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MONEY BOX

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LEWIS: Hello. In today's programme, the government will make millions of pounds by taxing some of the compensation paid for mis-sold insurance. We get details on the landmark judgement in the Supreme Court on the rights of cohabiting couples. We hear reaction to the new device that HSBC customers need to carry round to do their banking online. (*Fx: Aaargh!*) That was it. And no more free flights with Airmiles unless you pay by midnight. Unless you log on, I'm sorry, by midnight on Monday. And if you can't enter a PIN, what rights do you have to sign instead?

But first, millions of people face an unexpected tax bill over compensation for mis-sold payment protection insurance. Tens of thousands of payments are being made every month, compensating people for the often useless insurance mis-sold to them as long ago as the early 2000s. They get their premiums back in full, plus interest at 8% on the premiums they should never have paid - that figure of 8% is set by the FSA, the regulator - but the interest is taxable, giving the Revenue a cut of the compensation. Here to tell us more is Fiona Woods. Fiona?

WOODS: Well yes, we were first alerted to this when Vivienne from Essex got in touch to tell us about a letter she got from her bank, the Co-op.

VIVIENNE: I received a payment from my bank, and in the document that they sent me they said that I would need to be paying £94.88 tax. It's 8% on the amount of the total PPI, which I don't really understand at all. It's just a bit more gobbledegook.

LEWIS: Yes, gobbledegook indeed. What does the Co-op say, Fiona?

WOODS: Well it recognises the letter is confusing, but in essence the Co-op says that interest on the repayment is liable for tax and the onus is on you to sort that out with your tax office.

LEWIS: And what are the other big banks doing?

WOODS: Well, interestingly, even though HMRC told us that it expects providers to tax at source, the banks were largely telling us that they won't be. HSBC customers will receive the gross amount due and it will be up to them to get in touch with the tax man. The same goes for Lloyds and Barclays customers.

LEWIS: Are there any exceptions?

WOODS: Yes, RBS NatWest will tax at source unless you have a savings account and have filled out an R85 form. If it's a loan company that mis-sells you PPI, then you'll also be taxed at source. That includes the likes of Lloyds Black Horse and Barclays First Plus as well as smaller companies that just deal in loans.

LEWIS: And how much will they take off you?

WOODS: Well RBS and loan customers will be taxed at a basic rate of 20%, but if you're a higher rate taxpayer you still need to contact the tax office and let them know that you owe them more money. And if you don't pay tax, you can claim it back.

LEWIS: And what about credit card customers?

WOODS: Well they also need to sort out the tax themselves. The big difference for these customers is the amount of interest they receive. They don't automatically get the 8% rate. They only receive this if the value of the PPI refund would have meant that they were in credit. That's something that's been agreed with the FSA.

LEWIS: Thanks Fiona. Well live now to Gloucester to talk to Mike Warburton, Tax Director at accountants Grant Thornton. Mike Warburton, this 8% rate of interest - and it's a good rate - some might see that as compensation, but it is taxable.

WARBURTON: Yes, it is a very good rate. I mean, Paul, I really think we should look at this as a good news story. I know it's very easy to look at the bad news you might have to face in tax, but people are getting full compensation and the compensation itself is completely tax free. And this follows from a longstanding practice. Many Money Box listeners I'm sure will remember the mis-sold endowment policies and the compensation treatment there. It was established many years ago that that element is tax free, so that's good news. As you say, the interest rate at 8%, I wish I could get 8% on my money at the moment. That's very good. So maybe we shouldn't jib too much about the fact that it's paying tax because if you deposited your money in a bank or building society you would expect to pay tax on your interest, wouldn't you? So in a tax sense, it's fair.

LEWIS: Well you would indeed, and of course 8% was probably a lot closer to what you'd have got in the early 2000s when some of this began. But of course if it's in a bank or building society savings account, it is deducted automatically. You never have to worry about it unless you're a higher rate taxpayer or you don't pay tax. But in these cases people who are not having it deducted are now going to have to tell the tax authorities. What should they do exactly?

WARBURTON: Well of course the position is a bit confusing and that's what Money Box is hopefully there to help people do. I mean what we've established is that the banks that you've mentioned - Barclays, Lloyds, HSBC and Co-op - will pay the money gross. And then we've got RBS which pays net or gross, depending upon whether the customer's got a savings account and has submitted an Inland Revenue form R85. So the important thing to do, first of all, is read the letter that comes with the payment. Don't just read the bit that says how much money you're getting. Read the whole letter. You then need to disclose ... Most people I guess will have a PAYE number or something like that, and what you should do is you should write to your tax inspector. Ideally what you should do is quote the tax reference number which will be

shown on there - I mean mine's got three numbers, a letter and four numbers, for example - and perhaps your national insurance number as well because that's unique, and that'll have a couple of letters, six numbers and a letter. And you should say how much money you've received. My guess is do it now. Don't wait till next year.

