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MONEY BOX

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LEWIS: Hello. In today's programme, should child benefit be taken away from the rich? We debate if this universal payment should be means tested or taxed. Have you ever typed the wrong number at the wrong time?

BOB: I clicked on the 3. 394 came up and it went to somebody else's account.

LEWIS: What are your rights if you make an online payment to the wrong person? Bob Howard's here. He's been looking at credit files.

HOWARD: And how if your addresses don't match up, you can kiss goodbye to that mortgage or loan.

ERICA: We had two banks say that in principle we could have a mortgage, and then we were just cut off completely short.

LEWIS: And the pension you can buy with your lifetime savings just got less. How can you protect your retirement income?

But, first, some older listeners might remember this.

1946 ADVERTISEMENT FOR FAMILY ALLOWANCE:

LEWIS: Well that wasn't Harry Enfield. It was a genuine 1946 pathe news reel advertising the new family allowance paid to all mothers with at least two children. It was introduced by the UK's last coalition government, but it could be today's coalition government which takes that universal payment away. Chancellor George Osborne has made it clear that he'll be running his value-for-money eye over the nearly £200 billion a year we spend on welfare payments. One estimate this week is that the 11 billion a year cost of child benefit could be halved if it was only paid to families with an income below about £32,000 a year. Frank Field, the Labour MP who the government has appointed to chair a Commission on Poverty, has said he might consider stopping paying child benefit for teenagers. Well one person who supports means testing child benefit is Dr Patrick Nolan, Chief Economist at the think tank Reform. Patrick Nolan, why means test child benefit? It's a universal payment.

NOLAN: Well it is universal; and the consequence of that is it's also incredibly expensive. As you mentioned, it costs £11 billion a year; and much of that spending - in fact about 40% - goes to people who don't need it. So in these tightened times where we actually do have to find significant savings, this is a very good area to start. We can save some money, we can help repay the deficit, and we can do it in a way which means that those families at the bottom, the poorer families, are not any worse off.

LEWIS: I'm sure there are a lot of people who may not seem poor but they certainly feel they need it for Betty's shoes, as we heard in that clip.

NOLAN: Yeah, well I mean Betty's shoes would be lovely, but we're sort of in this world where we actually do have to focus on priorities. There isn't a big pile of money that's there that we can just spend for free. We have to justify spending money.

LEWIS: Also listening to us is Fran Bennett, who's Senior Research Fellow at the University of Oxford and a former Director of the Child Poverty Action Group. Fran Bennett, this isn't just free money; we're all paying for it. Why pay it to families who don't really need it?

BENNETT: Well it sounds superficially sensible, of course. But child benefit, don't forget, as well as replacing the family allowance, which you talked about, also replaced the child tax allowance for families with children, and that went to all families with children who were paying tax. So in effect child benefit is a recognition of the fact that whatever income level you've got, you actually need more money when you've got children than you do when you don't have children. And most of us - not everybody, but most of us - have children at one point or another, so child benefit is also a mechanism whereby you pay more tax when you haven't got children and less tax when you have got children. And in fact the previous Conservative government used to see it as the equivalent of a tax allowance for families with children in that sense. So I think it doesn't really make sense to say it should only go to poor families with children.

LEWIS: But that's a sort of theoretical argument, which I'm sure people will understand. But if you're trying to save money and trying to save these tens of billions of pounds the government's trying to save, it does seem a bit silly to give it to people who are on £100,000 a year.

BENNETT: Well I think the most sensible argument would be to say that if we need to have more money, then the most fair way of doing that is to tax everybody more rather than pick on just families with children to pay for reducing the deficit. And of course that's already happening because in the first package of cuts, the coalition government has agreed to reduce the payments of child tax credit and also abolish the Child Trust Fund, and so families with children are already amongst the first people to pay for reducing the deficit. It seems to me fairer that everybody ought to pay to reducing the deficit, and in fact David Cameron says we're all in this together. It shouldn't just be families with children.

LEWIS: But Patrick Nolan, where would you have the cut off point? Where would you stop paying child benefit?

