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## **MONEY BOX**

**Presenter: PAUL LEWIS**

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**LEWIS:** Hello. In today's programme, is it too late to save the cheque? Banks want to get rid of them by 2018, but a committee of MPs says more thought is needed. As the Post Office scraps its Travel Money Card, customers say they're being short changed.

**GARY:** They said that they would refund this amount to me at any Post Office, but my point really is that the rate they're offering is punitive.

**LEWIS:** Speed of light or speed of snails? Just how fast are payments between your bank and another 3 years after they were speeded up? And just what is fair in banking? A new approach gives star ratings for useful information and treating customers well.

But first, a committee of MPs has warned the banks that their plans to phase out cheques in 7 years time need more thought. The Treasury Select Committee is reopening its inquiry into the idea. It'll call for evidence from the public as well as the banks themselves. Andrew Tyrie, the committee's Chairman and Conservative MP for Chichester, told me why he'd decided to look at the proposals again.

**TYRIE:** It was pretty clear when we had the Payments Council before the committee a little over a year ago that they hadn't done their number crunching very well, that

they didn't really know what the damage might be to millions of people who use cheques and like them. So we told them to go away and do some more work on that, which they've now done, and I think we need to look at that to work out whether their original schedule for doing away with cheques is the right one.

**LEWIS:** Who will suffer though if cheques disappear because many people I speak to say "Oh I haven't written a cheque for years"?

**TYRIE:** We're not talking about, as sometimes is implied, very elderly or vulnerable people only; but we're talking about people who are in work, millions of people up and down the country who are more at ease with having a chequebook at least for some of their payments. But there's also the charities and some of them have come to see me and told me that they rely on donations from cheques for the lion's share of their individual donor base, and that too is at risk. There's a lot at stake here for a lot of people and it needs very careful thinking through.

**LEWIS:** One of the things that's always puzzled me about the proposal to get rid of cheques is the idea that it would only happen if there was an alternative, and as yet I haven't really seen what that alternative might be.

**TYRIE:** No, there's a lot of talk about this, but no concrete proposals. I'm also a little bit concerned that this is not really in line with what we should have, which is more consumer choice in banking and finance. Maybe a majority of people might be happy to see cheques go, but that would still leave a sizeable minority who want to stick with them. Well we should be able to try and find a way of satisfying those customers. There's one other issue that needs to be taken into account, which is fraud. It's a concern of many people that if they switch into internet banking, they'll be more vulnerable to fraud. I think it's very important we get to the bottom of the level of fraud in internet banking before we require everyone to switch to it.

**LEWIS:** 2018 is only 7 years away. Do you think there should be some delay in that target date while this inquiry goes on?

**TYRIE:** 7 years is not long. I think it certainly needs to be very carefully considered. It could be that this whole programme for getting rid of cheques needs to be reviewed. And if that's the weight of the evidence that we have brought before us, we'll be recommending it.

**LEWIS:** Andrew Tyrie MP of the Treasury Select Committee. Well Sandra Quinn from the Payments Council is with me. Sandra, we wrote a billion cheques, was it, last year? Why scrap a system that's so popular?

**QUINN:** Well let me just take a clear opportunity to say what we are and we aren't doing. We've set a target date that in 2018 we will close the cheque clearing because that's the only decision the Payments Council has the authority to make. And we will close the cheque clearing subject to clear criteria, and those criteria will be assessed very publicly in 2016 about alternatives being available, people being aware, and then meeting the customers' needs. One of the Payments Council's roles is about ensuring customers have the payments they need, and we want to make sure we do that right.

**LEWIS:** But you haven't had a lot of people writing to you saying please get rid of cheques, have you? I mean they want cheques. They use them to pay charities, small societies, they give people birthday and Christmas presents. They're very valued.

**QUINN:** Andrew Tyrie is absolutely right - charities, SMEs, older people are all groups who do value cheques, and we understand that very clearly. But we are seeing less cheques being used. We are very aware that less businesses accept cheques. What we want to make sure is that people know where they can and they can't receive cheques. And we need to make sure that people know and we need to do that in a managed way because if we don't, those alternatives won't be made available.

**LEWIS:** And what are the alternatives? I'm still not clear about what the alternative would be. Your website talks about a 'paper initiated payment instrument'. That sounds horribly like a cheque to me.

