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MONEY BOX

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TRANSMISSION: 17th DECEMBER 2011 12.00-12.30 RADIO 4

LEWIS: Hello. In today's programme, plans marketed to over-50s are poor value, says the consumer organisation Which? Five million customers of Lloyds and Cheltenham and Gloucester will transfer to the Cooperative Bank under plans announced this week. Could you be one? A church minister was billed for receiving texts he hadn't asked for.

REVEREND: I certainly didn't assent to anything and I had no idea that that could be possible. It would be much better if you couldn't be charged to receive anything at all.

LEWIS: Asda tells a listener that his £70 of rewards vouchers are worth just £30. And continuing delays in paying out compensation for mis-sold Payment Protection Insurance. What can you do?

But first, what's the best way to ensure your family has some family when you die?

CLIP: ADVERTISEMENT:

LEWIS: So for only ... gosh for only a penny an hour, you can ... well what? These over-50s plans are advertised widely, promoted by celebrities, and sold by some of the best-known names in finance, but research by the consumer organisation Which?

says they're a bad deal. Richard Lloyd is its Executive Director.

LLOYD: These over-50s plans are made for anyone aged 50 to 85 who doesn't have an existing life insurance policy or any other provision for a payout when they die. And how they work is that you pay a monthly premium from the age you take out the policy until you die or until the age of 90, and in return your family will get a payout of an amount determined at the outset of the plan, a fixed amount. That payout will be given to your family when you die provided you've contributed to the plan for at least one or two years. But if you stop the payments before the payment term ends, then you don't get any payout at all, so you could pay into these plans for years and get absolutely nothing back. If you do make the payments right the way through the plan until you die or hit the age of 90, you get a fixed lump sum of around about £2,500, £3,000. On average £2,900 is the payout at the end of the term.

LEWIS: And how much have you paid for that?

LLOYD: Well in some cases you'll have paid potentially double what the policy will pay out at the end. So, for example, a 60 year old man who pays £15 a month into one of these over-50s plans would pay a total of £5,400 by the time he reached 90, but the payout would be less than half of that.

LEWIS: These are often sold to pay for funeral costs. Even though the return is really bad, do they at least achieve that objective?

LLOYD: Well it's true that they would cover at least some of your costs. But if the payout is only in the region of say £3,000 or in that area, then you have to question whether for some people this is going to do the job even for funeral costs.

LEWIS: But if you look at who's selling them - there's a lot of big names, many supermarkets, building societies - are they all bad value?

LLOYD: You have to die within a particular frame of time for this to work out

financially for you, I'm afraid to say. For many people, these will be really poor. So in some circumstances, and in particular for people who have a serious medical condition and you can't take out conventional life insurance, these may be worth a look.

LEWIS: What's the best way, if people are worried about that, to save up for your funeral?

LLOYD: Well I think if you want to leave behind a sum of money that will cover the costs for your funeral, you're probably better off paying into a cash ISA. That would outperform any of these policies after a period of a dozen years or so. So go for a straightforward savings plan into a cash ISA.

LEWIS: Richard Lloyd of Which? Well since that research came out, Money Box has also been looking into these plans which are of course insurance policies. Bob Howard's here. Bob, a 60 year old pays in £15 a month and when they die their family gets a bit less than £3,000 typically. What's the break even point for making a profit?

HOWARD: Well, Paul, if you live more than 17 years, then you'll have paid in more than your family will get, and if that money was in a cash ISA, then the break even point is around 13 years. The latest figures show the average life expectancy at 60 is 22 years for a man and 25 years for a woman, so typically you'd pay in well over £4,000 to get less than £3,000 of benefits.

LEWIS: Now that's a 60 year old. What about older people?

HOWARD: Well if you're 70, then £15 a month will buy you about half as much - around £1,500 - and if you're 80, it'll buy you less than £500. And in both cases, if you live an average time you will pay in much more than you'll get out, so effectively it's a bet on how long you're going to live.

