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MONEY BOX

Presenter: PAUL LEWIS

TRANSMISSION: 12th MAY 2012 12.00-12.30 RADIO 4

LEWIS: Hello. In today's programme, the woman who took our advice and used free websites to claim compensation for mis-sold PPI. She ended up £50,000 better off and avoided charges which could have been £15,000. The hammer falls at the Which? Big Switch auction, but did it prove the power of collective bargaining or the strength of the energy companies? Banks are supposed to let you know when a bonus rate comes to an end. If they don't, you might get compensation. And why does it cost up to 14p a minute to listen to music while you wait for the HMRC to answer your question?

If you've ever wondered if it's worth claiming compensation for mis-sold Payment Protection Insurance, one of our listeners would like to have a word with you. Mary (which is not her real name) wrote to me to say that she'd followed the advice I gave on Money Box and Breakfast TV and had just received her compensation. Altogether she got ... Well let's hear her own words voiced by an actor.

MARY: I received £50,100.55 and it came from MBNA, HSBC and a second MBNA card.

LEWIS: So this was all Payment Protection Insurance on credit card debt?

MARY: On credit cards.

LEWIS: To get £50,000 back, you must have had some very big debts?

MARY: Yes I did, unfortunately. The main one, I think the MBNA card from 1995, continuing to pay protection all that time.

LEWIS: Why did you take it out in the first place?

MARY: Because I kind of got the impression that the application was more likely to be accepted if I took the insurance. And I think it was implied and I think it was mostly telephone conversations, so yes just well that was the kind of view around at that time.

LEWIS: And tell me about the process of claiming it back. How easy or difficult was it?

MARY: Actually doing it when I'd plucked up the courage to do it, it was very easy and I was quite surprised - I mean principally because I'd been listening to you. And I'm sure way back last August when you talked about claiming back for personal loans and possibly credit cards, and I thought you know perhaps I was in a category where it might be successful, so I decided I'd have a go myself.

LEWIS: And what would your advice be to other people who might be sitting there thinking gosh, I had a credit card. I wonder if I've got money due to me?

MARY: Oh I would advise you to apply for it yourself and don't go through a third party at all. I mean look at the model letters and if you think you've got just cause then write a very simple letter. I mean it wasn't complicated. I laid out the facts, why I wanted to claim, and these are my reasons why. And I was then asked to complete a questionnaire. The whole process only took about 8 weeks from start to finish.

LEWIS: How do you feel when you see adverts for companies that offer to help

people, obviously for a fee?

MARY: I feel quite angry actually. I travel around quite a bit and use motorway service areas and I see ads in there - you know let us help you claim your PPI and take this little slip and here's a phone number and just call us - and I just want to kind of write all over it: DIY, you know just do it yourself. And ads on television from claims companies. But, yeah, they do all take significant charges from you. You have to give them the information, so why not put it down on paper yourself?

LEWIS: The 50,000 odd pounds you've got back, what have you done with it?

MARY: I repaid the debt that I had on these cards and so have no more debt. And I also have £20,000 left.

LEWIS: So that's been quite a lifesaver for you?

MARY: Oh it's an absolute lifesaver. I can't explain quite how liberated I now feel. It's amazing.

LEWIS: Mary who asked us to keep her identity secret as her family knows nothing about her financial affairs. Earlier I spoke to Mike Dailly of the Financial Services Consumer Panel. How did he react to Mary's story?

DAILLY: Well Mary's story is absolutely fantastic and it shows that you can do this yourself, and Mary's obviously got such a fantastic result that I think her story can probably put the claims management companies out of business all on its own. At the end of the day the Consumer Panel and many other consumer organisations have said you do not need to use claims management companies. In Mary's case, if she'd used one of these companies they would have taken perhaps £12,500, and what we would like to see is people across the UK following Mary's wonderful example.

LEWIS: I'm sure we all would, but the interesting thing to me was that this was entirely on credit cards. It was so much money and it stretched right back to the mid-1990s. Now all of those things, I think would surprise people.

DAILLY: I think they would. I mean I think it may well be that Mary's case is open to potentially a can of worms because we often think of PPI mis-selling as being loans and here this is credit cards and it's going back a very long time. And of course you can go back a very long time. The key thing is the time limit that kicks in from the FSA's rules is you've got to claim no later than 3 years from the date upon which you should have become aware or reasonably aware that you had a right to complain. So basically this case illustrates that I think the PPI mountain if you like in terms of what needs to be paid back to consumers perhaps is much bigger than we all thought.