LEWIS: Yes and that will be deducted by means of a different tax code from April next year, as I understand it?

WARBURTON: Absolutely. They'll build it into the PAYE coding, so it's a painless way of paying, and that is what I'm sure HMRC would prefer people to do.

LEWIS: Yes and of course if you're a self-assessment person, you put it on your form. And if you're a higher rate taxpayer, then you will have to pay extra even if it's been deducted.

WARBURTON: Absolutely. So I think the default position is let HMRC know the position. I mean you may think it's not necessary, but my advice would be alert HMRC.

LEWIS: And Mike, you say it's good news and it is - billions of pounds being paid out. Any rough idea how much the government will claw back through tax?

WARBURTON: Well it's a real stab in the dark. We think there's about six billion in total compensation payments, but with this high rate of interest we could well have more than a million pounds worth of interest included; and if you're taxing that at just 20%, then you're up to over 200 million. But of course on the other side, I think there's going to be quite a lot of people at HM Revenue & Customs with a lot of extra work to do for this, so let's spare a thought for them as well.

LEWIS: And fewer staff to do it. Mike Warburton of Grant Thornton, thanks.

A landmark judgement in the Supreme Court this week has raised major questions

over the property rights of couples who are not married or not in a civil partnership. The court ruled unanimously that a man who broke up with his partner is not entitled to half the value of the house they owned jointly, instead awarding him just 10%. The five justices overturned the judgement in the Court of Appeal, which had given him half despite the fact he'd moved out of the property 15 years earlier and bought his own house with his share of money the couple owned jointly. Well with me is Shashi Sachdeva, a partner with lawyers Thomas Eggar. Shashi Sachdeva, what were the crucial facts in this case that led to the judgement?

SACHDEVA: The crucial facts here were the point that he moved out, but at the time of moving out the court held his interest in the former family home had crystallised simply because he stopped contributing towards that property. As well as ceasing his contributions, he stopped paying towards the joint mortgage - she took on that responsibility - and he no longer paid child maintenance for the children. By doing so, he was able to use his income to purchase a property in his sole home and take out a mortgage. Had he continued with those contributions to the family property, he may not have been able to purchase that property in his sole name.

LEWIS: And of course they also cashed in an insurance policy, which was in their joint names, and he used half of that to pay the deposit. So again that was a sign that they were changing their relationship. So was that the crucial fact - there was kind of what was called on Money Box Live earlier this week, the Jones versus Kernott moment when he actually moved out and they changed all their views about their future?

SACHDEVA: Absolutely. What the court held was that at that time when he moved, at the time of separation, their respective intentions changed. At the beginning when they acquired the property, the intention was for them to own it jointly and equally. When he moved out and stopped paying and cashed in that policy, the intention was that he was no longer going to be owning the former family home equally.

LEWIS: Yes. Of course that is the assumption, isn't it, if you're joint owners - that you own it equally - but the court was saying all those facts enabled them (and it's

quite a power, isn't it?) to say no, no, you don't own it equally - 90% to her and 10% to him. And I think many people felt it was a fair judgement but were a bit surprised because the Court of Appeal of course had decided the opposite.

SACHDEVA: Absolutely, the Court of Appeal had decided the opposite, but the Supreme Court agreed with the decisions made in the first hearing and in the High Court as well. This is a huge decision for cohabiting couples and they really need to think carefully when acquiring a property but also as time develops, as things change.

LEWIS: Yes, I was going to ask you what cohabiting couples should do because often you decide to move in with someone, which is a big step and a very lovely step in most cases ...

SACHDEVA: Yes.

LEWIS: ... but you don't sort of want to sit down and say, "Okay, before we move in together, I love you very much but let's sort out who owns what."

SACHDEVA: No it's not particularly romantic, but in these kinds of circumstances it is important to have these conversations directly and/or with lawyers as well. When you're purchasing a property now, or since 1998, you have to insert on the conveyancing paperwork in what proportions you own the property. But suffice to say that you should also consider as things change. So in this particular situation, he stopped contributing. Their common intention changed.

