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MONEY BOX

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LEWIS: Hello. In today's programme some AA members complain it's too difficult to cancel the breakdown service if they pay by credit or debit card. The Pensions Minister tells us that the new state pension will not start before 2016, and some married women could get less. Bob Howard's been finding out why prescription costs are doubling for some patients in England.

HOWARD: It's happening as some GPs are told to reduce the quantity of drugs per prescription.

SMITH: Quite often the patient will say to the pharmacist, "Oh I'll do without that one and that one this month because I can't afford it." Now that is not right.

LEWIS: And the government explains why it plans to take a cut of the maintenance paid for children.

But we start with the AA and complaints that it's too hard to cancel your breakdown cover. When you pay for a service like the AA over the phone with your credit or debit card, you might think you're just paying for 1 year, but the AA will ask you to let it renew your membership automatically every year from your card. It's called a continuous payment authority and that can cause problems, as Ben Carter's been finding out. Ben?

CARTER: Yes, Paul. Money Box listener Stewart Kettles had a membership that was due to be renewed on 2nd January. He called the AA over the New Year period to cancel it, but his calls weren't answered. Stewart thought that because he'd cancelled the credit card he'd used to make the original payment several months before, he wouldn't be debited. But then he received a credit card bill asking for payment.

KETTLES: As far as I was aware, I had cleared the balance with the Citibank account when I cancelled it. They informed me that actually they had paid the AA for renewal of my membership on January 2nd, and I was mystified as to why they should be paying, why they can pay a payment from a credit card which had been cancelled. Eventually, after contacting yourselves and various other people like my MP, they've actually agreed to refund my membership now, however, but I now have to pay the late charges and interest on the credit card.

CARTER: And Stewart's credit record will have been affected as a result of the missed payments. And we should point out that people who have continuous payments which they are unaware of could face problems if they change address. Charges could build up on a credit card and the card company might not be able to notify the customer. Another listener, Jack Warshaw, thought he'd cancelled his membership with the AA early last year and chose to go with a different company, but that didn't stop him from receiving a renewal letter from the AA last month.

WARSHAW: I cancelled my membership about a year ago to go with another provider, but I was shocked when a few days ago the AA sent me a notice saying that they would automatically renew my membership and take money from my credit card. I understand you know there can be benefits about continuous payment where you want things to be automatically renewed; but when you actually take the trouble to cancel something absolutely and you've made that clear, I can't believe that they can pick it up at any later date that they might choose having retained all your details, charge you and hope that somehow you won't notice.

LEWIS: Money Box listener Jack Warshaw talking to Ben Carter. Well earlier I spoke to Sue Beeson from the AA about these cases, but first I asked her why

customers were put on these continuous payment authorities.

BEESON: If they would like to pay by credit card, they have a choice of making a one-off payment there and then or they can go onto a continuous authority payment, which means each year at the time of renewal we simply put the charge through to their credit card with their agreement.

LEWIS: And is there a difference in price?

BEESON: Yes, like most continuous payment authorities, these things do attract a discount for customers, which is what often makes it attractive for them.

LEWIS: And what is the discount for the continuous authority?

BEESON: On an average type of discount, if you take across the field, it's around about 15, 16%, which for most people is a decent discount.

LEWIS: And when someone cancels their membership, how long do you keep the card details on file? In Jack Warshaw's case, you obviously kept them for quite a long time because you kept the authority after he cancelled the policy and renewed it without him knowing.

BEESON: Well Mr Warshaw would have been aware because we always send a reminder 3 to 4 weeks before renewal that we are going to either take money or charge the account with the renewal fee. We have been in touch with Mr Warshaw to apologise for the administrative error that was made on his account. When he phoned to cancel it, part of the conversation was to give him the option to suspend his account for a year's period and then reactivate it, and unfortunately the member of staff at the time miskeyed in on the suspended side rather than the cancellation side. So Mr Warshaw went away, you know quite rightly thinking he'd cancelled his membership. On our system it said 'suspended'. So when the renewal date came up, it sent the renewal notice.

LEWIS: But why do you have that option? If somebody rings up to cancel, they don't want it suspended. They want ... Well in his case, he was with another breakdown service.