LEWIS: And the banks have perhaps come to the same conclusion because the big five high street banks have set aside an extra billion pounds just in the first quarter of this year. The total between them now is £7.5 billion that they expect to have to pay out. How big could this get?

DAILLY: Well certainly, given Mary's example, if consumers start to think about credit cards - which I think it's fair to say most people don't think about - then this could certainly run into double figures in terms of being well in excess of 10 billion. But nobody really knows the precise figure and that's the key thing here.

LEWIS: Now the banks are paying up. They're paying interest, which, as we've said before on Money Box, is the taxable part of the compensation. But apart from that, do you think the sanctions against the banks are sufficient given the scale of this?

DAILLY: Well one of the things that's happened is that the FSA has been conducting what's called root cause analysis, and it's been requiring firms to go through all of their books and to work out all of the consumers who possibly have been mis-sold. Now what's going to be happening is that people across the UK are going to be

getting a letter from their bank or from their authorised firm or whoever sold them this policy, and that letter's going to tell them that they may have a right to claim. So in many respects, once that starts to happen, Paul, I think what you'll discover is many, many more people across Britain will be taking up their rights to get their money back. And let's remember, it's their money at the end of the day.

LEWIS: Mike Dailly of the Financial Services Consumer Panel. And that £12,500 fee he mentioned would of course be plus VAT. If you've had a credit card and paid PPI, you could well have a claim like Mary. There are useful links on our website about claiming it back yourself. MBNA has set aside £370 million to pay compensation (a good page on its website too) and altogether, as we heard, banks and credit card providers have set aside 8 billion. Some of that could be yours. Don't pay anyone for help. Do it yourself like Mary. And, remember, the interest is taxable though the compensation is tax free.

The hammer came down on the Big Switch energy auction this week. The idea was to use the power of collective bargaining to get energy suppliers to offer a good deal for customers in a reverse auction: lowest price wins. A total of 280,000 people signed up with Which? Some of them will save more than £100 off their energy bills, but has the massive exercise in consumer power really achieved significant cuts in the best deals that were already on offer? Richard Lloyd is Executive Director of Which? He's with me. Richard Lloyd, was it a bit of a flop? Three major suppliers didn't join in; the best deal was from a small supplier, Co-op Energy, and they can only take 20,000 people.

LLOYD: Well I think in itself that one of the smallest suppliers has won, took on all the big suppliers and actually today I can tell you they're going to take 30,000 people from the Big Switch, not 20,000, they came forward ...

LEWIS: (*over*) But that's from two deals, isn't it?

LLOYD: They came forward with the best deal on the day in the market. We've moved the market and across the board we reckon 200,000 people stand to save from the Big Switch. Now that's a really good result. And not only that. We reached thousands and thousands of people who previously haven't switched by signing them up face to face in shopping centres and through the post. Now this has been the first time this has been done in the UK. It's got hundreds of thousands of people involved. It got five suppliers involved. We moved the market on the day and what we're doing over the coming days is emailing everyone that signed up, telling them not only the auction winning result, the Co-op result, but also what else on the market might be better for them. So I think this is a first that's worked. Now whether it's moved the market to the extent that you'd hope, given nearly 300,000 people being involved, is the big question. I think there is a challenge there - in particular for the smaller collective switches. Are they going to be powerful enough to move the big suppliers?

LEWIS: Well that's the question, isn't it, because, what, a quarter of a million people didn't get the best deal, did they?

LLOYD: Well we don't know yet. In the end we will see how many people actually switch through, but we do know that 200,000 people will save as a result of the Big Switch. Now if it is only the small suppliers that are willing to move in this market, it says something much bigger about the state of competition in it and, in particular, whether the big suppliers are willing to engage in something like this. And that's why we've never claimed the Big Switch would solve all the problems in the market at a stroke. The Government now needs to get on with proper reform and making sure there's real competition.

LEWIS: Also with me is Joe Malinowski from the comparison site TheEnergyShop.com. Joe Malinowski, have people saved significant amounts of money by waiting for this Co-op fixed rate deal?

MALINOWSKI: I guess it comes down to your first question, Paul, which is has collective bargaining - pooling a lot of demand together to get a materially low price -

worked, and the answer is actually it hasn't because not only did it not secure the best deal in the marketplace; it actually didn't even secure a deal that consumers could have got you know two or three or four weeks ago when there were better prices. So hanging on for this, hanging on for the Co-op ...

LEWIS: *(over)* So there were better deals mid-way through the process than there were at the end?