NOLAN: Well I think the cut off point should be at around £30,000. But just to quickly go back to the tax point. As was mentioned, taxes have already gone up and

that doesn't invalidate the argument for means testing the child benefit because what we have to do is we have to put these numbers into context. The government is spending more on repaying its debt every year than it is on schools.

LEWIS: Yes, but that's an argument for cutting the budget, not necessarily *where* you cut it. And you say take it away from people, families with incomes of around £30,000 a year. If you look at the figures for child tax credit, which is what you would link it to, they show that for people with an income of £30,000 or less, more than 700,000 fail to claim child tax credit saving 2 billion a year. So if you attached it to that, 700,000 people who need it wouldn't even get it.

NOLAN: Well I was looking at the HMRC data on take up yesterday and I'm not sure that that's correct.

LEWIS: Well it is. I've got it in front of me.

NOLAN: If you look at the take up rate for families who are eligible for the child tax credit only - so these are the lowest income families who are out of work - the take up rate on an expenditure basis is somewhere around 97 to 100%.

LEWIS: Right, that's the maximum, yes, for people on the very lowest income.

NOLAN: Yes. So the point is that it's actually misleading to say that take up isn't high among the lower income groups. The take up is lowest for those families on above £50,000.

LEWIS: Sure, but it's still not 100% and never is with a means tested benefit. Let me just ask you about ending it at age 13 because Frank Field, who's been appointed by the government to look at poverty, isn't in favour of means testing but he says stops it at 13 rather than 19.

NOLAN: Well while it's I think the right principle, the problem is that actually the

execution will be quite different because this would be one of those examples where we just try and reform one part of the system in isolation. We already have an extra tax credit available for families with children under one. We provide assistance to pregnant mothers. We have a lot of stuff that recognises the age of children in different ways and it's simply not coherent. So while it's the right idea, we'd have to do this as a sensible package of reform.

LEWIS: Fran Bennett ...

BENNETT: Yes, could I just come in? I mean first of all on the means testing points that were being made before. I think one of the crucial things about child benefit is that it follows the child. Because it isn't means tested and it doesn't change when your situation changes, it actually provides huge security for children. For example when the family splits up, you don't have to make a new claim for child benefit; whereas with child tax credit that Patrick Nolan was talking about, you do.

LEWIS: And very briefly ...

BENNETT: And the other thing in terms of the Reform report that he was a co-author of is that it actually acknowledges that doing what they're suggesting to child benefit - which would be means testing it - will worsen the poverty trap, and they just say well we have to reduce the deficit; that has to be put up with.

LEWIS: Okay, the poverty trap meaning that you're taxed at a higher rate as you cross that barrier and lose your child benefit.

BENNETT: Because the benefit is withdrawn as well as you paying more tax and national insurance. Exactly.

LEWIS: We must end it there. Fran Bennett in Oxford and Patrick Nolan, thanks very much.

Now millions of us use online banking to pay bills, send money to relatives or transfer cash into an ISA. And with the majority of banks now using the Faster Payments System, this money can be sent instantly with the click of a mouse. But what happens if you enter the wrong details? One of our listeners, Bob who banks with Halifax, set up a payment to his wife's savings account. Got the account name and the sort code right, but he got one digit of the account number wrong. And unfortunately for Bob and his wife, the details he entered were valid for someone else's account who got the £1500.

BOB: I set up the transfer. Clicked on that. The window come up - my wife's name and (as I assumed) the correct number that I'd entered for the account number. But they seem to think that I double clicked on a 3. So the last three numbers were 496; but because I clicked on the 3, the 394 came up. I didn't pick up on it and it went to somebody else's account.

LEWIS: Well Bob thought it would be a simple matter to get the payment reversed, but it's not. Halifax said it couldn't do that for legal reasons, and so far all the bank has done is write a letter to the other account holder asking for the money back. We understand the money has already been taken out of that account. In a statement, Halifax told us it 'understands the frustration Bob's feeling' and the bank is 'taking all reasonable steps' to recover the funds for him. Now Bob thinks the bank should have blocked the payment because the account it went to was not in his wife's name, which he entered. I asked Sandra Quinn of the UK Payments Administration, which runs the payment system, why banks don't use the name as well as the account number.