**QUINN:** Well there's two ways of looking at this. One, we've got existing options to make payments. We're going to be talking about faster payments later. How do we enhance existing options and make them better? And then develop something new. The clear thing is there is no one silver bullet. There's no one thing that is going to replace the cheque. But if you're looking at paper, we've committed to looking at paper based options, but one thing we need to be very careful of is that older people who don't want to change in the first place, why would they want to change from paper to paper? So that's something we need to consider.

**LEWIS:** A very good question and one perhaps for Jane Vass, a policy adviser from Age UK who's here. Jane Vass, what problems if cheques are scrapped?

**VASS:** Well the concern we have is particularly for people who find it difficult to get out, who may be very dependent on cheques to pay the small tradesmen who come to their home and provide very important services. So actually they are a glue sticking a lot of these community services together. Our concern is if that glue goes then people will be dependant on just handing out their cards and potentially their PINs. But it's not just older people. I should make it clear lots of older people do use new payment methods and indeed lots of younger people still use cheques.

**LEWIS:** Yes because I mean there are lots of octogenarians who bank online, I know. But, as you say, that doesn't really help if the plumber's there and wants £60 or £70 - or, if you're very lucky £60 or £70 - and you want to write them a cheque for it.

**VASS:** Exactly because in those situations our concern is that lots of people will fall back on cash. But again if the plumber is there and wants £60 of cash, well people are unlikely to have that much at home.

**LEWIS:** Or they've got to keep more cash at home, which of course is a security risk. In the past we've heard that your organisation Age UK has been asked to discuss alternatives with the banks. How's that going?

**VASS:** Well we're very certainly happy to talk to the Payments Council and we have talked to them extensively. However our concern now is that they've got a good understanding of what people need, but we aren't really seeing the concrete options on the table and time is running out.

**LEWIS:** Yes, it certainly is. And Sandra Quinn, concrete options. You know what people need. They actually want something very like a cheque. What are you doing to work on something to replace it because you've been talking about this for, what, 2 years now?

**QUINN:** But we're at the start of a process. 2018 is still a long way away. What we're doing this year is looking at what people need because we have to deliver something that meets those needs, and we'll be talking more about that this year.

**LEWIS:** And Jane Vass, in Europe I think if somebody sends you a bill, they sometimes have a form on it that you can fill in, give to your bank, and then the bank does an electronic payment. Do you think something like that might work for your clientele?

**VASS:** Well I think it is very important to note that even in those countries that say they've done away with cheques people still use paper based forms of payment. The question to our mind is you know what the value is for older people in migrating.

**LEWIS:** And Sandra Quinn, we've had lots of emails about this and some people don't even seem to realise that you're actually scrapping the cheque guarantee card at the end of June this year. Is that a way of softening us up for the end of cheques completely because they'll be less use then, won't they?

**QUINN:** Absolutely not. What we found with the cheque guarantee card scheme is less than 2% of the cheques that could be validly guaranteed were not being used. It wasn't being used properly. We had to coordinate the closure of the scheme because otherwise you'd find this year different banks at different times getting rid of it

themselves.

**LEWIS:** Right, but it is going at the end of June. Something to warn people about.

**QUINN:** (*over*) Absolutely.

**LEWIS:** Well Sandra Quinn, stay with us because, as you say, we're talking about faster payments a bit later. Jane Vass of Age Concern, thanks very much. And you can email us today about this item or any others on the programme today: [moneybox@bbc.co.uk](mailto:moneybox@bbc.co.uk).

The Post Office Travel Money Card was a pre-payment card in euros or dollars which an estimated quarter of a million people used on their foreign trips. The Post Office scrapped the card in February, but the first many customers heard of that was when they got a letter telling them they had money stored on their card and they could collect it from their local Post Office but in sterling. Money Box listener Gary from Cardiff was one.

**GARY:** My point really is that the rate they're offering is punitive. I've got 660 odd euros on the card. That's equivalent just at a straight exchange rate of around about £590/£600 sterling. However the rate they are offering is 1.29 euros to the pound, which would give an equivalent of £517.56. That's a good you know £80 difference.

**LEWIS:** And what would you like them to do?

**GARY:** One option I think would be just to transfer the balance that I have to perhaps their new Travel Money Plus Card, as they call it.

