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MONEY BOX

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LEWIS: Hello. In today's programme protect your savings against inflation and get a bit more. Too good to be true? We'll be finding out. Tens of thousands of people may not be able to claim compensation even if they were mis-sold Payment Protection Insurance. Ben Carter's here. He's been looking at debt collection. Ben?

CARTER: Yes, Paul. What should you do if you're chased for debt that you don't owe?

KERIN: The next communication I got from them was a final demand. So I responded to that asking them to prove to me that I was liable personally for this debt.

LEWIS: Some energy companies are reintroducing standing charges. One man says his bill's risen by 50%. And is your bank account fit for the Olympics by Monday?

But first, if you're worried that your savings are not keeping up with inflation, you'll be pleased to hear that National Savings and Investments re-launched its index linked savings certificates this week. The new issue will pay interest set at the rate of inflation as measured by the Retail Prices Index, plus a small premium. I asked the Chief Executive of National Savings and Investments, Jane Platt, how much you could invest.

PLATT: You can invest from £100 to £15,000 in these index linked savings certificates. After you invest, the value of your certificates move in line with inflation on each anniversary of your investment and we use RPI - that's the Retail Price Index - to calculate the index linking. And we also add on top of that interest each year at fixed rates. And the fixed rates increase each year, so you need to keep your certificate for the whole term to receive the full guarantee compound rate of 0.5%.

LEWIS: That's 0.5% on top of inflation. But you can cash them in early, can't you, and still get the inflation increase even after a year?

PLATT: If you cash them in during the first year, you don't earn any index linking or interest, but you do get your money back. After a year, we pay you the anniversary value for that year in terms of the index linking and a proportion of the fixed interest at the rate that applies for that year. But you have to hold it for the full 5 years to get the benefit of the compound rate on top of the index linking.

LEWIS: If they've got say £1,000 now and then maybe a bit more at the end of next month, could they top it up towards £15,000?

PLATT: In that issue, yes they can.

LEWIS: You used to have an index linked certificate that was withdrawn in July last year, I think, because - as I recall - too many people had put money into it. Is there a danger that this is going to be off the market quickly if people pile into it?

PLATT: We are expecting heavy volumes and that's what we're having at the moment, and that was part of the plan. So, so far everything is as we have forecast. And the Chancellor's net financing challenge to us of raising 2 billion means that actually we have to do something between 14 and 16 billion of sales this year, so you can see we've got quite a lot of headroom for people who want to invest in this to be able to.

LEWIS: Jane Platt, Chief Executive of National Savings and Investments, who did tell me that she expects it to be on sale for a substantial amount of time. With me is Justin Modray, the owner of the website Candid Money. Justin, when people are concerned about inflation, as they are, this seems a very good deal. Is it as good as it seems?

MODRAY: I have mixed views. I mean on the one hand it's great news because when you have savings, the key really is to beat inflation after tax, and the good thing with certificates is that they guarantee to do that.

LEWIS: Because they're tax free.

MODRAY: They're tax free, exactly. And it's a tax allowance you can't get anywhere else - on top of pensions and ISAs, for example. This is a special tax allowance to National Savings. So from that point of view, they're great news. But I've got a bit of a reservation or two reservations really. One is that the bonus this time is 0.5%. Last year when they were withdrawn, it was 1%, so they're being a bit stingy this time round. And the other is that I've seen a lot of headlines saying that higher rate taxpayers can earn the equivalent of over 9% gross. That's a bit misleading because what really matters is inflation going forwards and these estimates are based on inflation or prices rising over last year, and that really is irrelevant.

LEWIS: Yes because people look at the RPI last month, which was over 5%, and think, oh I'll get that, but of course they won't. Just explain how that will work because I think some people who've emailed us have been a bit confused about this.

MODRAY: Sure. Okay well when you put money in, the National Savings goes back 2 months and looks at inflation, the starting point for that month. And inflation is just an index, it's a single figure. It's basically the price of a basket of goods, and what they then do is measure that cost or the change in the price of the basket of goods over the next year and the year after that and the year after that. And it's that change that really matters. So again I can't stress enough, it's a change going forwards and not

back. So if inflation is high again, if it rises by another 5%, yes you could be earning a decent sum of money as a taxpayer.

LEWIS: But of course, as you say, they measure it from 2 months before you took them out. So if you're one of these people who piled in in the last few days, they'll be looking at the March 2012 index and that will be the rate of interest you get plus any bonus that might be due.

MODRAY: Exactly, yes - the change between March 2011 this year and March next year.