QUINN: The way all payments are allocated these days is by the sort code and account number - so your 6 digit sort code, your 8 digit account number. Because systems are automated and they're transmitting more than 10 million payments a day in some cases, that's the only real way that payments can be allocated to account - is by those digits rather than by the name.

LEWIS: But why don't they use the name as a check like they do in a credit card transaction, for example?

QUINN: Some banks do and some banks don't, but the primary allocation method is by the number, not the name. And in some cases of dispute and concern, they'll use a way of matching it up, but not all banks have an automatic system to match up the name and account number.

LEWIS: But why don't they? Isn't it important to have some element of repetition, of redundancy if you like in the information, so that you can easily spot a mistyped digit? It's easy enough to do.

QUINN: The difficulty in this area is that opinion we've received from legal firms on this says that primacy of account number works. The system allocates by account number and there's no reason why we shouldn't use that as the prime identifier. And all the legislation now says there is one unique identifier, so the unique identifier in most cases is the sort code and account number. But we would expect a bank to make it clear to their customer that's the basis on which they allocate.

LEWIS: But isn't it just confusing then to customers for banks even to *ask* for a name if they're not going to use it?

QUINN: Well it is another check and it's a way of ...

LEWIS: But not if they don't use it as a check.

QUINN: But it's a way of you as a customer being able to say well that was my intention and I tried as much as possible.

LEWIS: Well given that banks want just to use numbers, shouldn't they have a better process in place for getting money back if it's been sent to the wrong person?

QUINN: Obviously if you're a customer, you can only go to your own bank to help. And in this case, Bob's done exactly that - gone to Halifax and asked them for their assistance. And they know who the account holder is who's got access to his money,

and you would expect them to use all of the steps necessary to get that money back. They know that Bob has made a genuine mistake and we'd expect them to help them out.

LEWIS: And what happens if that person won't give the money back or has disappeared?

QUINN: If the customer who shouldn't have the money has withdrawn those funds, then they're taking part in illegal action. That's not their money.

LEWIS: You're saying they're committing an offence?

QUINN: They're committing an offence. I don't think there's any doubt about that. And that's why we would expect Halifax to ensure that their customer is *not* doing that.

LEWIS: Is the best method then, if the bank won't help, to go to the police?

QUINN: Well certainly Bob can pursue with the police. I think it's probably fair to say that I'm not sure how helpful the police will be in this case because they would expect the bank to help out.

LEWIS: Sandra Quinn of the UK Payments Administration. Well Money Box's Ben Carter has been working on this story. Ben, why can't the bank just take the money back?

CARTER: Well, Paul, the law says that the responsibility is the customer's, not the bank's, and all it has to do is make reasonable efforts to recover the funds. But all that seems to mean is writing to the other customer and asking for the money back.

LEWIS: And why can't the bank tell Bob who's got his money?

CARTER: Again the law doesn't allow them to do that. The Information Commissioner told Money Box that the bank cannot reveal the name of the customer under any circumstances. But, Paul, there is one hope for Bob. If the person who has got the money knows it's not theirs and spends it, then they have committed a crime and the police can get involved and get their details. Now that doesn't mean Bob *will* get his money back if it has gone, but it does improve his chances.

LEWIS: Thanks, Ben. And you can let us know your experiences of sending money to the wrong account on Have Your Say on our website: bbc.co.uk/moneybox.

When you apply for a mortgage, a credit card or any other loan, the first thing the lender checks is your address: does it exist, do you live there? Well for people in houses or purpose built flats, it's usually clear what the address is. But it's not always so simple if you live in a house that's been converted into flats. Bob Howard's been talking to one couple who've been struggling to get a mortgage. Bob?

HOWARD: Yes, Paul, Money Box was contacted by Erica and Graham, a couple about to get married and buy their first home together. Although lending's still very tight, they were hopeful that with steady incomes and a reasonable deposit, they would get the mortgage offer they were seeking, as Erica explains.

