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MONEY BOX

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LEWIS: Hello. In today's programme, the latest on the major computer problems at Halifax Bank of Scotland. There's anger at a meeting in Parliament to discuss retirement home charges. In National Ethical Investment Week, we'll ask if it's better to invest with the devil you know than the saint you don't. And, finally, a bank makes a full apology.

HUGHES: We are truly very sorry for any of the inconvenience, difficulty, frustration, irritation that we have caused our customers.

LEWIS: Well that apology later. But, first, the latest on those reports of major computer problems at Halifax Bank of Scotland. Ruth Alexander's here. Ruth, what do we know?

ALEXANDER: Well, Paul, the problem centres around Halifax Bank of Scotland's biggest IT centre in Copley, in Yorkshire, which supplies the bank services right across the UK. There's been a massive power failure there this morning. We don't know exactly what's caused it yet, but it's affecting all branches, cash machines and the online service. I've got a Halifax account myself and I've just been trying and I still can't log on online. And about a half an hour ago, I went to see what was going on in the Halifax branch in a shopping centre down the road.

LEWIS: And were they open and working there?

ALEXANDER: No, not really. Well sort of. The manager was basically standing at the door, telling people that “the entire banking service is down.” So you can imagine the bemused looks on customers’ faces. And the cash machines there weren’t working. And in fact customers’ cards aren’t working in cash machines belonging to other banks either. I’ve tried mine at two and had my card rejected. The only way to get money out is to use the counter service in branch at the moment where staff at the branch I went to were writing down your details and how much you were taking out or depositing. And this means that deposits, they said, could take a while to register in your account because they won’t be processed until the computers are back up.

LEWIS: But customers can at least do basic banking there?

ALEXANDER: Yes, but you can only withdraw - certainly at the branch I went to - a maximum of £200, because they said they can’t check the balance on your account and they don’t want people withdrawing hundreds of pounds they don’t have. And there was a woman who’d come into the branch where I was, who was quite stressed out because she didn’t *know* how much money she had in her account and she didn’t want to risk overdraft charges. And she’d also had her card rejected in the shops, and staff at the bank said indeed a lot of people have been having that happen to them. I tried using mine in a chemist across the road and it did work actually. The cashier there said all cards were working there this morning, but a lot of customers had said they’d been having problems with their cards elsewhere.

LEWIS: And apart from banking, what about people who’ve got appointments at the branch to talk about mortgages and so on?

ALEXANDER: Well the bank manager at the branch I went to said that they were calling customers to cancel all appointments because staff just can’t use their computers. But then he added that the problem with that was that they couldn’t get customers’ phone numbers from the computers in order to call them. So to summarise: all branches of Halifax and Bank of Scotland are affected. Head Office, who we’ve called, says it hopes to have everything working again by early afternoon.

LEWIS: Thanks, Ruth. Well we hope that will be sorted out soon. But, meanwhile, customers of the Co-operative Bank say that their online business service is *always* bad. The complaints include being unable to log onto the system at all despite many attempts; and, if they finally succeed, being unable to find their data or complete transactions. Now many customers joined the Co-op because they wanted to be part of an ethical banking service, but the problem has got so bad some are now considering moving to another bank. Marc Palmer's one frustrated customer. He writes a blog about the problems and contacted Money Box to tell us about the difficulties it was causing him. And Bob Howard went to meet him at his home near Stroud in Gloucestershire.

HOWARD: Well you are a long way from a bank here really, aren't you, because ...
(*laughs*)

PALMER: Yes, yes. I couldn't actually tell you where the nearest Co-op Bank branch is.

HOWARD: This is your main house and you've got a log cabin down where you work. Is that right?

PALMER: Yes, yes.

HOWARD: The computer's in your living room at the moment and now we're going to try and log on and see how successful we are. You're going to try and log in and see what happens.

PALMER: It's prompting me to put in my user details. We've managed to log in, but it's showing my account information and I have four business banking accounts but none of them are listed. We're not seeing any of our balances here. There's absolutely no information at all. Now if we go to the balances, again we should be seeing account balances and we have nothing at all listed. So if I wanted to make a payment today, I don't know if I have the funds to do it.

HOWARD: So if you want to find out what your balance is, you've got to call, have you?