**LEWIS:** Well the Post Office wouldn't be interviewed. More of what it said later. Live first though to Manchester to talk to Bob Atkinson, travel money expert at [Travelsupermarket.com](http://Travelsupermarket.com). Bob Atkinson, do you think the Post Office has treated its customers with expired cards fairly?

**ATKINSON:** Well an expired card is one where the card can no longer be used in a machine anywhere to actually withdraw the cash. And within the terms and conditions that all prepaid card issuers actually have is that if the card expires and there's money on it, they will refund you the money back but they will do it at the buyback rate. And this is the way that people who trade in money actually make their money. I think in this particular situation, they knew at the back end of last year before the case study there, Gary, his card had expired. They knew that the cards were going to be going. They could have done more to let customers know this was going to be the case, so that Gary could have done something about it.

**LEWIS:** But the Post Office does say that if the customer had cancelled the card and taken the money back, they're getting exactly the rate they would have got if they'd done that. So they say this is a fair way to treat them.

**ATKINSON:** I don't personally think it is. I mean they knew the scheme was going to be coming to an end because they wrote to people whose cards weren't expiring before the closedown in February back in December, so they could have done the same with people whose cards were going to be expiring before then.

**LEWIS:** And they got a better rate, didn't they - the ones whose cards weren't expiring?

**ATKINSON:** They did. They were being offered a rate of 1.11, which is significantly different and would have saved Gary there £60, £70.

**LEWIS:** Yes so he lost, as you say, £60, £70. I think he reckoned it was slightly more. I mean on average it seems to me they're losing about 13% or 14% per £100. But I mean in a sense this is what you do when you buy and sell. But the point people have made to us is that if the card had run out normally, they would simply have gone to the Post Office and they'd have transferred the money to a new card without them losing it. Why can't the Post Office do that with this card and the one they're replacing it with?

**ATKINSON:** Well you're quite right, Paul. If you have money that's left on a card that's expired, you should contact your card issuer to say, hey give me a new card now. Let's move it over because I'm travelling away, etcetera. But what seems to have happened here is the Post Office, for some reasons that we don't seem to be able to get to the bottom of, have ended the contract with the company that they were dealing with, which was Bank of Ireland who supported this. They're bringing out a new card scheme soon, which they say is going to be better, but of course there's this problem we have now where there is a big gap in their market in travel money where they can only offer you now cash or travellers cheques instead of the option of a prepaid card. We don't know what the new card will look like, we don't know what the features will be, we don't know who it'll be issued by. And I think it sounds like they maybe don't even really know the full details yet themselves of how the contract's finalised. That's why customers can't move money over.

**LEWIS:** Yes, I mean the Post Office said to me that the new card is definitely with a different bank, though it wasn't willing to say which one it was and nor could it say when it was going to launch. And because it's with a different bank, they can't transfer the money. Let me just ask you one final thing, Bob. Why do people have these prepaid cards? Why is it better than just using a credit or debit card?

**ATKINSON:** Well obviously a credit and debit card is a way that you can spend money overseas or withdraw money from ATM machines. The benefits of prepaid cards is they act a bit like a modern day traveller's cheque. You can put an amount of money onto the card, often free of charge with the best buys on the market. And then when you go overseas, you can withdraw cash from machines - again the best ones don't charge you anything - or you can use them in shops or restaurants, etcetera, to pay for goods. So they're very handy and easy to use. And because they're not a credit card, you can't go over however much is loaded on, so you can't get into debt.

**LEWIS:** So you always know what your holiday's costing. Bob Atkinson of Travelsupermarket, thanks very much indeed.

Now it's nearly 3 years since the major banks agreed to move money between



accounts in seconds rather than days. These so-called faster payments began slowly, but now they are fairly routine for most transactions and it's been quite a revolutionary change. But Money Box is still getting complaints about gaps in the system, especially when it comes to paying credit card bills. Payments can leave your own bank at the speed of light, but then, as I said earlier, travel to the credit card account at the speed of snails, taking days to arrive, and some people have been hit with late payment charges as a result. Mike Coomber is one.

**COOMBER:** I set up my credit card payment last month to Marks and Spencer's Money, using my bank, which is HSBC. The bank advises on their website how long the payment will take - in this instance that the payment would get there that day. I then got my credit card bill, which claimed I'd paid late and charged me the £12 and interest. I've asked Marks and Spencer's what happens to the money between it getting to their account and before it gets to my credit card account, and they just refer me to UK Payments, which doesn't seem to tell me a lot. And so I've just been trying to find out where does my payment go for the two to three days from when it gets into Marks and Spencer's account before it gets into my credit card account.

