are still saying this is a simple thing; why can't the banks get it right?

QUINN: And as the Payments Council have said, we're in complete sympathy with those customers who are finding frustrations with their banks. And actually we've said very publicly if your bank isn't providing you with the service you want, you should go to a bank that does because there are banks that do that.

LEWIS: Right. So you're actually saying leave banks that don't do what they should be doing?

QUINN: If faster payments is important to you for running your current account, move to a bank that provides you with the service you want.

LEWIS: So people with Nationwide, Yorkshire Bank, Clydesdale Bank, Citibank, they should be moving somewhere else?

QUINN: Banks can do this service. It's, as you say, been around for a year and a half. For the first year, it's been phased - we were more than happy to wait to see how things rolled out - but we've got a much more hard line in the last 6 months. We've said to those banks you know we think you should be providing a service of at least £1,000 per customer.

LEWIS: But you don't have any power to do that, do you?

QUINN: No we don't and that's why actually the power lies with customers. If you move your bank, you tell your bank why you're moving, that's a service they'll think twice about providing.

LEWIS: And what about the building societies and some of the smaller banks that aren't actually part of these founding members, they're not clearing banks? For them, it's barely started for many of them, has it?

QUINN: Well I think to be fair there, you've got over 50 different institutions who can now receive faster payments. And for lots of customers actually it's their savings accounts they want the money to get into their accounts quicker, so those building societies are providing that service. And that's actually been quite thorough. You know credit cards now, most of the credit card payments can be made through faster payments too.

LEWIS: Now the tax deadline is coming up at the end of this month for nine and a half million people who pay their tax through self-assessment. The Revenue, I'm told, HMRC still won't accept faster payments. Why is that? Are they their own bank? Who do they bank with?

QUINN: Well they are in the midst of changing their bank from the Bank of England to other private banks, and they're rolling out their services and faster payments is one of the services they will roll out but not yet. Not in time for 31st January deadline, unfortunately.

LEWIS: No, but I mean that's significant, isn't it? That is tens, possibly more than that, tens of billions of pounds stuck in the banking system for three days.

QUINN: Well it is going to be a problem for those people and that's why we say to people who do have a tax deadline to meet, make your payment early.

LEWIS: Well yes, indeed, if you can afford it. And, Sandra, this is the third time since the system was introduced I've asked you why it's not working, what's going to happen. All I can say is when oh when oh when will it be 100%?

QUINN: Well I think the key thing is just look at the number of payments that are going through the system. There are lots of payments going. Lots of customers are getting a lot better service than they were a year and a half ago.

LEWIS: That's not an answer to the question though, is it?

QUINN: Well full service - you know this year, we hope. But, as you said, we can't make people do what they're not doing.

LEWIS: This year, we hope. A message for the banks from Sandra Quinn of the Payments Council. Thanks very much for that.

Now pensions a good thing, and if your employer doesn't offer one put money into a personal pension. That's been the fairly unchallenged advice from the financial services industry since 1988. But some financial advisers, whose main job has been to sell us pensions, are now saying the arithmetic shows that basic rate taxpayers at least would be better saving for their retirement in other tax efficient ways like ISAs. Well James Brooke is an independent financial adviser with Altior Vita. He sent us his calculations and James is with me. James, arithmetic's a bit hard to do on radio, but tell us the conclusion. Why is an ISA better than a pension?

BROOKE: Because you have two options: you can control your investment risk and your longevity risk. And the point is that once the tax free cash has been taken or the pension commencement lump sum has been taken from a pension, the rest of the money has to be used to provide you with an income for the rest of your life.

LEWIS: So you buy an annuity ...

BROOKE: Yes.

LEWIS: ... and then it's gone, isn't it?

BROOKE: It's gone, yes.

LEWIS: The insurer's got it. But it does guarantee to give you money every month for the rest of your life even if you live to 120.

BROOKE: It does indeed. However the slightly smaller fund in percentage terms is exactly the same difference in fund size as the amount of tax relief you got in the first place. So what that means is that you can use the money that you've got in your ISA to produce you with an income that's tax free, whereas all of the income from an annuity is of course taxed.