LEWIS: Well as insurance I suppose always is. Thanks very much, Bob. Which? also says that you'd be better off putting the money into a savings account or even putting it into a box in a cupboard. But many insurers told us that was misleading to compare over-50s plans (which, as we've said, are insurance products) with savings plans, and they stressed that these products do give us peace of mind. The Association of British Insurers made similar points, but when we asked for an interview we were told "most of our spokespeople have already gone for Christmas." There are links to the Which? information on our website, bbc.co.uk/moneybox, and there you can also let us know what you think of these plans. Many of you are already and mainly unhappy, I have to say. Ken says his mum has three of them and they'll pay out £2,200. She's in her 90s and has paid in £6,000 and is still paying in £25 a month. If she stops, he says the policies would lapse. A few of you like them though, and I should point out some do end at 90 and some can be limited to 20 years of payment. But let us know your views: bbc.co.uk/moneybox.

Now if you're a customer of Lloyds Bank, you may soon find you're moved to the Co-op. Cooperative Bank has been named as the preferred buyer for more than 600 branches which Lloyds has been forced to sell by European competition rules. The deal would give Co-op nearly 1,000 branches in total from the North of Scotland to Wales in the West and the Far South of England. With 12 million customers, Co-op would rank just below the big five. We'll look at what that will mean in a moment, but first a few more details from Money Box's Fiona Woods. Fiona, just what is Cooperative Bank lined up to buy?

WOODS: Well this chunk of its business which Lloyds has to sell is made up of 236 Lloyds TSB branches in England and Wales, all the branches in Scotland and all the branches which are branded Cheltenham and Gloucester. In total about 5 million customers who have personal accounts or mortgages could be affected.

LEWIS: So if you have an account with one of those branches, will you automatically become a Co-op customer when it takes over?

WOODS: Almost always, but there are two exceptions. So first, business accounts

will not automatically transfer and it isn't clear yet how those will be dealt with. Secondly, some people with a mortgage who are considered high risk will not be transferred. But if you do transfer you will keep the same sort code and account number.

LEWIS: And if your branch is on that list but maybe you don't want to transfer, will you be able to opt out and stay with Lloyds?

WOODS: No. There's always the option of moving to another bank though. Lloyds will be contacting all customers who are affected once the sale has definitely gone through, which will be some time in the first quarter of 2012, and the final transfer is not expected to happen until November, December 2013.

LEWIS: Thanks Fiona. Well I spoke to Ralph Silva. He's an analyst at SRN Global. I asked him first if he thought the deal would mean greater competition on the high street.

SILVA: It really won't because we already had the Co-op. The Co-op is an established organisation. It is an established bank that has been doing rather good work. They're just going to extend their actual presence by reducing the presence of Lloyds, so at the end of the day the number of competitors in the country are exactly the same.

LEWIS: But that was the idea, wasn't it? That's what the European Commission wanted. They wanted Lloyds not to be so big and for there to be another competitor.

SILVA: Well the European Commission wanted to make sure that Lloyds didn't have an advantage by getting government money, so they had to get smaller, and I think that was the right thing to do. I don't think the European Commission minds if it goes to another British bank as long as Lloyds itself isn't getting an undue preference because of their investment by their own government.

LEWIS: The Co-op has grown very rapidly: it had 90 branches; it bought Britannia to give it 340 odd and now it's going to be 970 odd. Can it cope with expansion at that scale?

SILVA: Well they probably can because if we look at Nationwide - and I always call Nationwide sort of the building society on steroids - and I think finally they actually have some competitors, and I think that Nationwide proves that a building society can operate at that level. And I actually have very little doubt the Co-op can actually do it as well - not just because of their banking history but because of their history in other areas. They're a very well established organisation and, quite frankly, quite an honourable organisation to have these types of services.

LEWIS: I've seen estimates of a billion or more for this deal. Co-op's going to have to borrow that money. It's going to have to work hard to make a profit and repay it, isn't it?

SILVA: This is my biggest concern because I think Co-op is an established organisation and well run, but I think they have slightly more difficulty getting funding because of their structure than an established organisation like a big bank like HSBC and those types of organisations. I'm hoping that they can get that funding at a low rate and, if that's the case, they should be fine.

LEWIS: Now it will be the sixth biggest bank on the high street. Will that change the other banks at all? Will they have to change their ways to improve their service, change their products?

SILVA: I think it absolutely will because not just Co-op but Nationwide have been relatively successful because they have a better service. And that's their mentality - is to actually provide better service to their customers. The bigger banks are all looking at cost per transaction, whereas these organisations aren't necessarily in that mind. So I think that the HSBCs, the Barclays of the world are going to have to improve their service level, and that's good for all of us.