**LEWIS:** Well M&S Money has now refunded the £12, but not the interest. And HSBC told me that some payments to Marks and Spencer Money credit cards, which it owns, do take longer than 24 hours, though it says the vast majority now shouldn't. Well we had some questions from Mike for the Payments Council and Sandra Quinn is handily still here. Sandra, where does the money go for those three days?

**QUINN:** Well I'm asking my bank to send money from my account to my credit card bill, and in Mike's case the money is still in his bank's account. It doesn't get to his credit card company until day three if they're not using faster payments.

**LEWIS:** Right, but it comes out of his account ...

**QUINN:** *(over)* Yes.

**LEWIS:** ... and it sits in some account that HSBC earns interest on presumably. This is one of the longest running sagas on Money Box. I mean I know you've been here for many years talking about it. When will it all be working properly? It's 3 years nearly since it began and some are prevaricating, especially with payments to a credit card account.

**QUINN:** It's very frustrating, isn't it? It's frustrating for the Payments Council. We put a lot of effort into getting this system up and running. Customers love it, so let's make sure it does what it should deliver. And we've got some legislation coming in at the end of this year. 1<sup>st</sup> January 2012 will mean that things will change and all banks will have to start using faster payments in ways they don't now.

**LEWIS:** And 2012, what happens then? This is legislation and it's European legislation originally, isn't it? What will happen then?

**QUINN:** It is European legislation and it says that if I'm instructing my bank to send some money today, it must reach the account by tomorrow. And so faster payments improves the service than that.

**LEWIS:** Faster payments does better than that. But will there be any exceptions? If I want to pay my credit card off, for example, by a transfer, will that have to reach it by the next working day?

**QUINN:** The credit card bills, payments fall into that requirement as well. So lots of payments are included in that legislation.

**LEWIS:** You're going to tell me next that you won't have to come back here after 1<sup>st</sup> January to apologise again? *(laughs)*

**QUINN:** I can't imagine that I'm not going to have that joy.

**LEWIS:** But until then, why are the banks so reluctant because until then it's not

working? And you say they've got to do it by 1<sup>st</sup> January. Why aren't they doing it now? Is it because they're making money from late payment charges and from keeping our money in their own account?

**QUINN:** It's not that, and I think it's fair to say that the vast majority of credit card companies are doing this already. It's only a small number that aren't doing this. They've got other priorities. They've got regulatory requirements around credit cards that they have to fulfil. They've got to do those earlier than 1<sup>st</sup> January 2012.

**LEWIS:** Now I was going to come onto a slightly different point. We've got four bank holidays coming up with Easter and the wedding and May Day and so on. And I worked out that between Thursday 21<sup>st</sup> April - that's this Thursday - and Tuesday 3<sup>rd</sup> May, there are only actually three banking days. That's twelve days and in the middle there's three banking days. So if a payment doesn't go by faster payments - made on 21<sup>st</sup>, it could take twelve days to reach the account, couldn't it?

**QUINN:** Well if it's made on 21<sup>st</sup>, it's only going to take three banking days to get there because if it doesn't go by faster payments there's only one other way it goes: electronically.

**LEWIS:** But if something goes wrong. But what about a cheque? If you pay a cheque in on Thursday 21<sup>st</sup>, you won't be able to draw the money till Tuesday 3<sup>rd</sup>, will you?

**QUINN:** No. And you've got to be very aware of these types of things when you've got lots of credit card bills, lots of gas, electricity bills. But remember 80% of the payments we make now electronically go by faster payments. That works 24 hours a week ... 24 hours a day 7 days a week. *(laughter)*

**LEWIS:** Not 24 hours a week. That's more like the banks themselves. And if your salary's paid in, does that go through a faster payment now?

**QUINN:** No, but your salary gets paid in the day it's due regardless.

**LEWIS:** Right, even if it's a bank holiday?

**QUINN:** Well it gets paid on the Monday before. It'll get paid on the day before. My salary is due next week. It will be paid the day it's due.

**LEWIS:** Well thanks for coming here and earning it, Sandra. And you can email us about this, [moneybox@bbc.co.uk](mailto:moneybox@bbc.co.uk), about faster payments - how slow or how good have they been for you.