BEESON: Well quite often people will ring us to cancel because they think that's the only option. And they may have bought a new car that comes with breakdown cover through the manufacturer, so they think well I don't want two lots - quite rightly - I need to cancel it. What we give them is an opportunity to suspend that, so that they can reactivate it at a time where their other cover will run out.

LEWIS: Well they don't reactivate it, do they? You reactivate it automatically.

BEESON: It depends if they're on a continuous payment authority.

LEWIS: And in the other case of Stewart, he tried to cancel, couldn't get through, so he cancelled his card. But you still took the payment from him.

BEESON: Yes, Mr Kettles was a slightly different situation in that obviously he did try to contact us at what was a really busy time with all the bad weather, couldn't get through, and because he'd cancelled his old credit card believed that was it. The difference with the credit cards is that the continuous payment authority is actually held at the account level of the card rather than the card number. When a company - and that can be any company as well as the AA - applies for the renewal fee, it goes to the customer's credit account with that credit card company, not the old card number. Providing the account's still alive, which it is, the payment will be made.

LEWIS: You know that's how the system works. It is possible that people will cancel a card or change a card. Shouldn't you have a system in place whereby you recognise that and you don't automatically take the payment from what might be an account that doesn't exist anymore?

BEESON: Obviously we have no way of knowing what a customer may or may not

do within the course of a year in their own private life. We have to rely on them notifying us of any changes.

LEWIS: Sue Beeson of the AA. Banks and credit card providers are represented by the Payments Council. I asked spokeswoman Jemma Smith what rights people had if they cancelled a subscription but a payment was still taken?

SMITH: It's quite clear-cut that if you have cancelled the transaction with the business concerned and then they subsequently take the money off, the transaction hasn't been authorised by you. So therefore in that situation, you'd be advised to go the business first. If they don't help you, then go to the card company and you'd expect them to help you. We now have a situation where under legislation, the payment services regulations, that you should expect to be able to get your money back because it's an unauthorised transaction.

LEWIS: Why doesn't the Payments Council introduce a simple guarantee like the direct debit guarantee, so that if it does go wrong the credit card provider gives you their money back at once?

SMITH: One of the challenges I guess in the cards arena is that this is a global network we're talking about and it doesn't have the same neat jurisdiction as the domestic direct debit does. So there are lots of players involved and certainly the UK Cards Association at the moment is looking at what improvements could be made to make the process easier for customers who have any difficulties. But that involves the businesses concerned, that involves the merchant acquiring banks, it also involves the card schemes. But they are looking to do that at the moment.

LEWIS: Jemma Smith of the Payments Council. And you can let us know about your experience of continuous payment authorities on our website: bbc.co.uk/moneybox. So far, apart from the AA, Broadband companies and insurance seem to be your concerns.

And now a former Prime Minister announcing a pension reform.

ATTLEE: Let's go forward into this fight in the spirit of William Blake. I will not cease from mental fight, nor shall the sword sleep in my hand till we have built Jerusalem in England's green and pleasant land.

LEWIS: Clement Attlee in the late 1940s. Well Pensions Minister Steve Webb was rather more low-key when he told parliament this week about his plans for a 21st century state pension. But there wasn't that much detail, so earlier this week I tried to tease a bit more out of him. And first I asked him who would gain from the new scheme.

WEBB: The main beneficiaries would be mums, perhaps who spent time at home with their children before there was very much protection in the state benefit system; the self-employed whose national insurance contributions don't buy them very good pension rights; and perhaps low earners generally who tend to get lower earnings related pensions. So those are the main groups who would tend to benefit.

LEWIS: But there's one group who won't gain, isn't there - the ones who've already retired when it begins? They'll not get anything. Let me just play you a clip from one of our listeners, Stewart in Wolverhampton - typical of many, many people who've talked to us about this.

STEWART: Well I'm going to be taking my pension some time in June as someone who has contributed a full 45 years of national insurance contributions. I'm rather incensed at the proposals. I think if the intention is to actually do away with means testing, then they have to do that for everybody and not treat those of us who have actually contributed 45 years of national insurance contributions differently from those people who haven't, who will be retiring after 5 years time.