LEWIS: Do we need a change in the law? I know the government's considered this and decided against changing the law. Is it time for a change in the law?

SACHDEVA: Absolutely. It would save decisions like this having to be made. This case has gone to court on four separate occasions, and if we had a change in the law it would hope that it would make the position much clearer for cohabitantes.

LEWIS: Yes, we did ask the minister Jonathan Djanogly to come on Money Box and he didn't want to, but a Ministry of Justice spokesman said cohabiting couples can draft wills and enter into agreements and define and protect property rights. You're saying that's not enough, briefly?

SACHDEVA: No, that's not enough. Cohabitees still don't - well not all of them - appreciate where they stand, and they still believe in the concept of the you know common-law spouse which no longer exists.

LEWIS: Which doesn't exist, no. Shashi Shashdeva from Thomas Eggar, thanks. And of course the judgement applies to England and Wales and not to Scotland where the law is very different. And if you want to hear more about that judgement, there's the Money Box Live podcast from last Wednesday on our website: bbc.co.uk/moneybox.

Banking online is becoming increasingly popular: 25 million current account holders now use the internet to manage their money. It's not just the younger generation; 70% of people over the age of 55 - gosh, even people as old as me - now use internet banking. But many HSBC customers, we heard earlier, have contacted Money Box complaining that the process has become more trouble than it's worth. Ben Carter's been looking into this for us. Ben?

CARTER: Yes, Paul. Traditionally logging onto online banking has meant entering numeric codes and passwords, but in recent years banks have started issuing separate devices that customers need to carry with them if they want to make online transactions. HSBC has recently issued a secure key to all its customers and a lot of them aren't very happy about it. Money Box listener David Swann.

SWANN: I used to be able to relatively quickly log on, put in my pass name and put in my password, and I was into my account and I could manage my account simply and easily. Now I've got to jump through five fire rings before I can actually get in to look at my account and make a simple payment. It's overly complex. The system

hasn't been thought out properly. We will be moving to a bank that thinks of a human being, that works for humans and the way humans want to work.

LEWIS: Well that's one listener, David Swann there, talking of five fire rings, Ben, to get to his account. What exactly does he have to do?

CARTER: Well customers still need their original login details, a code and a password, but there is a stage in the process where they enter a PIN into the secure key and that secure key in turn provides the customer with a unique number which they then enter online.

LEWIS: So quite a lengthy process. What does the bank say to you about this?

CARTER: An HSBC spokeswoman says they understand that the changes are going to take a little getting used to. The bank conducted wide ranging customer research into the design and functionality of the secure key and will continue to look for improvements for online banking customers in terms of access and ease of use.

LEWIS: And what about fraud? Are these gadgets helping to reduce online fraud?

CARTER: Well the banks say the drop in the amount of fraud has been massive. Industry figures certainly show that. Online losses since 2009 have dropped by a half and it's not clear whether that's attributable to these new devices.

LEWIS: Entirely, no. Thanks for that, Ben. Well no-one from HSBC would come on Money Box to talk about these important issues. It referred us to the trade body, the UK Payments Council. I spoke to Sandra Quinn.

QUINN: Over the last 3, 4 years, you've seen a number of high street banks introduce different types of devices for their customers, and what they're proving is that additional authentication of customer details or when customers make payments on their account are protecting their bank account, and those banks have seen lower fraud

losses.

LEWIS: But that is at the price of really annoying some customers. And the complaints we've been getting have principally been about the new HSBC tag, which works differently from the others, doesn't it, because you have to have it with you always whenever you want to even look at your account, never mind make a payment?

QUINN: There are different levels of security that different banks are adopting, and the stance that we've taken to date is that this is very much a competitive issue. Different banks know their customers best and they need to know how to respond to what their customers want.

LEWIS: Some customers have even told us with HSBC that they're going to move to another bank. Surely that is not in any bank's interest to lose customers over a device which has been badly designed?

QUINN: Well that's an issue for HSBC. But it demonstrates that actually we do have competition and choice in the market, and that's what customers want. They want to be able to change their bank. And you know if you as a customer think you're going to get a better deal elsewhere, then we wouldn't discourage anybody from doing that.

LEWIS: And if despite this device the account is fraudulently accessed, is there going to be a shift towards blaming the customer because once more, as they used to, the banks will say well you must have lost something and revealed something or it couldn't happen?

QUINN: Absolutely not. The law is very clear on this. If you're the innocent victim of fraud, regardless of what device you're using, you'll get your money back.