Now we've had two major banking reports in the last couple of weeks, but this week a third and rather different one emerged. The charity Fairbanking, which campaigns to get banks to help customers manage their money, this week gave ratings to various banks and their products. It says that things are getting better, but they still have a long way to go. With me is Anthony Elliot, Director of the Fairbanking Foundation. Anthony, what is it you want banks to do that they don't do?

**ELLIOT:** Well the report that we published yesterday was a major piece of research looking to rate all credit cards, current accounts and regular savings products in the UK. We went out to 45 banking institutions and we had a 60% response rate, which is very high. Almost all the major banks responded. And what it's enabled us to do is identify within products things that are there to help you manage your money better - what we term financial well-being.

**LEWIS:** But is it the bank's job to help us manage our money? Isn't the bank's job just to keep it safe and make profits for their shareholders?

**ELLIOT:** Well I think there's an increasingly strong argument that can be made that the banks are there for more than that, and indeed many banks would agree with this point. If you look back in time, at one point you would have gone to your bank manager for advice and they would have been there to help you. And what we see now is that banks can through technology provide services such as alerts and messages, such as being able to break down your expenditure, such as being able to

set up a goal to save up for, that are really helpful to people and improve the way that they can manage their money and improve their what we call financial well-being.

**LEWIS:** And some of the banks are doing this, aren't they? I think is it Lloyds that has this kind of money management system and they send you all sorts of details like how much you spend on eating out, on groceries - which is possibly useful, but do people really value that? That's something that would get a star in your assessment, is it?

**ELLIOT:** It's something that has the potential to get a star. What we've got in the ...

**LEWIS:** (*over*) You're very cautious saying that.

**ELLIOT:** What we've got in the report is we've identified those that have this potential. What we will be doing in June is hopefully granting the first Fairbanking marks. In order to have a mark, it's more than just having the feature there. We needed to have collected some evidence that customers like it, not too many complaints, no unfair pricing. It's quite a high hurdle for us to actually come out and say something that is truly a Fairbanking product.

**LEWIS:** And we've talked about competition in banking a number of times in the last two or three weeks on the programme. Do you think that this Fairbanking mark, which you're going to assign to things, will help people understand what's on offer and maybe think well maybe I should move to bank x because it's got a five star Fairbanking mark on this product?

**ELLIOT:** Well that's certainly our hope. What we are doing is working with banks. We are aiming to accredit products. So this means that, like a Michelin star or maybe stars related to hotels, you know that that product has got things in it that are designed to help you. Now clearly you have got to decide whether you want those things. So a bit like a seat belt. Some people say, "Well I don't really want a seat belt." But we would argue that ... Well they used to. But we would argue that certainly things that

are helping you know how much you spend on things, which in the current climate of course has become even more important for people - even those who don't currently feel that they need them may well find it useful.

**LEWIS:** Anthony Elliot of the Fairbanking Foundation, thanks.

And finally, we've just got time to tell you that phone bills are set to soar. A bit of bad news. Charlotte McDonald's been looking into this.

**McDONALD:** Yes, the average cost of running a land line is set to rise to over £250 a year. That's nearly a third more than this time last year. At the end of this month call charges for BT customers will rise by 9% and TalkTalk's by 14%. Virgin Media isn't increasing its call charges, but their line rental costs will go up by 6% - though BT and TalkTalk are in fact also raising their line rental by 2.

**LEWIS:** And it's those people who are home during the day who are being hit the hardest.

**McDONALD:** Yes, those people should look for calling plan deals which offer free anytime calls.

**LEWIS:** Thanks very much for that, Charlotte. Well that's just about it for today. You can find out more from our website, [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox), where you can sign up for the newsletter, download a podcast, listen again, and send us your ideas or thoughts. And several of you are. Gary says when they do away with cheques, imagine how much cash a window cleaner will be carrying round by the end of the day. And Geoff from Lincolnshire says, the only way to ensure an instant transfer is to draw the money from your own bank and take it physically to the other person's bank - what he calls 'Stone Age' banking. I'm back with Money Box next weekend. My money thoughts all the time on Twitter: Paul Lewis Money. Vincent Duggleby's here on Wednesday. Today producer Jim Frank, editor Richard Vadon. I'm Paul Lewis.