LEWIS: That was Stewart. That is very typical of the comments I've had and I'm sure you've had, Steve Webb. There will be a two-tier system, won't there?

WEBB: It is true there will be two systems. The crucial thing that I think has not been widely understood is that post whenever we introduce this system isn't about spending more money. We haven't found a secret pot of money and we're going to blow it all on tomorrow's pensioners. We're paying the same amount in total, but trying to streamline the system. Whereas for today's pensioners, which was our first priority on coming into power, we've restored the earnings link with the basic pension, so Stewart who retires this year will get an extra £15,000 on his state pension because of restoring the earnings link compared with the old price links.

LEWIS: Just to be clear. When you say Stewart will get an extra £15,000, you mean on average a pensioner retiring today will get that much more over the rest of their lifetime because you've linked it to earnings rather than prices?

WEBB: Exactly.

LEWIS: You say that you've done things for today's pensioners and you've talked about the gainers from the new system, but you are going to introduce this at no extra cost. Who are going to be the losers under the new system?

WEBB: The way we pay for the improvements that we make for some groups is first of all there will be less spent on means testing. So for example for new pensioners when we bring the new system in, we won't need the savings credit element of pension credit, so that will give us some of the money we need.

LEWIS: Well you say you won't need it, but there will be people who could claim it now. If you gave someone a pension of £140 now, they could claim £17.50 savings credit, couldn't they?

WEBB: So what I'm saying is difficult decisions have been made. This is my point. Secondly, we propose knocking out some of the very small payments. So for people who only have a handful of years perhaps in the country, we would have a minimum number of years you need for a pension and that helps to save. So those are the two

main ways we find money in year one. In the longer run, high earners - those who've perhaps worked for the longest, earn the most - will still get the flat rate pension. Obviously we'll honour anything they've built up so far. But higher earners in the long-run will get smaller pensions than they would have done and that's where the rest of the money comes from.

LEWIS: Another thing you're getting rid of though is the married woman's pension, isn't it? If a woman hasn't worked long enough to get her own full new state pension, she won't get anything extra based on her husband's contributions.

WEBB: That's right. So the idea is that in the future people will be treated as individuals, not as dependents of somebody else. And so at the moment a woman can claim a 60% pension on her husband's record. That would go. But obviously each year that a woman has in her own right, including time at home with children, will count for far more, and that in general will benefit many married women in particular.

LEWIS: But what happens when her husband dies? Will there be a provision where a woman's pension can be topped up with her husband's contributions, and indeed the other way around?

WEBB: One of the things we'll have to look at in the detail of these reforms is the arrangements when someone dies. Clearly some people have already built up additional pension rights which have inheritance rights attached to them. So this is quite a complex area, so I can't give you a clear, simple answer to that question.

LEWIS: And what about people who've paid in for less than 30 years for whatever reason and haven't got credits for looking after children or elderly relatives, so they do get a reduced pension. Will they be able to claim some means tested top-up like pension credit is now?

WEBB: We do envisage there would be a means tested safety net of some sort. The exact design is something we're consulting on in the green paper, but clearly we don't

want people to you know be living in poverty because they're well below the 30 years.

LEWIS: You mean £140, but if you look at the predictions which the Chancellor made in the budget for how prices and earnings will move over the next few years, we would be talking about a pension probably above the £155 that some newspapers have speculated, maybe even £160.

WEBB: Because they are only estimates and forecasts, rather than keep giving a different number every time, we're going to refer to it as £140 in 2010/11 terms. And the principle the Chancellor set out is setting it above the means test, and that's what will guide us.

LEWIS: You talked about people who can get quite a big pension now and another very common question we've had is from Sue in Falmouth. She emailed us to say she's paying into the state second pension. She's paid into SERPS. She believes her pension will already be more than £140. She's expecting to reach pension age after the new system begins. She wants to know if she'll get less because she's paid in all these years?

WEBB: And I can offer Sue the reassurance that we will honour all contributions made up to the point of change. So if somebody for example - and again just in today's money for simplicity - if somebody was heading for £170, then we'll pay them £170. We won't take off money that people have built up.