LEWIS: Yes. So pensions are tax free on the way in, when you pay them in, but taxed on the way out; and ISAs are the other way round. And you're saying that through your system, that can balance out?

BROOKE: Absolutely. What I'm saying is that for a person who's a basic rate taxpayer whilst investing in a pension and remains a basic rate taxpayer in retirement, they would need to live to age 115 in order to break even by having bought an annuity, having had a pension.

LEWIS: Right, so even that's probably slightly unlikely. Let me put another point. We might come back to the arithmetic if there's time, but let me put another point to you because a big advantage of pensions as opposed to ISAs is that it protects you from temptation; you can't spend the money. Here's Maggie Craig. She's Acting Director General at the Association of British Insurers, which of course represents personal pension providers.

CRAIG: You can count an ISA as being more flexible, but equally a lot of people

benefit from the discipline of a pension. How many people would actually save in their ISA every year and leave it until it came to retirement? I put my hand up and say I raided my ISA last year to pay for my daughter's wedding, so the flexibility can kind of cut both ways if you like.

LEWIS: So a confession from the Acting Director General of the ABI there that she spent her ISA on her daughter's wedding. It's fair enough though, isn't it - that there is that temptation to use your ISA money, but with a pension the law says you can't get at it till you're 55?

BROOKE: Absolutely, and one of the four exceptions to the rule of don't put your own money into a pension is the discipline question. Having said that, clearly if the ABI spokesperson had put all her money into a pension, her daughter wouldn't have had a wedding, so ...

LEWIS: *(laughs)* Well there is that. Yes, of course. Just to get back to the arithmetic because you mentioned this and I just want to be clear about it. If you put your money into a pension, if you're a basic rate taxpayer, it's immediately increased by 25% by the Treasury. If you're a higher rate taxpayer by 67% by the Treasury.

BROOKE: Correct.

LEWIS: So you've got more money in there and at the end you've got more money coming out.

BROOKE: Correct, but it doesn't grow any faster whilst it's in there. Now that we've had the tax raids on pension funds by Gordon Brown, this is what triggered ...

LEWIS: *(over)* I thought you might blame him at some point.

BROOKE: ... me to sit down and do the calculations, was because of the tax raids on pensions. And as a result of all those tax raids, money in pensions no longer grows

faster than it can anywhere else ...

LEWIS: No, but ...

BROOKE: ... and that's why you have this same weight of growth inside an ISA and a pension. And when you take into account the tax charge that you're suffering on an annuity after retirement, your income for each £1,000 of gross contribution - i.e. £800 into an ISA - is £30 a year approximately of net annual income; whereas you'd have £27.50 from your ISA, but you've still got the full fund of the ISA being £550.

LEWIS: And this seems ... From what I saw of your spreadsheet, this depends on the portfolio beating annuity returns. Are you so confident you can do that that if you don't achieve that, you'll give people their money back?

BROOKE: Bearing in mind that I'm an adviser and I'm covered by professional indemnity insurance against misadvising and mis-selling, I am sufficiently confident that I can achieve that with the way in which I run my clients' money, yes.

LEWIS: James Brooke from Altior Vita - Latin indeed for Higher Life, I believe - thanks very much for talking to us.

BROOKE: Thank you.

LEWIS: Now new rules that started in November should mean that people who have money stolen using their plastic cards are reimbursed immediately unless there's clear evidence of fraud or gross negligence on their part. But one Money Box listener contacted us because his bank refused to give him back £1,000 after he was mugged for his card at a cash machine. Bob Howard went out to investigate.

GREGG: I'm pressing for a mini statement. And this time the card has come out without any problem.

HOWARD: When John Gregg used this cash point in West London to check his balance last month, he didn't think he had any particular reason to be on his guard. He's over 6 feet tall and it was mid-day, so he didn't believe he presented an obvious target. His mini statement came out and he was about to retrieve his card and be on his way, but then two criminals behind him struck.