ERICA: We were really excited and both of us had been saving really hard. And when it came down to actually applying for a mortgage, we had two banks say that in principle we could have a mortgage and then we were just cut off completely short and we were just denied. That was it. Our financial adviser said that he thought it was something to do with our credit rating. That was the only reason we were given, so we were expected to do all the research into that ourselves.

HOWARD: Now anybody who applies for a mortgage or other loan has their credit record assessed according to how well they've managed their borrowing in the past. As Erica looked into her credit report, she discovered that they weren't correctly registered on the electoral roll - a key part of the credit scoring process. Having sorted that out, Erica says they were ready to apply again.

ERICA: We put together a big forty page document of our financial situation and all sorts of things and were basically told that computer says no, for want of a better phrase; and that our financial adviser couldn't talk to anyone human, so it just wasn't going to happen for us. It was really a bit soul destroying.

LEWIS: So still having no luck applying online, Erica and Graham contacted Money Box. So we got in touch with one of the three UK credit reference agencies, Equifax, to see if it could shed some light on the matter, and we discovered the biggest problem for Erica and Graham was confusion as to where they actually lived. Their house number is 10, but when they started renting nobody had registered what the two newly converted flats were which make up the house and what they should be officially called. To avoid confusion with their neighbours, they decided to register it with the council as ground floor flat. But they then discovered that many of their financial dealings with companies were still listed simply against the house number, 10, so they didn't match up on a credit search. And because of that, they didn't have the full credit histories required for a mortgage. Neil Munroe, External Affairs Director of Equifax, says it's a problem he's encountered before.

MUNROE: People use different addresses when you apply to them. Lenders may use a Post Office address file, which may not necessarily have new properties that have been divided into flats or even older properties because a Post Office address file is designed to deliver mail to a front door. It's not designed for credit. If that front door has five front doors behind it, then they're not necessarily going to know that.

HOWARD: And, Paul, what's frustrating is people often don't find out why they've been refused credit. After they were turned down for the mortgage, Graham applied for a credit card to boost his credit history. But again, because the card company couldn't match his address with his credit file, he was refused, but he was just told it had been declined. Equifax says it's working with Erica and Graham to make sure the address it holds for them is consistent with those held by lenders, but they may have to undertake the same process with the other two credit reference agencies - Call Credit and Experian - if they're not to face a similar problem in the future.

LEWIS: And, Bob, who is responsible for sorting out what a flat is called?

HOWARD: Well, Paul, it's the duty of local councils to compile new addresses. They pass that onto the Royal Mail. But when I put Erica and Graham's postcode into its publicly available address finder service, it came up with the house no 10 but not the two flats it had been converted into. But there is another database called the National Land and Property Gazetteer, and that's funded by the council themselves in England and Wales. I got them to type Erica and Graham's postcode into its search facility and it did reveal the property was comprised of two flats. It's already used by the emergency services, but it's still expensive for everyday use by lenders, which is perhaps why it's not used more.

LEWIS: And, finally, if anyone's not sure if their address is registered correctly, what do they do?

HOWARD: Well, Paul, I don't think there's an easy solution. You can pay a small fee to check the addresses on your credit files with the three credit rating agencies and if they don't match, they should be able to help you change them. And if you suspect that the correct address hasn't been registered in the first place, you should let your council know.

LEWIS: Thanks, Bob. Now if you're about to retire, you may be very disappointed when you find out what pension the fund you've saved up all your life will buy. The rate for a pension for life or annuity hit a record low this week, falling 5 or 6% down this year alone, and that's on top of an 8% fall last year. So if you're planning your retirement, what choices do you have? Stuart Bayliss is Chair of Directly Financial, and a longstanding expert on annuities. Stuart Bayliss, supposing you have £100,000. What pension would a 65 year old get today?

BAYLISS: A 65 year old single man with no provision for a spouse would get £6,776, down from just over £8,000 18 months ago. And a couple with the same £100,000 at 65, they would get £5,911.

LEWIS: Right. It's not very much, is it, for £100,000, and of course most people have a lot less than £100,000? What can you do to boost that?