LEWIS: And the government's predicting I think RPI inflation will be 3.5%, 3.6% over the next 2 or 3 years, so that's more the sort of rate you should be reckoning on getting.

MODRAY: It is. And it's a bit technical. If you look at gilt markets, they're actually predicting inflation of about 2.8% over the next 5 years as an average, so probably a lot lower than where we are now.

LEWIS: Yes so 5 years from now, it may not look that great compared with some others. Though of course it is tax free, which is the big point. And I talked to Jane Platt about the fact it's sold as a 5 year investment, but it is still a good deal after 1 year.

MODRAY: (*over*) Sure.

LEWIS: I mean whatever we think inflation might do in the long-term, it's still going to be quite high next March, isn't it?

MODRAY: That's the great thing, National Savings are really generous if you want to get your money out early. Now there's nothing in the first year, but after that you basically get the anniversary return plus any interest in inflation from there to when

you take the money out. So it's very generous, yeah.

LEWIS: And there are a couple of other inflation proofed investments sold commercially. Are they anything like this?

MODRAY: Not particularly. I mean Birmingham Midshires has the most competitive, but that's taxable, so for taxpayers it kind of falls away. There are a couple of cash ISAs, but they really don't compete with National Savings in terms of the generous rates on offer.

LEWIS: Justin Modray from Candid Money, thanks very much. And you can apply online - which is probably easiest - on the phone or by post, but not, I must stress, anymore at the Post Office.

The banks accepted this week that they had mis-sold Payment Protection Insurance to millions of customers. Altogether five banks have set aside nearly £6 billion to refund the premiums and run the vast compensation scheme. Payment Protection Insurance was supposed to protect people who took on credit if they lost their job or fell ill, but it was frequently sold to people who couldn't claim and didn't provide the protection they often thought they had. Well after the bank's historic admission this week, and pulling out of the court case it was involved in, many people who bought Payment Protection in the past are wondering if they can claim their money back. But the Financial Services Authority has confirmed this morning that one group has no right to make a complaint: people who have complained in the past and been turned down. Well with me is Sarah Pennells, a journalist who runs the Savvywoman.co.uk website. Sarah Pennells, you unearthed this story. The FSA has issued these rules, but you'd expect people would be able to claim again, but can't they?

PENNELLS: Well the rules are actually very clear; that if you've been to your bank and they have rejected your complaint, you then have 6 months in which to go to the free Financial Ombudsman Service. And there are very limited circumstances in which you can extend that deadline, so basically if you weren't told that you could go

to the Financial Ombudsman Service, if you were ill or if you were out of the country for the duration. So those people who maybe complained a year ago and thought well my bank's rejected my complaint, so they must be right, they now actually have no right under these rules to go to their bank again and complain.

LEWIS: You can't have a second go. And how many people might this affect? Do we know?

PENNELL: Well it's a bit hard to work out, but we know that the Financial Ombudsman Service received 50,000 complaints about Payment Protection Insurance in the year ending March 2010. We also know that the banks were rejecting on average 60% of complaints and only a third of those people who had their complaint rejected then went to the Ombudsman Service. So we could say 100,000 people didn't go to the Ombudsman Service just in that year alone.

LEWIS: And it's too late to do so now. What have the banks said because although the FSA rules are one thing, the banks of course if they're trying to improve their image could do something else?

PENNELL: Well exactly, I mean there's nothing to stop them from accepting complaints. Now when we contacted the individual banks and the British Bankers' Association, I mean the British Bankers' Association said they hadn't really thought about this. What they have said is that they are going to put a statement up on their website as soon as they've got a definite answer, but in the meantime they're saying that customers should re-contact their bank and they said that the next step will really depend on the complaint and the circumstances. What they have said is that there's no guarantee that a rejection will become an acceptance that someone's got a complaint. But one bank, Barclays, has said to us if people have complained, they've missed that deadline, they should resubmit their complaint and they will look at it. So we've only heard from Barclays for definite. The other banks we were contacting this morning, we haven't been able to get an answer on.

LEWIS: Yes and they had what, about 15%,16% of the market, I think, so that's good news from Barclays. So what is your advice? If you've been rejected, your advice would be to put the claim in presumably?

PENNELL: Absolutely because you have got nothing to lose. We don't know whether the banks between them will come up with a policy saying well actually there's no obligation for us to look at these complaints, but we will. So put your complaint in. If you complained once and it was rejected, definitely contact your bank.

LEWIS: So anyone who bought Payment Protection Insurance (whether they knew it or not) from January 2005 should get that complaint in. Sarah Pennells of Savvywoman.co.uk, thanks. And let us know if you're in this position. Our website is: bbc.co.uk/moneybox.