GREGG: As I went to get the card out, they came from this side and put two envelopes across the screen so I couldn't see anything, and at that point the card just obviously disappeared and off they went.

HOWARD: Did you realise you were being robbed?

GREGG: No, not at all.

HOWARD: What did you think was happening?

GREGG: I hadn't a clue. It was just so quick, it was untrue.

HOWARD: John immediately reported the theft of the card to the police and his bank, HSBC. He hoped he'd been fast enough to avoid being defrauded, but the thieves had been faster. (*to Gregg*) And across the road is where they withdrew the money, is that right?

GREGG: Yeah, at the Tesco Metro opposite. My statement was timed at 2.13 and by 2.16 they'd taken £1,000 out in three bits. And they just ran across the road obviously, but I didn't see them go.

HOWARD: It's very cheeky really, isn't it, just to literally cross the road and take the money out like that?

GREGG: Oh, they were obviously professionals, knew exactly what they were doing.

HOWARD: John was sure HSBC would refund him the money, but when he spoke to the bank he was told it was his fault that his money was stolen because he hadn't taken sufficient steps to hide his PIN as he entered it at the cash point. In a nearby café, John told me he couldn't believe HSBC's reaction.

GREGG: They're obviously intimating that I should have covered the number up better than I did. But the fact that I didn't even know people were looking over my shoulder, it was mid-day on a Friday, you just don't expect this thing to happen.

HOWARD: So what do you think of HSBC's attitude towards you so far?

GREGG: I think it's appalling. I've been with them for 45 years. It just seems I've been totally dismissed.

HOWARD: Not only did the bank appear to be extremely insensitive to what had happened to John. The advice he was given broke new FSA rules, which say customers in these situations must be refunded immediately. The day after Money Box contacted HSBC, the bank admitted the employee who'd spoken to John had made a mistake. It said it would refund him his £1,000 and pay him another £100 for the inconvenience he'd suffered.

HSBC STATEMENT: We apologise to Mr Gregg for having initially implied that he would be held responsible for the fraud. We look at all disputed transactions on an individual basis and our process of dealing with these transactions is fully compliant with FSA regulations.

LEWIS: That's the HSBC statement to Bob. Thanks for that, Bob. Dan Waters is the FSA Director now responsible for regulating this area. I asked him how banks should be responding to this sort of claim.

WATERS: If the bank at the time the complaint is made has got evidence that the customer behaved in a fraudulent or grossly negligent way, then they can refuse to

pay. But if they don't have the evidence, then they've got to make immediate repayment.

LEWIS: What is your evidence about how they're behaving?

WATERS: That's what we're gathering right now. We've gone to the banks and said give us the records of the unauthorised transaction complaints since the beginning of the regime in November, give us the percentages paid immediately and the percentages paid after an investigation.

LEWIS: And when will you be publishing that information?

WATERS: We're just getting that data in now. It'll take us a while to assess it.

LEWIS: But you will be telling us what was in it at some point?

WATERS: We weren't planning to do a publication on that. The important thing is to satisfy ourselves that they're complying.

LEWIS: And so just to be clear ...

WATERS: Yeah.

LEWIS: ... because there obviously are mistakes, and I think there was clearly one with HSBC here - if somebody has money taken out of their account without authorisation, unless there's clear evidence of fraud the bank will pay the money back and then investigate?

WATERS: Correct.

LEWIS: And what if that *doesn't* happen? What can people then go to their bank and say? "I heard it on Money Box"? I mean that often doesn't work, unfortunately.

WATERS: (*laughs*) They can go to their bank and say that regulations require that change to be made. We have told those banks which had terms and conditions that were wrong, we have said they have to change. That has been agreed and we're now in the process of getting the lawyers to agree to exact changes. We do not expect to see complaints going to the Financial Ombudsman Service about banks not complying with this, which is the reason that we're acting now when the regime is new to make sure we get it right.

LEWIS: And just one specific question not on this case but on one that we've had many times - if someone has had a card stolen and the thief uses the correct PIN, in the past the banks have said well you must have been careless with it. They can't do that anymore, can they?