PALMER: Yes, I have to phone them.

HOWARD: Well shall we try and do that?

PALMER: Yeah.

RECORDED MESSAGE: We are aware that some customers may be experiencing Internet banking difficulties. We are sorry for any inconvenience that this may cause. Please be assured that this matter is receiving our urgent attention. (*music*)

PALMER: Okay, so they've got a message on there saying that they are aware of the problems. We're being told to hold now. It is eight minutes past one. And you do have the option to use the telephone banking when you phone up. That may work for one transfer or one payment; but if you've got five, ten bills to pay, it's agonising to do that. We'll press hash (#) to get through to the representative. (*music*)

HOWARD: What sort of inconvenience does this cause you as a business person?

PALMER: My usage consists of at the end of the month checking that people have paid me and also transferring my salary and so on and paying tax and a few bills. So maybe a few transfers a month, but every single time I go to do that, it is extremely painful. The customer service staff are wonderful and wonderfully patient with us and obviously with their own IT department. They have said to me in the past that they have been told by the IT department that once it hits 130 simultaneous users, it starts to fall over. I've had a lot of people commenting on my blog saying that they have much higher use of it and it's excruciating for them.

HOWARD: Now a lot of people listening will just say well why doesn't he just change?

PALMER: Ethics are very important to me and I don't want my business's money to be invested in oppressive regimes and businesses and industries that I don't agree with. But there comes a time when it's damaging your business. Quite a few people commenting on the blog have said that they've switched to another bank now. I've got to the point where I am seriously considering it now.

HOWARD: How long have we been holding now?

PALMER: 8 minutes 45 seconds so far, and we've still got the music.

HOWARD: Shortly after that somebody from customer services did pick up the phone. Given the experiences of Marc and other customers, it might be surprising that the Federation of Small Businesses is promoting a business banking deal with the Co-operative Bank for its members. So far, around 20,000 people have signed up. I asked Stephen Alambritis from the Federation if his members were happy with the online service.

ALAMBRITIS: From the point of view of our members, we've had very few complaints. We monitor the services our members receive from these institutions on a regular basis. It's something that we do take seriously, that the Co-op Bank is assuring us is being looked at.

HOWARD: Now one of those the Federation is likely to be speaking to is John Hughes. He's the Director of Retail Products for Co-operative Financial Services. I asked him what he had to say to frustrated customers like Marc Palmer.

HUGHES: What we would absolutely want to acknowledge is that our business Internet banking service is not indeed consistently performing to the standards that I think our customers, our members would entirely reasonably expect from us. We are truly very sorry for any of the inconvenience, difficulty, frustration, irritation that we have caused our customers.

HOWARD: I mean what's the problem with the current system?

HUGHES: There is basically just a fundamental design feature of the system, which essentially means given the way the hardware and the software operate, given how the users use the system and indeed how many users are involved, occasionally the system just simply starts to run too slow. That can cause people to be timed out either at log-on or during a session, which I can understand entirely must be terribly frustrating.

HOWARD: Some customers are saying this problem goes back years. Do you concede that that is the reality?

HUGHES: The problem's been particularly acute *this* year. Rather than attempt to try and keep if you like nursing this thing forward, we've taken the decision to basically replace completely our current system, and I am happy to report that we are on track for a launch of that new system in quarter two 2010.

HOWARD: What would your message be to customers who say, "Well I've had enough, I'm really struggling to do anything online. I need to do online banking. I can't really wait another four months"?

HUGHES: We're putting in some additional support as we run towards the year and so there's another 20 colleagues who are going to be working in the call centre. We are hoping that the support we're putting in place through the phone, through hints and tips, through the helpline really do allow most customers to have their needs reasonably met, but I'm sure we are going to still cause some frustration and I'm very disappointed to keep on testing our customers' patience in this way.

LEWIS: The Co-op's John Hughes talking to Bob Howard about some frustrated ethical bankers. And this week is National Ethical Investment Week, when the merits of putting your money into firms that promote sustainable living and avoiding those which invest in products which are considered sinful (are highlighted). Everyone's list of unethical businesses is different but it might include gambling, weapons, tobacco,

mining or alcohol. You can make your own list, I'm sure, but are we right to turn our backs on the dark side?