LEWIS: Right. She of course doesn't know if she'll be reaching pension age before or after this new system starts because we don't know that date, do we? April 2016 would be the very earliest it could begin.

WEBB: That's the kind of timescale that would seem realistic. You can't kind of rush these things. And indeed if you're going to do a consultation and listen to what people say, you know you can't do it immediately anyway.

LEWIS: Steve Webb. Well that was an extract from a much longer interview which you can hear on our website: bbc.co.uk/moneybox. And Money Box Live on Wednesday will take your questions on pensions with Vincent Duggleby.

We reported last week that NHS prescription charges were rising by 20p an item for those who pay them in England, but Money Box has learned that some customers are finding the cost of their prescription medicines will more than double because of another change in policy. Bob Howard's been investigating.

HOWARD: Paul, many people who need long-term medication are used to getting prescriptions for their medicine which will last them a couple of months. It keeps the cost down for those in England for those who have to pay and means they don't have to keep visiting their surgery. But this week Hazel from London had a shock when she went to collect hers.

HAZEL: I went to pick up a regular prescription from the doctor's surgery yesterday. And normally I'm given 56 tablets, which is 2 months supply, for each prescription. This time the prescription only allowed me to have 28 pills for the same amount of money, and there was a note attached to it which said that this initiative which allowed me less pills was down to the local primary care trust.

HOWARD: Hazel was upset that this change had come hard on the heels of prescription changes in England rising to £7.40 per item.

HAZEL: I feel it's unjust because the prescription charge, as far as I was concerned, went up 20p on 1st April. This means that the prescription charge has gone up in excess of 100%, which I think is outrageous for people who are finding it very difficult to get by these days.

HOWARD: Hazel's not alone in being alarmed by this change in policy by some primary care trusts. The Patients Association is receiving calls to its helpline from other people complaining of similar rises. Dr Mike Smith, an association trustee, says

forcing patients to buy more prescriptions for their condition could have serious consequences.

SMITH: If you take somebody that has to pay the prescription charge - and only one in ten does - they happen to have to take drugs to reduce their blood pressure. Now for that group, quite often there is a small percentage of those who need to take blood pressure pills who will need to take four different prescriptions. So one prescription that the doctor gives you, there are four items. That's four times £7.40. And I know from pharmacists that quite often the patient will say to the pharmacist, "Oh I'll do without that one and that one this month because I can't afford it." Now that is not right.

HOWARD: The Department of Health insists that although primary care trusts can issue guidelines on the amount of drugs GPs prescribe, it's up to the individual GP whether he or she wants to follow them. The body that represents the trust is the Primary Care Trust Network. David Stout, the PCT Network's Director, denies members are reducing the quantity of drugs prescribed as an indiscriminate way of cutting costs.

STOUT: The idea behind them is to avoid waste. So the Parliamentary Accounts Committee back in 2008 estimated something like £100 million a year is wasted on medicines that never get used.

HOWARD: But there is this lingering suspicion that this is more about cost cutting than it is about saving waste.

STOUT: Well saving waste is saving money, and that's absolutely what this is about. But it's not through rising fees through prescription fees. It's through eliminating waste.

HOWARD: But some of those writing the prescriptions wonder whether these new policies have been adequately thought through. Dr Bill Beeby is the Chairman of the

Clinical and Prescribing Committee at the British Medical Association and a GP in Middlesbrough. He believes his colleagues are coming under pressure to reduce prescriptions from 56 to 28 days, but in many cases no waste is being eliminated at all.

BEEBY: I can understand why practices are cooperating with the PCT, because they're under considerable pressure to do so. Perhaps recently it's got a great deal more focus because of course of the need to save money from the NHS. But, no, I don't always think it's the best answer for every situation. If patients are fully compliant with taking their medication and it's regularly taken and regularly needed and not wasted, then it saves absolutely no money.

LEWIS: And, Bob, what did Hazel's primary care trust tell you?

HOWARD: Well, Paul, Hazel comes under NHS Enfield. It says it did change its guidance to GPs in January, but it insisted that it only guides GPs as to what they should prescribe, it doesn't tell them. And when Hazel phoned the trust on the advice of her GP, it said she would be able to get her 56 day prescription again after all.