WATERS: They cannot. That is correct.

LEWIS: Dan Waters of the FSA on what *should* happen. I'm sure you'll tell us if it is.

The government has promised more competition in banking. It says it wants new companies to start offering current and savings accounts. And this week, a well-known new entrant made a move into retail banking. Virgin Money, which tried to buy Northern Rock 3 years ago, has just paid more than £12 million for a small bank called Church House. Based in Somerset, it has just £50 million in deposits from 3,000 customers, only 10 staff and no branches. The Chief Executive of Virgin Money, Jayne Anne Ghadia, explained why she had bought it to Radio Four.

GHADIA: We've looked at lots of banks over the last 18 months and found that there's no issues in Church House Trust that we've seen in many other banks and we wanted to make sure that we're starting from a very clean platform for growth. Well we all know that the government has said that it wants more competition in the world of banking, and as we grow and develop our strategic plans I think it's almost certain that we will develop branches on the high street. But that's for the future.

LEWIS: Jayne Anne Ghadia of Virgin Money. Well with me in the studio is independent banking analyst Ralph Silva. Ralph, Virgin clearly has its eyes on becoming a banking force. What might this mean for customers?

SILVA: Well I think the first thing we have to realise is that the past 3 years, we have seen a deterioration in the trust levels of bankers - to a point where used car salesmen and politicians have more trust ... I mean no offence to used car salesmen.

LEWIS: Even journalists are more trusted I think than bankers.

SILVA: So there is an opportunity to open up new brands here, and Virgin wants to use their brand to actually go into the market because there is trust there. So from a customer perspective, this will be an alternative to the other branches. Unfortunately, we cannot assume that they're going to have all the products and services upfront. It's going to take them 5 to 10 years to get the same products that other banks have.

LEWIS: Because the bank they've bought is very small; it's Internet only; it has relatively wealthy customers. How easy will it be to transform that into a wide high street force?

SILVA: It's not that easy. But there are technical costs because you have to buy more technology, you've got to open branches and things, but the important thing is that they were able to get the licensing requirements out of the way. And the government does not make it easy to open a bank in this country, which is one of the reasons why we're not going to see 50 new banks this year. It's just simply too costly and it's just too much work.

LEWIS: And they'll need capital as well, won't they, because banks have to have a lot of capital now?

SILVA: That's right. And newer banks actually need a higher percentage of capital than the more established banks, so again much more difficult to open up a new bank.

LEWIS: But of course Alistair Darling, the Chancellor, has laid out the prospect for us of several new banks. He said the part nationalised banks are going to have to sell some branches and he said he wants three new high street banks within 4 years. Well we might have Virgin. Are we going to have two more?

SILVA: Well see I just can't see how that's going to happen because it's just too costly to run banking now. And this year and next year, we're going to see a raft of new regulations; and every one of the new regulations - which is going to protect us, yes - is actually going to *increase* the cost to the banks, which means we as consumers are going to pay more as well.

LEWIS: Yeah, it's going to protect us from competition in a way though, isn't it, if what you say is right? There's going to be fewer banks or at least no more than there are now.

SILVA: I think that it's safe to say that in a year or two from now, we'll have the same number of banks as we do now and in fact we'll have a certain number of banks - the HSBCs of the world and Barclays - that are going to be significantly bigger than they are in fact today.

LEWIS: But we've already heard I think National Australia Bank that owns Clydesdale and Yorkshire Bank, they have said they have some ambitions to become bigger in this country. Tesco has a banking licence. Marks and Spencer, which also has a very strong and trusted brand, has said it wants to move into retail banking. Won't that bring more onto the high street, bring more competition?

SILVA: It will. And there are some other banks. Itaú Bank, a Brazilian bank, wants to buy RBS now, so there's a variety of other banks trying to get into this. But they're all trying to buy established organisations, which is why I don't think we're going to *increase* the number. I think some of the names are going to change, yes, but I think the number of banks that we have, the number of branches is pretty well set for the next couple of years.