ADVERT: We'd all like to live in an ethical world, but sometimes life just isn't like that, is it? (*fx: gunfire*) In the real world, countries go to war; people smoke tobacco; and alcohol flows freely. But there is a silver lining. (*Music*) These are all very profitable industries and you could invest in them. Call your financial adviser today to find out about our new sinful stocks fund. With the returns we're making, you could make a killing.

LEWIS: Well please *don't* contact your financial adviser. That advert was created by our very own reporter who you heard earlier, Ruth. Or should it be Ruthless Alexander? But there is a serious point here: what price do you pay for excluding these 'sin' industries? All of them are legal. Some would argue they do good. Two American academics studied this recently, and in a report, 'The Price of Sin', they claimed that shares in tobacco, alcohol and gambling - what they call 'sin' shares - are chief returns which are around 2% a year higher than comparable shares in food, beverage and entertainment companies, and that's because of the high dividends they pay compared with the capital price of the shares. The research covered stocks in the US as well as Europe and London. Well with me in the studio is Stephen Hine. He is Head of Responsible Investment Development at EIRIS, which researches ethical investment. Stephen Hine, what's your reaction to this American research?

HINE: Well I think we've had 25 years of experience of ethical and green funds, and the basic facts are that over that period of time ethical funds have performed on a par or better than their peers. Individual stocks will go up and down at different points in time. But I also say something else. I think that too much of the emphasis on ethical investment is on the negative, but in fact for lots of people - including the gentleman who's suffering from the Co-op Bank's problems at the moment - it's making a difference. People want to make a difference with where they put their money, and that can often be in companies that are providing solutions to climate change and other global challenges.

LEWIS: So in a sense your research simply contradicts the American research because they tried to get comparable shares - one in their 'sin' index and one in their non-sin index - and they said the 'sin' shares did perform better?

HINE: Well of course they may well perform better over a particular period of time, but they're looking at one small set of stocks. They're not necessarily saying that all stocks will perform in the same way. What we would say is that if you create a balanced fund, which may or may not exclude some of the tobacco and alcohol stocks - it depends on people's preferences as you rightly pointed out - that those sort of funds, particularly if they're investing in green and green tech companies, will often out perform.

LEWIS: Now in the UK there's a special FTSE index. It's called FTSE4Good. But research that the financial advisers BestInvest did for Money Box revealed that returns from the FTSE4Good index were actually lower than certain 'sin' indices - tobacco and defence in particular.

HINE: Well the FTSE4Good index is designed in part to get companies to change their performance, as much as it is to act as an investment vehicle. As I've said, a lot of the investment funds that do specialise in green technology or solution companies or even those which do have exclusions, often quite comprehensive ones, have out performed their peers. A UK growth fund that's ethical versus a UK growth fund that's not ethical will perform generally on a par, if not better.

LEWIS: Now you've been asking people this week, Ethical Investment Week, about ethical investment. Are people really interested in investing ethically?

HINE: I think they are. I mean we've just launched a new website called Yourethicalmoney.org to help people step through this sort of situation. And the majority of people are interested in ethical investment, but what's interesting is that their concerns are somewhat changing. It goes back to the point about alcohol, tobacco and gambling. Those issues are still quite important for some people, but nowhere near as important as issues like human rights, climate change, fair trade and

the environment.

LEWIS: So people have moved? They're moving away from sort of the 'sin' stocks, if you like, towards companies that are positively doing good by having a commitment to human rights or a commitment to avoiding climate change.

HINE: I think that's right because, as I say, people want to see that their money's making a difference; and if you can invest in companies which are trying to at least you know build a new carbon free economy, solving social problems, those are very positive things where people want to put their money. Maybe by default, therefore, there's others that they will not invest in; but the main thing is to seek a change.

LEWIS: Stephen Hine from EIRIS, thanks very much.

Now the pressure is growing on the companies that own and manage more than 100,000 leasehold flats and houses which are designed for older residents. The companies that run them charge significant annual fees for maintenance, services, management and repairs; and when the leaseholders sell their home, there's an exit fee to pay. That starts at 1% of the sale price, but can be considerably more. The Office of Fair Trading is investigating these exit fees, which it says could be unfair. And last week it said that a number of retirement home companies were negotiating with it to stop charging them in future. Well more than a hundred angry residents from many parts of the country held a noisy protest meeting at the Houses of Parliament recently, and I went along to hear their views.