LEWIS: Ralph Silva of SRN Global. And there's a link to the list of branches that are affected on our website: bbc.co.uk/moneybox. Go to today's programme page, which is headed Over-50s.

A Church of Scotland Minister has been billed for receiving texts which he didn't want and hadn't asked for. The Reverend, who wants to remain anonymous, has told Money Box that the texts began after he got a new Smart phone and he began receiving these unwanted texts, and when he tried to delete them he only made things worse. He thought he'd stopped them, but then was shocked when he was charged £30 just for receiving them.

REVEREND: I phoned up customer services on Vodaphone and they said, "Oh yes, these reverse charge text messages." I said, "Well what can I do about it? Can you block them?" And he said, "No, but I can give you a phone number you can phone up and that will allow you to deregister from them." So I did that. And a few days later, the same sort of thing started appearing again. The operator told me to text back the word STOP. So I did that, but the trouble was a few minutes later I'd get another message just coming from a different number.

LEWIS: It seems that the initial thing you did that got these messages was just clicking on what appeared to be a text message (but it was a link) when you were trying to get rid of it and you did the wrong thing; and just by doing that, they thought you'd assented to get these paid for text messages.

REVEREND: Yes, I certainly didn't assent to anything and I'd no idea that that could be possible.

LEWIS: What would you like to see changed?

REVEREND: The possibility of a bar on these things being something that's freely available when you take out your phone contract. I suppose ultimately it would be much better if you couldn't be charged to receive anything at all, you actually had to

send something to pay.

LEWIS: Well the Reverend did receive a credit to his account from Vodafone and a block has been put in place. But how could this happen in the first place? I spoke to the Chief Executive of the regulating body Phonepay Plus, Paul Whiting.

WHITING: Well the answer is that they shouldn't be charged for anything that they haven't signed up for or haven't initiated. So we've had a few complaints about this particular service and we're looking into what happened and whether there were any breaches of our code.

LEWIS: So this particular company Switchfire is under investigation?

WHITING: We are looking at a number of complaints we've received about some of their services, and if there are breaches of our code we will be taking them very seriously.

LEWIS: What's the punishment for it?

WHITING: Well we have a range of sanctions that we deploy: fines up to £250,000 and we can bar services until they're compliant.

LEWIS: As we understand it, the service provider (which in this case was Vodafone) also makes money from these charged for text messages. Are they held to account?

WHITING: Well all the providers who operate these services make some money out of it and that's a perfectly reasonable thing to do, including the phone companies.

LEWIS: Well it is if you've agreed to it.

WHITING: Well of course and we will look into that.

LEWIS: In a case where a provider of the service has been acting outside your guidelines, the phone company that carries this transmission will still make money, won't they? Should they be returning that money, so that they're not profiting from what is illicit activity?

WHITING: Well in fact they often do and they're very good about giving refunds. They will take the complaint and deal with it. So in fact it often costs them more money than they would have made out of the phone calls or text messages.

LEWIS: And can you make them do that?

WHITING: No we can't make them do that, but they often do as a goodwill gesture.

LEWIS: And what can a user do if they find themselves in this position to protect themselves?

WHITING: If they think they've been charged for something they didn't want, then they should tell us. They should not delete it because that could be evidence, but they should come to us. They can report it on our website or by phone.

LEWIS: So somebody can contact you and in that sort of case you will actually look into it and take those steps immediately?

WHITING: Absolutely, yes, and we do constantly.

LEWIS: Well Switchfire, the company which made these charges, has emailed Money Box to say it is unlikely any user would be billed without consuming content, and that if this user is unhappy they are likely to provide a full refund.

Many customers of Lloyds Bank are telling us they're still waiting for compensation for mis-selling Payment Protection Insurance months after they should have been paid. In April the High Court said that banks could be held liable for past payment

protection sales and the regulators gave them extra time to decide the hundreds of thousands of cases that were pending. But once a case has been decided, payment should be made within 4 weeks. Ellie was told how much she'd be getting back in mid-September, but 3 months later she's still received nothing.