Tougher rules covering the way debts are collected are being considered by the Office of Fair Trading amid growing concerns that the techniques used by some debt collection agencies include threats of court action which may be real and phone calls made to you at work. And even if you don't owe money to anyone, you can still be sent letters with very firm demands for cash. Our reporter Ben Carter's been looking into one such case.

CARTER: Yes, Paul. Money Box listener Nick Kerin contacted us last month to say that he'd received a letter from Buchanan Clark and Wells, a debt collection agency, demanding nearly £400 that they said he owed to mobile telephone company 02 despite Nick never having an account with them.

KERIN: I replied the same day by fax and by post to say to Buchanan Clark and Wells that they had to prove to me beyond all doubt that I was in fact the debtor for this account. They failed to reply to this letter and I didn't hear from them for about another 2 weeks. The next communication I got from them was a final demand, which felt rather aggressive. So I responded to that in the same way - just reiterating my

earlier points and asking them to prove to me that I was liable personally for this debt. Then suddenly one day I got a telephone call from them at work, which I found rather intrusive because I didn't know how they worked out where I work. They said they got the information off Experian from another previous credit application I'd made. I did feel a little distressed by this. Obviously, as I said, it came completely out of the blue.

CARTER: So despite Nick being aware of what he should do to try and prove that he didn't owe the money, including reading and quoting Office of Fair Trading debt collection guidance, he was still pursued. He sent letters by recorded delivery to the offices of Buchanan Clark and Wells and requested copies of the signatures for those who signed for receipt, but the letters he received back never acknowledged receipt of these and kept simply demanding money. When I spoke to the debt collectors earlier this week, they initially promised a full investigation and said that if reasonable doubt was found then the debt would be removed from their books.

LEWIS: That sounds to me though, Ben, as if he had to prove his innocence rather than the debt collector proving him guilty.

CARTER: Well exactly. But further calls to BCW and 02 have revealed that administrative errors resulted in Nick being chased for money that he had never owed. BCW have now offered a full apology and say that Nick has been taken off their books.

LEWIS: And what has 02 said? After all, it was 02 that passed over this alleged debt.

CARTER: That's right. They've said that the debt collector should immediately have referred the debt back to them when they received notification that Nick disputed the debt and they regret that wasn't done. They've closed the account and will be ensuring that Nick's credit record has not been affected. And they will also review their procedures to ensure that this cannot happen again.

LEWIS: Well thanks for that, Ben. Let's hope so and hope it's more than the Money Box effect. Thanks very much for that. Well with me is Consumer Finance Consultant Nick Lord. Nick Lord, these letters clearly can be frightening. What do you do if someone writes almost a threatening letter saying you owe money, and you know you don't?

LORD: Well actually Nick kind of was almost there because the first thing that someone should do clearly is to write, put it in writing, set down that you dispute the debt. And then it's very clear from the various codes of practices, the judgements the Financial Service Ombudsman have made that what the company should do is immediately stop action. But then what he must do is identify which of the self-regulatory codes of practice cover him. For example with 02 there's the Communications and Internet Services Adjudication Scheme, which is absolutely clear as to what should happen, and then they can take the complaint further.

LEWIS: So debt collection companies, phone companies, other people, they'll all have some kind of code of practice. But looking all that up and finding the right paragraphs and quoting it back is quite a task, isn't it? But broadly speaking, if you just say you have to show me that I owe this money - then that works, does it, or should work?

LORD: It's absolutely the case. The Office of Fair Trading, as you say, are revising their debt collection guidance at the moment and they cover it under the heading of 'physical and psychological harassment' in the event that the company doesn't cooperate.

LEWIS: Yes and that's quite a big section. Indeed in the new version, it's twice as long, I think, this harassment question.

LORD: That's right.

LEWIS: So when does writing you a letter become harassment?

LORD: What, the company writing you a letter?

LEWIS: Yes.

LORD: Well it becomes harassment if you have a genuine complaint. I mean clearly this doesn't cover people who owe them money. But if you've got a genuine concern you don't owe them money, if you write to the company and you put them on notice - that you say you don't owe the money - then it constitutes harassment if they continue to process that.

LEWIS: So at that point they should go away and check and make sure you really do and then they can come back to you. You can understand the debt collectors' problem though, can't you, because everybody could say, ooh nothing to do with me, I don't owe this money, and somehow that puts it on hold. So their job is to get money, isn't it?