BAYLISS: Well one good thing is that you should make sure that you do get those top rates. Looking down this table, you can get to the third company and you'll be 4 or 5% lower, and the bottom one on this is nearly 20 odd percent.

LEWIS: So check the tables and get a good financial adviser and get the top rate. Unless of course you've got a protective annuity rate, a guaranteed annuity rate, which many people of that age might have.

BAYLISS: Absolutely. And now the good news is that companies are much better at indicating that they've got a GAR ...

LEWIS: A guaranteed annuity rate.

BAYLISS: A guaranteed annuity rate. But you must get your financial adviser to check it as well.

LEWIS: And what about retiring later or maybe not taking an annuity out immediately because you know we can't retire at 60 and expect 30 years of happy life living on the money we've saved up, can we?

BAYLISS: No. At its simplest level, a guarantee for life if it's going to last 30 years is going to pay less than if it has to last 20 years. And that's the simple reason why people who are sick get more: they're going to live a shorter length of time. As people are working part-time or full-time into their retirement, normal retirement age is changing; and deferring the lifetime purchase, even if you take a little bit of your pension, putting back that annuity is a good, sensible thing to do.

LEWIS: And of course you can get short-term annuities now, can't you, for 5 or 10 years and then look again at how healthy or unhealthy you are 10 years later?

BAYLISS: Yes, you can. And I think that although this is a new area with currently two companies - Living Time and LV - now selling these products, there is room for further development. But this idea that we can expect good value out of a product that's going to be potentially guaranteeing that it will pay you when medical science allows you to have a set of new spare parts is simply not going to work, so we need to work out how we're going to defer the lifetime benefit purchase.

LEWIS: And I'm sure listeners who are in this position approaching retirement age - or what they *hope* will be retirement age - are wondering well if annuity rates are so bad now, should I wait a while? Are they going to get better or is waiting just going to make it even worse?

BAYLISS: Well there are two things that primarily affect annuity rates. One is if you're going to live longer. And the risks and requirements of the regulators for putting in capital for writing that type of guaranteed product, they're going to get worse. There's new rules from Europe coming in in 2012. The issue of interest rates is the other side of it, and frankly interest rates on gilts and bonds are quite low at the moment and they may go up. So two issues there.

LEWIS: So we don't know which way it's going to go. Even you don't know, Stuart. Stuart Bayliss from Directly Financial, thanks.

Now if you listened to our Easter Special - and the link is still on our website - you won't have been surprised at the extent of the cuts which the new government is looking for in expenditure and how difficult it is to find them. So hard in fact that Chancellor George Osborne told parliament this week he wants everyone in the country to have their say on where the cuts are made.

OSBORNE: This is a very serious national challenge that whoever won the election was going to have to face. And the 11% budget deficit is not going to disappear. A very large part of it is structural, so it will not automatically reduce as growth returns to the economy. And what we want to do is make sure that all political parties, including his own - that the brightest and best brains across Whitehall and the public

sector, that voluntary groups, think tanks, trade unions, that members of the public are all engaged in the debate and the discussion about how collectively we deal with the problem. After all it is our collective national debt.

LEWIS: Well after that invitation, we thought you might like to join in. You've already heard our debate on child benefit today and we want to hear your ideas for what could be cut right now. A big change that could save billions or a small one that would shave a few pounds off. Every little helps. We'll put together a dossier of Money Box listeners' cuts ideas and send them to George Osborne; and, you never know, some of them might make it into his spending review in the autumn. There's a link to do that on our website front page: bbc.co.uk/moneybox.

But that is all we have time for today. You can find out more from the website, bbc.co.uk/moneybox, and do all sorts of exciting things there: watch videos, sign up to my weekly newsletter, listen again to the items on the programme, and of course have your say on sending money to the wrong bank account. Some of you already are. Or of course about those cuts you want to see. I'm back on Wednesday with Money Box Live - this week taking your questions on employment rights. Back with Money Box next weekend. Today the reporter was Bob Howard, producer Lesley McAlpine, and I'm Paul Lewis.