LEWIS: But you say innocent victim, but what the banks may well say is, "Well we had a device. It has security. Only you could access that. So given that money's gone,

it's your fault, not ours."

QUINN: Well, as I've said before, the burden of proof lies with the bank. The customer is presumed innocent until proven otherwise.

LEWIS: Sandra Quinn. Well with me is David Bannister, Editor of Banking Technology magazine. David Bannister, these devices in one form or another have been around for a while. What's particular about the HSBC one that seems to be annoying so many people?

BANNISTER: It's an interesting question because it's not terribly different from what Lloyds did 4 years ago on a very limited basis, Barclays 2 or 3 years ago on a much wider basis - more than a million customers. This has gone to every customer in one fell swoop. And I've got one in my hand. It's mine and it annoys me no end.

LEWIS: Yes. They're quite small, aren't they? But is the difference that you have to have it for any transaction, even looking at your account; whereas with the others, it tends to be when you actually want to do business with it, you want to move money?

BANNISTER: Yeah basically it's for internet banking only, so if you want to go onto the HSBC site as a customer, look at your account, manage your money, make a payment through the faster payments system or whatever, then you have to have this with you.

LEWIS: We've been getting a lot of complaints. Have you any sense of what HSBC is actually receiving by way of complaints?

BANNISTER: If you talk to some HSBC people rather than the press office, for instance, they ...

LEWIS: We're not allowed to do that, unfortunately.

BANNISTER: ... there's a lot of groaning from people there, and they roll their eyes and say they're as annoyed as everybody else to some extent because, as Sandra says, it does mean people move off to other banks.

LEWIS: Yes, I mean she did say it was a competitive matter and you can move. And you mentioned Lloyds. Now they tried this out, but they've actually stopped doing it. So I suppose you could move there if you didn't like any device?

BANNISTER: You could move to lots of places - there is plenty of competition now - but it's how easy that's going to be. And of course that's going to get easier later in the year as well.

LEWIS: And Ben mentioned earlier that the figures show that online fraud has more than halved in 2 years. I think it's gone down from, what, 39 million to 16.9 in 6 months of the year. Is that because of these devices or are there other factors?

BANNISTER: I think there are lots of other factors than that, and in fact the UK Payments Council's figures and their press statements say that. It's a number of efforts they've made - putting in antivirus programmes, anti-malware programmes. User awareness as well.

LEWIS: And this device from HSBC is different from the others. It's newer technology. What can we expect next?

BANNISTER: Well this is one of the problems that the banks face in fact. It is quite expensive. Banks aren't rolling these out because they're fun or anything like that or to attract customers. They're expensive devices, so they will be looking for cheaper alternatives. Mobile phones is probably the most obvious one. Everybody's talking about mobile banking.

LEWIS: Of course not everybody has a mobile phone.

BANNISTER: That's another problem. So it's a chicken and egg sort of thing. Is there enough ubiquity of the products and so on?

LEWIS: David Bannister, thanks very much. And you can let us know your thoughts on these online security devices. Views on twitter coming in already fairly mixed. Have your say through our website, bbc.co.uk/moneybox.

Now paying for things using a chip and PIN card is a pretty everyday occurrence for most of us, but what about people that can't use the system? Money Box listener David Jones has a disability which means he can't enter a PIN into the pad, so his bank provided him with a chip and signature card which all shops should accept if you just sign in the old-fashioned way. So David was very surprised when he visited his local Primark shop in Hull.

JONES: The assistant informed me that her sales machine was not set up to accept my signature card and she then brought over her supervisor who confirmed that this was correct and they suggested I go to a bank to get the money out instead. Whereby I handed the goods back and came straight home because I was upset that in my view I had been discriminated against because of my disability. I then came home and rang Primark Head Office who put me through to their customer services department who informed me that it was Primark's national policy not to accept signature cards in any of their stores and all she could do was refer my complaint back to her bosses. It makes you feel small, to be honest with you, because it makes you realise people could be watching you and wonder why your card is being rejected.

LEWIS: Well that was Money Box listener David Jones. When I spoke to Sandra Quinn, who you heard earlier from the Payments Council, I asked her about this as well and asked why Primark was allowed to act in this way.

QUINN: We've got in touch with Primark to ensure that they play by the rules and the customer gets the deal they're expecting. As an industry, it's been pointed out to us in the past that customers aren't aware of chip and signature. So this is one of the

things we're going to be looking at over the next year - is how to increase awareness of the chip and signature option, so that both businesses who accept them and customers who use them get a fair deal.