LORD: Absolutely. And if you put yourself say in the position of the call handler, they've just got a screen in front of them which says that this person owes them money and the person on the phone is saying they don't. But the crucial point here is I think consumers need to be quite robust with regard to there are these codes of practice, there is the ombudsman scheme. All of this has been put in place to protect them. So they need to write, put the company on notice, and then stand by their rights.

LEWIS: Now one thing the Office of Fair Trading is concerned about and one reason it's putting out this guidance is the growing practice for companies to sell on their debts - so in fact the company doesn't actually have the debt anymore, it's sold to a debt collection company - and of course their interest is absolutely to raise as much money as they can. Is that a concerning thing to you, the way this is happening?

LORD: It is. And if you look at the OFT consultation paper, one of the main reasons that the OFT are thinking of beefing up their guidance is because of exactly that development. But again let's go back to what the relevant codes of practice say. And

they all say in the event that (even if a company has bought the debt) if the company is put on notice by the consumer that there is a dispute, then the company should hold action.

LEWIS: And they should go back to the original company. And they have to keep the records, do they, so they can check it out?

LORD: Absolutely. And if we go back to 02, for instance, with a guide to their adjudication scheme, the adjudicators have been very clear that in the event that a mobile company or an internet company does not do the right thing, then there's a danger of increased compensation for the consumer.

LEWIS: Nick Lord, thanks very much. And you can let us know your debt collection experiences - many of you already are, from all sides of course - through our website: bbc.co.uk/moneybox.

Standing charges used to be common on electricity and gas bills, but then they went away in favour of a two-tier pricing system where consumers paid more for the first few hundred units of power used and then less for all the additional units. Now many companies are reintroducing standing charges and many of us pay a standing charge that's combined with a single charge for the units of power we use. This is supposed to be simpler and more transparent, but several of you have written to us about the rising costs of these standing charges, as Money Box's Linda Pressly's been finding out.

PRESSLY: Well we've been contacted recently by several listeners who've complained about the rising cost of their standing charges. Mike Blick from North London was one of them. He told me how he'd recently changed his power supplier to First Utility. He thought he'd got a better deal until he got his most recent bill.

BLICK: What annoyed me was that the prices that were initially quoted had suddenly been changed out of the blue. They've gone, as of 1st May, they've increased in a total

way more than 50% in my monthly outgoing. For example, when I signed up with First Utility, the standing charge for electricity was 7.48p a day. It's now been increased to 36.75p a day. It's a fivefold increase. The gas standing daily charge has doubled from 34.6p to 69.3p.

PRESSLY: Now I spoke to First Utility about your case and what they told me was that your bill will have increased by 38%, but that would then be reduced to 30% taking into account your fixed loyalty bonus of £75. And also the important thing was not to look at your standing charges and your unit price separately, but to look at the bill overall.

BLICK: But that's what I have done. I've done the maths on my most recent First Utility bill, which is the very last one at the old rate - the rate that persuaded me to join them. The total amount came to £66. If the new rates had been applied, I'd be paying £103. That's over a 50% increase. To refer to the loyalty bonus and also the dual fuel bonus that they have referred to, that's taken into account because that existed in their old pricing structure and the new pricing structure. I was persuaded to shop around. I did so and thought I'd got a bargain. I now find I've bought a pig in a poke.

PRESSLY: Well First Utility told us they'd resisted increasing customers' tariffs for as long as possible over the winter, but the rise in wholesale power prices, combined with the growth in distribution costs, meant they couldn't avoid passing increases onto customers in the end.

LEWIS: Linda Pressly with that report. Well with me is Joe Malinowski from TheEnergyShop.com. Joe Malinowski, a deal that looked good a few weeks ago may look very different if standing charges are brought back. Mike found his bill went up 50%. Is this common?

MALINOWSKI: No that's very unusual, and I think the particular difficulty that Mike has experienced is limited to a handful of companies and tariffs in the

marketplace. I mean taking this specific example, he has seen his standing charges rise from £153 a year to £387 a year. I mean it's a huge increase on a standing charge which he has to pay before he even switches you know his lights on. On top of that, the particular pricing structure of this company is that you get a big discount but you get it at the very end of 12 months with the company, so you end up having to pay a lot upfront. You get a discount at the back, but if you get caught in the middle and you decide to leave, you know you're caught out.

LEWIS: So it's a way of keeping you with them and stopping you changing supplier, which we're always advising people to do?

MALINOWSKI: In this particular case, yes. He's been caught in a situation of very high standing charges, back-ended discounts. You're caught in the middle and you know you've either got to go or you've got to put up, and I think he should go.