LEWIS: And, Bob, if you do have to pay for many prescriptions, there are ways of cutting down the cost, aren't there?

HOWARD: That's right. If you need more than four prescriptions in 3 months or more than fourteen in a year, you could apply for a prescriptions pre-payment certificate. That costs £104 for a year or £29.10 for 3 months.

LEWIS: Thanks Bob.

The government is planning to take a cut from the maintenance paid by absent parents for their children. Under the plans, parents with care would pay a flat fee of up to £100 to start the process, and then a levy of up to 12% of any maintenance paid to them. These fees would help pay for the running costs of the new system. Justine

Mensa-Bonsu, a mother from Sidcup, says it will be a tax on children and she's petitioned the government to stop the changes. She told me how it would affect her and her 2 year old daughter.

MENSA-BONSU: At the moment I get about £185 every 4 weeks, which means I'm going to lose about £22 each month. That's going to have a definite effect on my budget. My budget's going to be an awful lot tighter. And also I obviously have major concerns that my ex in this case will opt out of the system. He's bound to miss a payment, it's just going to happen, and then I'm going to lose out that £185 and I can't afford to lose that from my monthly budget. That's a lot of money to lose and I can't afford to lose it.

LEWIS: Well Maria Miller is the minister responsible for the new policy. She explained to me why the changes were being made.

MILLER: We're offering a very specialist service here, which we'll be doing for the people who aren't able to come to their own family based agreements. They'll be looking for something which has got quite strong enforcement powers, and for that specialist service we are saying that people will need to pay a charge to get in and also an ongoing charge for the collection of their maintenance. And the reason for that is that people will be coming into the system because they realise that they need access to strong enforcement powers, and we will be able to deliver that and do that in a way which wouldn't be possible through family based arrangements.

LEWIS: But £100 just to walk through the door. If there is collection, it could be up to 32% of the maintenance due and the parent with care will face a deduction of between 7% and 12% of any maintenance paid. And if it has to be collected by force, if you like, there'll be a surcharge on the parent without care of 15% to 20%. That's a huge amount of money that really should be going straight to children.

MILLER: It's a very expensive service. We're still going to have a very subsidised service after the reforms are put in place because we're dealing here with a group of

people for whom you know finance is a difficult thing. There's a cost to family breakdown, and the charges that we're putting in place still don't really reflect the full cost of providing the service. But the most important thing here is we're trying to change behaviour. We're trying to make sure that it's taboo for not taking responsibility and we really want people to put their children first.

LEWIS: But looking at an example that Gingerbread has produced for someone who is expecting quite modest maintenance - £10 a week, £520 a year - Gingerbread calculates that you would actually collect £620. The parent would get £330 in the first year. So instead of £520, they'd get £330, and then in subsequent years they'd still have to make a payment out of that £520.

MILLER: And that's why we want to encourage every parent to come to their own arrangements, and for that you won't have to actually pay anything.

LEWIS: *(over)* Well no, you said that. Sure, of course you don't.

MILLER: *(over)* For those that are going within the system, then they will be able to pay those charges, which over the lifetime of the average claim, which is around 9 years, parents with care are receiving around £18,000. We believe that for the sort of specialist service that the Child Support Agency is offering, that this is something that is right to put in place.

LEWIS: Maria Miller. And Bob's back with some new fines if you're late with your tax return. Briefly if you would, Bob.

HOWARD: Yes. This year if you miss the deadline, you'll be fined £100 even if you have no tax to pay and then there are further fines at 3 months, 6 months and 12 months, so it's very important to get it in by 31st October on paper or 31st January 2012 electronically.

LEWIS: Thanks Bob. Well that is it for today. More from our website,

bbc.co.uk/moneybox, where you can also have your say on those continuous payment authorities, as many of you are. Vincent Duggleby's back with Money Box Live on Wednesday taking questions on pensions. I'm back with Money Box next weekend. If you can't wait for that, you can read my money thoughts all the time I'm awake on my twitter, Paul Lewis Money. Today the reporters were Bob Howard and Ben Carter, producer Lesley McAlpine. I'm Paul Lewis.