HOST: *(applause)* I'd like to welcome everybody to the first meeting of Carlex, and I must admit I'm bowled over by the attendance. It's fantastic. We have people here ... *(fades)*

LANGDOWN: My name is Sue Langdown and my mother, who died at the beginning of September this year, lived at Barton Mill Court in Canterbury and I'm the executor to her estate. I let everyone know as soon as my mother had died because I thought I ought to do that; and within days they had communicated and said well,

yes, that's fine, but you must do this and you must do that and you must do the other and all this is going to cost.

LEWIS: Just go through the costs for me.

LANGDOWN: The first thing was that my husband and I were persuaded really that we should deal with Retirement Homeseach, which is their estate agency branch. We had no idea actually at that time it was owned by the consortium, by Peverel. Because we were bereaved and because we didn't really know what we were going to do, we said yes. We were a bit shocked about the 2%, but thought that we would get a very good and perhaps preferential service. And then we were advised that we would not be able to proceed until we had paid a 1% plus VAT exit fee, a 1% plus VAT contingency fee. And then when we did actually have an offer for the flat, which was nothing to do with Retirement Homeseach but we still had to pay the 2% - fair enough - but we were told that we had to pay £150 plus VAT for the purchaser's information pack, which we had to pay for. I said well surely you ought to give that to them automatically. No, no, we had to pay. And then the next thing was that they wanted a copy of the probate document and they wanted £65 plus VAT for registering it. When I said, "Well what does that mean?", the girl on the other end said, "I just scan it in and I file it." I said, "Well why do you want that amount of money?" And she said, "Well it's in the lease you have to pay", or "That's it and you have to pay."

LEWIS: Well about half of the retirement homes in the UK are managed by the company Sue Langdown referred to called Peverel. It's owned by Consensus Business Group, and I have to say most of the complaints aired at that meeting were about those companies. We invited the managing directors of Peverel and Consensus onto Money Box to answer some of the criticisms, but, after more than a week's consideration, they decided not to appear. The man who organised the meeting at Parliament was Liberal Democrat Ed Davey, the MP for Kingston and Surbiton.

DAVEY: They're having very high service charges for some of the leaseholders. And when you then unpick that, it's partly because they're charging very high insurance premium; it's partly because they may be charging a grossly inflated rent for the

resident warden's flat, the rent of which falls on the leaseholders; they may be having over the top costs for contracts, such as those for Careline services; some of the leases have exit fees for when a leasehold is sold on. And there are many other examples I could give you, and they build up to quite heavy increases in service charges.

LEWIS: Let's just talk about the manager's flat because that's something that does seem to be exercising a lot of people. These are the people who live on site. The whole of that rent falls on the residents and some residents have complained about how much it is.

DAVEY: The law only defines a reasonable rent when you go to the Leasehold Valuation Tribunal, the LVT. And before that, then it's a matter of interpretation. But what residents have been finding is they've gone to the local market and compared the rent they're being charged. and it's very clear that in many cases they're being charged a rent grossly over the local market rent.

LEWIS: Yes, but when we've put this to the companies concerned, they've said specifically that if people come to them with these concerns, they will offer to reduce rents. And in many cases, they have done that, haven't they, without going to a tribunal?

DAVEY: Well they have indeed, but my concern is that people, particularly companies in the Consensus Business Group, have got well over 1,000 of these blocks and they've reduced the rent on a small number where people *have* complained.

LEWIS: What they say to us though is that they have done some reviews, and in some cases they've found the rents charged are in fact too low.

DAVEY: Well if that's the case, and they can make their case and it would stand up in front of an LVT, then that's absolutely fine. But what residents are saying is can we ensure that the law is implemented, that the rents charged are only reasonable?