LEWIS: So it's a matter for the card issuer to decide whether you qualify or not. How do they do that?

QUINN: There's no medical qualification here, but actually banks should not discriminate against customers who say to them, "I am not able to use a PIN." If you're not able to use a PIN, then you should have an option available to you. And customers' experiences change. Some customers as we get older are going to find it more difficult to use a PIN. You know the research that we have bears that out. Those customers must have the option of moving to something they feel more comfortable using.

LEWIS: So even if your memory just gets a bit bad or you may not have dementia itself but you find you really can't remember your PIN or can't remember a secure PIN, you can have a chip and signature card?

QUINN: Get in touch with your bank. They'll be able to help you out.

LEWIS: That was Sandra Quinn. And Primark told us it was their policy to accept both chip and PIN and signature only credit cards, and it would be sending out reminders to all its branches. The company also called David Jones personally to apologise and tells us they'll be sending him a gift card by way of apology.

Airmiles is the next topic. Thank you very much. Sorry, that was entirely my fault. If you collect Airmiles, you have just a couple of days to go online and redeem their points for flights. The original deadline was brought forward from Wednesday. Now it has to be done by the end of Monday. After that Airmiles become Avios and they will no longer get you free flights. If you phone up, you get a bit longer, but the deadline is on Monday and live now to talk to Simon Calder the travel journalist.

Simon Calder, what is this deadline? What exactly is going to happen?

CALDER: Well at midnight on Monday, your Airmiles - which of course is not a frequent flyer scheme, it's a frequent shopper scheme awarding points for using the right supermarket or credit card or petrol station - those points become a completely new currency, Avios, at a rate of 10 Avios for every airmile. So if you've got 3,000 Airmiles, which is currently enough for a couple of return tickets to Barcelona, they will become worth 30,000 Avios - still enough for two return tickets to Barcelona, but crucially they will be devalued because you will now have to pay taxes, fees and charges when you redeem them.

LEWIS: Yes, so it sounds better - you're getting ten times as many - but do they take the same distance?

CALDER: They do mostly, although actually two of the three most popular destinations - Amsterdam and Paris - they're currently 750 Airmiles. Unfortunately under the new scheme, they will be going up to 9,000 Avios, so it will cost you effectively 20% more with the extra burden of having to pay a minimum of £27 for each ticket for those tiresome taxes, fees and charges.

LEWIS: Yes, so really it is the end of free flights, isn't it Simon?

CALDER: Well it is, but look you don't need to travel in the next week, you don't need to travel in the next month. I've just checked and you can book now up to the last week of October next year. So there's plenty of time in which to travel. And remember it is business as usual until midnight on Monday. Then the Airmiles website closes down for a day and a half. When it and probably you wake up at 8 o'clock on Wednesday morning, your Airmiles will have changed. But, as you mentioned, there is still a month's grace. Until 15th December, you can still call the customer contact centre and use your points as though they were old-fashioned Airmiles. So yes, unfortunately it is the end of free flights, but not completely if you act within the next month.

LEWIS: Right, so online the deadline is midnight Monday, but by phone you've got another 3 or 4 weeks?

CALDER: You have. Now of course everybody is thinking well quick I've got to redeem these things, and quite right too. And you might think well there's going to be a spike in demand and we won't be able to get the flights. In fact I've been checking lots of popular destinations and there is a lot of availability, particularly of course as always if you can be slightly off peak about it and book well ahead. But if you're looking to go longer, once you've got your Avios points then the taxes, fees and charges are remarkable. Over £300 return for a supposedly free flight to New York on top of your points and to Sydney Australia it's nearly £500.

LEWIS: And briefly, Simon, although Airmiles are changing to Avios, will you still be able to earn them with the same shopping, the same cards that you've always earned them with?

CALDER: You certainly will do. And, furthermore, you'll also be able to earn a few Avios by flying with British Airways, which is a first.

LEWIS: Okay. Simon Calder, travel journalist, thanks very much for talking to us. That's it for today. There's more on our website, bbc.co.uk/moneybox. You can look at my newsletter, download a podcast and send us your ideas - as so many of you do all the time. You can also have your say on those online bank security devices. Love 'em or them or 'em, we'd like to hear. And goodness me, the email box is filling up from my screen. I'm back on Wednesday with Money Box Live. This week we're live from Harrogate Grammar School Academy taking questions from the audience on student finance. That should be lively. I'm back with Money Box next weekend. Today reporters Fiona Woods and Ben Carter, producer Wesley Stephenson. I'm Paul Lewis.