LEWIS: But Ofgem, the government regulator for the electricity and gas industry, is consulting on a number of things, including standing charges, isn't it - having a constant standing charge?

MALINOWSKI: Yeah what the regulator has found, as a result of an ongoing review of the energy market, is that one of the issues that's affecting consumers is the sheer amount of tariff confusion - the number of products, the two-tier structures of discounts. And what our understanding is they want to see from the industry is get rid of a lot of these tariffs, appoint a single product which has a standing charge (which will be a single unit which is regulated by them, so they will fix the level) and then customers then have to compete on a single unit. So you get rid of the excess standing component because the regulator will set that; you get rid of the discounts, which you know you have to wait a long time for; and then companies will have to compete on what is the price of the energy you're selling.

LEWIS: So that will make it much easier to compare because with standing charges and different rates and loyalty bonuses, it's impossible for anyone to do personally,

isn't it?

MALINOWSKI: It makes it very, very difficult.

LEWIS: Now apart from all this, we're also bracing ourselves for further increases in the cost of fuel after the Governor of the Bank of England, Mervyn King, said he thought gas and electricity prices would rise in the summer and the autumn, and he was assuming electricity prices up by 10%, gas prices up by 15%. Is he right?

MALINOWSKI: Well I wouldn't want to argue with the Governor of the Bank of England.

LEWIS: Oh go on.

MALINOWSKI: I mean I guess on our analysis, I mean, we track wholesale retail prices to come up with some kind of idea of where things might move and clearly there's been an 84% increase in gas wholesale prices over the last year and a half. You know, it's gone a long way and it's putting pressure, so prices are almost certainly going to be going up. We don't necessarily believe they have to go as far as that, but they're going to be heading higher.

LEWIS: Joe Malinowski, thanks very much for talking to us from TheEnergyShop.com.

Now if you entered the draw for Olympics tickets, make sure your account has sufficient funds in it as the money may be taken out as soon as Monday. But you won't be told which tickets you have probably for another month. Bob Howard's here. Bob, everyone had to give a Visa, debit or credit card or pay by cheque. Will all the money be cashed on Monday?

HOWARD: No Paul, it won't. The London Olympics Committee says that the process will start on Monday, but it could go on for some time. From Monday it will

try to take payment for tickets where somebody has won the ballot or otherwise applied successfully. Now if the bank refuses that payment, the committee will try again probably the next day. If that request is refused, then they'll contact the individual and give a date when they will try a third time. Only if that fails will the person lose the tickets.

LEWIS: And what happens to those lost tickets?

HOWARD: Well if they were tickets for an oversubscribed event, then the committee will allocate them to the next people on the list who were unsuccessful and try to take the money from them. That's why the process might take some time. Only when it's exhausted all the possibilities of allocating them will it inform everybody on the same day which tickets they've got. That date could be as late as 24th June although they're hoping it will be earlier.

LEWIS: And if you're disappointed, will there be a second chance?

HOWARD: Yes, the people who got nothing on the first round will then be offered first go at any available tickets, and that offer will then be made to those who got some but not all of their tickets. And finally even those who got all they asked for will get another go. And then towards the end of the year there'll be another public offer for any remaining tickets.

LEWIS: And finally, Bob, people have often asked for more tickets than they really think they need. If you get more than you want or perhaps find you can't go to something, what can you do with that ticket?

HOWARD: Well although tickets have a name on them, there'll be no name checks at the events, so you're free to give or sell your tickets to family or friends. But what you can't do is sell them publicly, so you can't advertise in the local paper or shout out for offers in the pub. That's illegal and could cost you a fine of £20,000. Now if friends or family don't want them, in the New Year there'll be an official website

which will match ticket sellers and buyers at face value.

LEWIS: Okay, well thanks very much for that, Bob. Good luck with your bid, I suppose I should say. You'll probably know sometime next week if you've got anything. But that is just about it for today. You can find out more from our website: bbc.co.uk/moneybox. There you can sign up to my weekly newsletter, read it, download a podcast, listen again to the programme, send us your ideas, and of course have your say on debt collection techniques. Many of you are - some actually saying they've had quite a good experience, but most of them saying that they have been pursued for debts that they didn't owe at all, some with mistaken names, and somebody having a similar problem with 02. I'm back on Wednesday with Money Box Live, this week taking questions on paying for care both at home and in a home. Back with Money Box next weekend. You can read my money thoughts whenever I'm awake on my Twitter, [Paullewismoney](https://twitter.com/Paullewismoney). Today the reporter was Ben Carter, the producer Bob Howard. I'm Paul Lewis.