MALINOWSKI: That is absolutely right. And I think the issue is, not to take away from the initiative - the initiative itself I think has some merit to it in that it starts to engage consumers in switching - but actually engaged consumers could have you know ...

LLOYD: *(over)* Well Paul, Joe is factually wrong. On the day the Co-op came forward with the best deal in the market at the time.

LEWIS: *(over)* What he's saying is before that there were better deals. But let me ...

MALINOWSKI: That's right.

LLOYD: *(over)* Before that, there were other deals. Of course the market moves, but on the day we got the market to move in the right direction and 30,000 people will gain from that. So to say this is a failure is bonkers. The other thing is we're always hearing from the commercial websites, the commercial switching sites and some of the biggest suppliers that this is somehow a flop. They are the ones that are most going to lose from this. It's not surprising to hear them trying to talk it down.

LEWIS: Well yes, but both of you make money from people who switch, don't you? How much were you making? You told us last time.

LLOYD: Well Which? is a charity. We've been totally open about this. We're going

to spend about £600,000 doing it. We hope to cover our costs. We're charging tops £40 per switch.

LEWIS: £40 per switch. That's a lot of money. Joe, how much do you charge?

LLOYD: If Joe will tell us how much he charges, I'll be very interested.

MALINOWSKI: Actually we don't charge. We get paid a fee. I would like to be able to disclose ...

LEWIS: *(over)* Well getting paid a fee is a charge. Come on!

MALINOWSKI: But it's a ballpark. It's in that kind of ballpark.

LEWIS: *(over)* In that kind of area. Alright, you don't want to say.

MALINOWSKI: *(over)* It's in that ballpark for our regular bread and butter business.

LEWIS: *(over)* But surely ..

MALINOWSKI: *(over)* ... but not for 300,000.

LEWIS: *(over)* But surely ... Hang on.

LLOYD: *(over)* We're not going to switch 300,000. We may switch say 30,000. But what we've said all along is Which?, the charity, will use any money we make on top of our costs for our campaigning on energy to get a better deal for all consumers. Commercial sites can't say that.

LEWIS: No, no, I understand that. But this money is coming from somebody and

guess who it's coming from - the rest of the consumers - so the whole question of switching actually raises prices by itself, doesn't it? It must come from somewhere, Joe?

MALINOWSKI: It must come from somewhere. Actually it comes out of an existing pool of money that the companies use for customer attention. I mean it's the oldest business model in the world. It's been around in every single sector ...

LEWIS: *(over)* And very briefly, I must ask both of you. I mean you're both offering these deals, but if you go to a cashback site, Top Cashback or Quidco, can't you get even cheaper deals because they give you back some of that fee that you're charging?

LLOYD: Well I think the answer is be very careful about those sites and some of the commercial switching sites. You've got to know that you're scouring the whole of the market to be confident that you're getting the best deal out there.

LEWIS: Joe, ten seconds.

MALINOWSKI: Yes you can, but you need to be careful. Increasingly the cashback is only paid on expensive products, so you're not necessarily going to get the best deal doing it.

LEWIS: Okay Richard Lloyd from Which? And Joe Malinowski from TheEnergyShop.com, thank you very much.

Banks and building societies tempt us to deposit our money with them by offering high rates of interest that last for a year or so. Then the rate plummets to sometimes next to nothing. For the last 2 years they've had to tell us in good time before a bonus rate comes to an end. If they fail, they may have to pay compensation. One recent case against Santander was upheld by the Ombudsman. Guy Anker, News Editor of MoneySavingExpert.com explains.

ANKER: Well this is an interesting case as it could give hope to others who are not told when a savings rate is about to drop. What actually happened was one of our readers had a Santander savings account with a fixed rate of interest for 2 years of about 4%. He was pushed into another account on maturity that paid a much lower 2.75% and Santander staff told him the money was locked away for another year, so he couldn't access it, nor could he get one of the better rates at the time. So he complained. He said I wasn't given notification before the 2 years was up. Santander said that it does send such notification letters, but when he complained to the independent arbitrator, the Financial Ombudsman Service, he won because it believed him. So he was awarded access to his cash. He got the difference in interest in what Santander paid him in the new account and what he could have got elsewhere, plus he got another £100 for inconvenience. Now you know this isn't a blanket ruling which means everybody in the same situation will get similar compensation. It doesn't set a legal precedent, but it does offer hope that if you complain, you've a decent chance of winning.

LEWIS: So what are the rules about letting people know because I thought banks did have to let you know when a rate was going to drop?