LEWIS: Ed Davey MP. Well residents in some developments have taken over the management of their properties, but Consensus Business Group says that has not reduced the service charge significantly. In a statement made through its PR company, it told Money Box: 'Our review of service charges in the developments that have recently changed managers has shown that overall service charges were only 1 to 2% lower, while the level of services was reduced. This reinforces our view that our charges are extremely competitive.' And on the exit fees currently being reviewed by the Office of Fair Trading, Consensus said: 'Ultimately only the courts can decide on the lawfulness of these fees.' Well you can let us know your experiences with retirement developments and the fees through our website, bbc.co.uk/moneybox. Many of you already have.

This week, we remembered those who died in war. (*fx/trumpet*) There has only been one year since World War II when British troops have not died in combat, and for every death there are many who return so injured that their life is shortened. This week we've been remembering them, and particularly the hundreds who've died or been badly injured in the last year. The tax system also remembers the sacrifices made by our troops. For more than 300 years, the estate of anyone who dies in active service or whose death is hastened by it has been exempt from death duty. The executors of the fourth Duke of Westminster, one of the richest men in Britain, used this argument to avoid paying tax on his huge estate in 1967. They argued that his death from cancer had been hastened by a stomach wound he suffered fighting in France in 1944. But are these rules relevant today? Live now to Edinburgh to talk to Alan Barr, a partner at Brodies and Director of Legal Practice at the University of Edinburgh. Alan Barr, what are the rules about inheritance tax and service personnel who died as a result of war wounds?

BARR: Well they follow two categories, Paul. People who are dying now, as you say, are completely exempt from inheritance tax, and the rules are that you have to be killed in active service or have an accident or some disease that hastens your death in some way. Now my experience is that the Revenue are relatively generous in this. The Duke of Westminster case you mentioned is an example. The death occurred a very long time after the wound that could have contributed to this. And the other area of

where this is of increasing importance is in relation to people who may have died or been injured in conflicts a long time ago, certainly as far back as the Second World War, leaving widows - and it's usually widows - and the widows are dying now. And the question which is arising then for inheritance tax is whether they can have what is now a transferable nil rate band, which increases their inheritance tax reliefs considerably.

LEWIS: So you can go right back to when the husband (in those cases) died, and sort of undo what happened to give that allowance that can be transferred to the widow now?

BARR: Yes. It requires a good deal of investigation and finding out what the facts were not only about the death but about, for instance, the assets which the husband had - but, yes, you can go back a long time and ascertain what the facts were.

LEWIS: And is this where it's most used - deaths that happened some considerable time ago - because with the current level of the nil rate band £325,000, and many of the people who are dying or being injured in current laws are going to be married anyway, so they can leave everything to their spouse - they're unlikely to have that much money, are they?

BARR: That's right. Tragically they're often very young men and women who have not built up any assets.

LEWIS: And very badly paid, it should be said.

BARR: Extremely badly paid. So while the exemption is there for them, it's not really relevant. Where it has become a lot more relevant in recent years is with this death of widows and the introduction of the transferable nil rate band.

LEWIS: So, briefly, is the rule that if a relative of yours in the past has died, you think maybe because of a result of active service, you should go and see a solicitor

and get some action, briefly?

BARR: Yes, get some investigation. As I say, it does often require a bit of research because the gap between the service and the wound or disease is often a very long time, and it's a question of what the person ultimately died of and whether it can be related back - as I say, coupled with some investigation of their estate on death.

LEWIS: Alan Barr from Brodies, thanks very much.

And now Ruth Alexander's back with an update on those major problems at Halifax Bank of Scotland computers this morning. Ruth?

ALEXANDER: Yes, the Head Office says power is back on at its biggest IT centre in Yorkshire after it failed this morning, but problems are persisting. All branches, cash machines and the online service have been affected. I've just tried to log onto the Halifax site and it hasn't worked. People have been having their cards rejected at cash machines and in some shops, and the only way to get money in and out of your account is to use the counter service in branch. Halifax Bank of Scotland says service should be back to normal later this afternoon but, as I say, you can't log onto the online service.

LEWIS: Thanks, Ruth. That is it for today. Find out more: BBC Action Line - 0800 044 044; our website, bbc.co.uk/moneybox, where many of you are already responding. I'm back with Money Box next weekend. Vincent Duggleby's here on Wednesday. Today reporters Ruth Alexander and Bob Howard, editor Richard Vadon. I'm Paul Lewis.³