LEWIS: So your rather depressing view is that we're going to see no more banks and not cheaper prices and no better service?

SILVA: More expensive prices. And I guarantee you that by this time next year, we're going to be paying more for our financial services products because all these regulations cost money and somebody's got to pay for it.

LEWIS: Okay, Ralph, we'll have you back for more cheery news in a year's time, I'm sure. *(Silva laughs)* Ralph Silva, thanks very much.

Now first it was old bangers. Now it's old boilers. The government's latest scrappage scheme was launched this week. The £50 million plan was unveiled in the pre-Budget Report last year and it will give a £400 grant to 125,000 people to ditch their old central heating boiler for a new one. But with more than 3 million eligible boilers, how do you make sure you're one of the lucky ones who get 400 quid? Bob Howard's here. Bob, who's entitled to this rebate first?

HOWARD: Okay, well you need to live in England as a private tenant or homeowner, have a boiler which is G rated or worse. Now these tend to be those which have a permanent pilot light on, which are gas-fired and more than 15 years old, or oil-fired and more than 25 years old. Electric boilers aren't covered by this scheme. The boiler being replaced must be the main one used to heat the home. If you're under 60 years old, it has to be in working condition. However, if you're 60 or more, you can apply regardless of whether the main boiler works or not.

LEWIS: Now you mentioned householders and tenants. What about landlords?

HOWARD: Well it's open to landlords who have more than one property, but only one £400 cashback voucher can be assigned per property.

LEWIS: And the big thing, Bob - how does someone who *is* eligible get hold of a voucher?

HOWARD: Well you need to get a qualified installer to visit you and give you a quote in writing, and then contact the Energy Saving Trust with the details. It will send you a voucher, and after that you can go ahead with the installation; but you have to pay the installer in full and claim back the £400 cash afterwards from the trust and you have 12 weeks after the voucher is issued to claim that money back. You can't claim for installations that were carried out before the voucher was issued. And it's worth bearing in mind the typical cost of replacing the boiler can be anywhere between £2,000 to £3,000, so it's possible that many households simply won't be able to afford this scrappage scheme.

LEWIS: Yes. And I think savings of 200 odd pounds a year on average, so it's going to take a while to pay back. Thanks for that, Bob. We've put details on our website about how to identify a G rated boiler and the Energy Saving Trust. And just to stress, the scheme is England only; not Scotland, Wales or Northern Ireland. And, Bob, with the very cold weather, there's been talk of cold weather payments - £25 a week to some people on low income and savings who get means tested benefits. When are they paid?

HOWARD: Well there has to be a period of 7 consecutive days when the average temperature is zero or below. That's measured at 85 weather stations around the UK. We're told that 96% of them have recorded at least one period when cold weather payments will be paid; and the cold displacers in Western Scotland have had four periods, and many places in England have had three weeks of temperatures averaging zero or below.

LEWIS: So that's the temperature rule. Who actually can get the £25 payment?

HOWARD: Well it's given to anybody on pension credit. For those under 60, they must be getting a means tested benefit such as income support, jobseeker's allowance or employment and support allowance, and they must either have children under 5 or have a disabled person in the household.

LEWIS: Thanks, Bob. And you don't have to claim those payments. If you qualify, they should be added automatically to your benefit. And so far the department told us this morning £200 million has been paid out to more than 4 million people. And of course just to confuse you, this is different from the winter fuel payment of £250 or £400, which goes to every household where someone is over 60, though people in care homes may get less or nothing. Well that's just about 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. There you can do all sorts of exciting things - watch videos, sign up to my weekly newsletter (the most exciting of all), download a podcast, listen again to the items on the programme. And you can have your say. And I'm in big trouble because I didn't tell you that have your say this week is on pensions or ISAs, that interesting item we had earlier. So tell us what you think. Vincent Duggleby's here on Wednesday with Money Box Live, this week taking your questions on insurance - though if it's still freezing, you might have to put up with me again. I'm back next weekend with Money Box. Today reporter Bob Howard, producer Karen Kiernan. I'm Paul Lewis.