ANKER: They do have to let you know. Although trying to interpret FSA rules can be like translating hieroglyphics sometimes, but they do state roundabout that banks must tell customers if a savings rate is about to drop. There's quite good guidance actually from the Financial Ombudsman. It gave us a statement which said that it's reasonable to expect this sort of notification in writing at least one month prior to maturity.

LEWIS: If he'd had that letter, what would he have been expected to do?

ANKER: His intention was to open a new account at a much better rate of interest. At the time he said he could have got around 4%. So what he would have done is taken the money out, put it elsewhere and earned a lot more.

LEWIS: Now one of our listeners, Stanley from Berkshire, has had similar problems. He invested £100,000 with AA Savings at an interest rate of 3%, but there was a bonus of 2.5% in that, so after a year the rate dropped to 0.5%. But he had no warning from AA Savings. Here he is.

STANLEY: Well I expected that they would notify me of the rate change in the same way that any other reputable deposit taker would do. I check everything that comes in very carefully. They haven't sent anything. There's a large sum of money involved here. We were £2,500 out of pocket.

LEWIS: That's another example, Guy, of somebody who didn't have a fixed period bond. It was simply a savings rate, but it did plummet from 3% to 0.5% and he says he wasn't told. Where does he stand?

ANKER: Well it sounds like obviously he's missed out on what was £2,500 worth of interest. He should make a complaint to his provider. If he gets nowhere, he too can complain to the Financial Ombudsman Service, and based on what I said earlier, he stands a chance of winning. Again there's no guarantees, but it's worth a go.

LEWIS: Guy Anker of MoneySavingExpert.com. And AA Savings has now admitted to us that Stanley didn't get notification and it looks as if compensation will be on its way to him too. It added that all customers do now receive notifications. Well with me is Anna Bowes, founder of the website Savingschampion.co.uk. Anna, what are banks and building societies supposed to tell us?

BOWES: Well they have to tell you that there's going to be a change to the rates when it's a significant change like that, and obviously a bonus ending is such a thing. But there's no consistency, so they can tell you where to look on their website, they can send you a leaflet, they can tell you what the rates are, and they can tell you any time from 2 weeks to 3 months in advance. So you might even forget if they've told you from that point.

LEWIS: Yes, I mean I've certainly seen examples where they've just said your bonus rate's coming to an end or your ISA is coming to an end, it will now be called such and such, without telling you what the go to rate is. And without that, you can't really make a sensible choice, can you?

BOWES: Well you can't. That's why we set up Savings Champion actually and we have our free rate tracker service which means that people tell us the account they've got and we'll tell them simply what's the rate you're earning, and when the rates change we'll tell them.

LEWIS: So it's like a sort of diary online for people?

BOWES: Yeah, exactly.

LEWIS: And you say that you've seen other examples. Is it really widespread that banks don't give people the information they should?

BOWES: Well (*coughs*) ... excuse me. They do write to them, but whether they give the ...

LEWIS: (*over*) Well they have to do that.

BOWES: ... the detailed information, it's got to be widespread. There's billions of pounds languishing in accounts that are paying dreadful rates of interest and people don't choose to do that. Some of that's inertia and not switching it out, but some of that's going to be because they just didn't realise.

LEWIS: Yes, a lot of inertia there certainly. And just give us a few of your best rates from your website, Anna. If people have got an ISA or savings, where should they go?

BOWES: Yeah, well you can get over 3% still at the moment. You can get 3.5% on a variable easy access cash ISA. It does include bonuses.

LEWIS: From?

BOWES: That's with the Cheshire Building Society at the moment. Santander has got some good accounts as well. They've got one paying 3.3. Nationwide, Coventry paying 3.17 and 3.15% on easy access accounts. So there are really good rates available out there.

LEWIS: Yeah and you have to be careful whether it's just new money or if you can transfer money in.

BOWES: Yeah. And they have bonuses, so you do have to keep vigilant.

LEWIS: Yes indeed. And what about offers that may not be the best buy but which don't have a bonus? Now Virgin Money were very big on theirs, weren't they? It was going to be 2.85% and that was it.

BOWES: Yeah and for the first issue, that's still the case. But they've launched a new issue and it's 2.6 now. You have to stay vigilant. The banks and building societies don't even tell you on their statements and that's what they need to be doing.

LEWIS: Anna Bowes of Savingschampion.co.uk, thanks. And let us know your experiences of being told (or not) about interest rates. Have your say on our website, bbc.co.uk/moneybox.

Now last week we looked at the time it takes to get through to Her Majesty's Revenue & Customs helplines. An hour or more on the self-assessment one according to some listeners. So why do we have to pay a premium rate 0845 number for the privilege of waiting for the Revenue to answer us? Why can't it be free? A question I put last

week to HMRC Spokesman Stephen Hardwick.

HARDWICK: I'm afraid that in current economic circumstances and budget constraints, that's not something we can afford to do within our budget. And, like pretty much every other organisation with call centres whether it's a bank or a utility company or a phone company, we have 0845 numbers and that's a standard.

LEWIS: And you wouldn't have a geographic number because that would be cheaper for many people?

HARDWICK: It wouldn't allow us to filter the calls through in the way that we can do through a central number.

LEWIS: Well we had a big response to that from Money Box listeners who had their own solutions to cutting the cost.

PETER: My name's Peter. There is a number from the Inland Revenue that you can call from overseas, that you can find on certain websites, and if you dial 141 before that number you're only charged the national rate or from some mobiles you're not charged at all; it's free.

SANDRA: My name is Sandra Handley. My advice to people if they want to save money on 0845 numbers is to go to the website, say no to 0845. And you can usually find an alternative number on which to contact the company or organisation.

DAVID: I'm David from Bromley. They should make it 0345 which several organisations are going over to. That way it would be national, but it would not be expensive. And 0345 is part of many people's packages. Even on mobile phones, they are inclusive.

LEWIS: Well some listeners' thoughts. So how feasible is it for HMRC to cut the

cost of calling its helplines? David Hickson is founder of the Fair Telecoms campaign. David Hickson, just tell us first what an 0845 call can cost.

HICKSON: It's a variety, it depends. Of the money that you pay to call an 0845 number, about tuppence a minute of that goes onto whoever is at the other end of the line; and on top of that of course you pay whatever your own telephone company will charge. On landlines, the highest rate that we can see at the moment would simply be for a 10 minute call something just over £1 a minute. On a mobile ...

LEWIS: A pound altogether?

HICKSON: A pound altogether, including the 2p a minute that's going onto HMRC in this case. So that's quite a lot of money to the telephone company as well. On a mobile, it can get up to £4.50 on a 10 minute call.

LEWIS: Goodness.

HICKSON: But again only about 18, 20p of that is going to HMRC.

LEWIS: Yes, though of course HMRC tells us that they don't actually get this money. It's simply reflected in a cheaper cost for the service they're buying.

HICKSON: It isn't paid to them as a cashback, no. It simply goes into the equation and it means they can get their telephone services more cheaply, but it's the same in the end.

LEWIS: Yes. What do you think they might save on it?

HICKSON: Well the figure that we've got is roughly 2p a minute. It does vary from time to time. If we multiply this by the average duration of a call to them, which we reckon is about 10 minutes and 60 million calls a year, we get the frightening figure

of £10.8 million. But that's not the real figure. That's just what it would be worth if that were separated out.

LEWIS: Okay. And what about moving to 0345? They're much, much cheaper as I understand it for most people.

HICKSON: The 03 must be the way that all public sector and indeed many private sector organisations should go now. 03 gives you all of the benefits in a technical sense of the 0845 and the other expensive numbers in that you can do clever things, you're not tied to one part of the country, but by regulation (and as followed in practice) all 03 calls are charged at no more than it would cost to call an ordinary number, which means for the vast majority of callers it's included in their package and therefore it's free because most people now do not pay to make ordinary calls.

LEWIS: Though HMRC does tell us it would have to change all its numbers and everything, though it has done that I think for tax credit lines. And just let me ask you about that other tip people gave us, which was to look up the number you use from abroad and ring that from the UK putting 141 in front of it, so they don't know where you're calling from?

HICKSON: The one thing that HMRC could do very easily is adopt 0345 numbers with all of the remaining digits remaining the same. That would save the administrative cost. Yes some of those tricks do work, there are lots of ways of getting round it, but HMRC should take the step.

LEWIS: David Hickson of Fair Telecoms, thanks. And of course you can also go to your local HMRC inquiry centre if there is one and use the phones there where they're free.

But that's it from us today. There's more on our website: bbc.co.uk/moneybox. Look at my newsletter, listen again, send us your ideas - as so many of you do - and have

your say on those changes to savings rates. Back on Wednesday with Money Box Live taking questions on credit and debt. And do listen to my colleague Peter Day on Sunday at 9.30 when In Business asks can small banks challenge the big ones? Back with Money Box next weekend. Today producer Ben Carter. I'm Paul Lewis.