ELLIE: Since then, I've been ringing them on an almost weekly basis and I've been given lots of assurances that things will be happening and even a date at one point, which was supposed to be 28th November. But that hasn't transpired at all and in fact in my last couple of calls, I can't get through to the customer relations number at all now. I'm supposed to be receiving just under £5,500. As I was recently made redundant and then decided to retire, this is going to be an important sum for me. Anything at this time of year is particularly helpful.

LEWIS: Well that was one listener's experience. We're still getting emails, I have to say. One rather awful story arrived in our inbox this morning. Lloyds has told us the vast majority of customers are receiving PPI payments well within the target of 28 days, but the bank did admit a number of customers do continue to experience delays with their payments - sometimes because of the more complicated nature of their cases. Well with me is Guy Anker of Moneysavingexpert.com, who I know has been looking at this as well. Guy Anker, how bad are the delays in your experience?

ANKER: Hi Paul. Well unfortunately Ellie's case is typical. We've seen one case where someone has waited 5 months. We don't know how many people are affected, but to give you an indication this issue has been viewed on our forum 145,000 times. You'd expect this when taxes rise, something that affects all of us. This is a single issue from a single bank, so it shows the overall numbers are likely to be very high.

LEWIS: Right, so we don't know the number but it's still coming in. And is it just Lloyds? Of course that's the biggest offender - it's set aside billions to pay this bill, hasn't it - or is it others as well?

ANKER: It appears that Lloyds has the worst problems. We were hearing from RBS

NatWest and Barclaycard last month. They appear to have been resolved now though.

LEWIS: Right, so Lloyds still carrying on as the bank admitted. What can people do? I mean there's Ellie. She's really desperate for this money. It's money that never should have been taken off her in the first place. She's going to get it back, but it's when that's the issue, isn't it? What can they do?

ANKER: Well unfortunately there's no rule on this. The 28 days is a gentleman's agreement, as the banks call it, but the FSA hasn't said exactly how long banks should take. One thing is people will get interest right up until the date payment is made - that's interest on top of the compensation you get back.

LEWIS: (*over*) Statutory is 8%, isn't it, so it's quite generous?

ANKER: Indeed. And in addition Lloyds and Barclaycard have both said that they will consider additional compensation on a case by case basis. Now we don't know how much they'll give, we don't know who they'll give it to, but it's worth trying.

LEWIS: So really that means though that you've got to write to the bank and make your case. So you've got to say (in Ellie's case) you know I need this money, I'm out of work or whatever and then hope they give you something, but you've no entitlement to it?

ANKER: That's correct. Yeah you need to make another claim effectively. There is an option of going to the Financial Ombudsman Service. What it said yesterday to me was that where somebody is in hardship and the bank knew they were in hardship, they may award this additional compensation on top of the original compensation.

LEWIS: So it's another longwinded process of going to the bank, getting a rejection and then going to the Financial Ombudsman Service. It's quite a procedure for something you should never have been charged in the first place.

ANKER: Indeed. The problem is it was mis-sold in the first place and now it's taking longer to get the money back.

LEWIS: Okay. Guy Anker of Moneysavingexpert.com, thanks very much for that. And I should also remind people that the interest is taxable; whereas of course the compensation, the money you paid which is now paid back isn't, but the interest will be taxable. We did that story a few weeks ago here on Money Box.

People who pay off their credit cards in full are often attracted to cards which pay rewards or cashback, but there can be problems. Money Box listener Stephen Clarkson thought he was due to receive £70 in vouchers for a year's spending on his Asda credit card, but when he went to claim the money, he was told there's a ceiling of £30, so most of the money he'd spent on the card had been wasted in the sense it didn't get him this extra reward. The card is operated by Santander, which did clearly indicate on Mr Clarkson's paper statement that his points had earned him a £70 voucher. But then it changed.

CLARKSON: The statement was adjusted to show that they were actually going to pay £31.50. When I queried this with them, they said "Well in actual fact it is capped at £30." What really has annoyed me is throughout the year, they've always shown on my statements a voucher value that's going up and up and up. Obviously when I reach £30, I'm going to go onto somebody else's, probably Marks and Spencer's, and use theirs because theirs is a good voucher giving system. I'm quite disappointed with Asda and Santander.

LEWIS: That was Stephen Clarkson. Well the Asda card terms and conditions do state there's a £30 annual cap if you read them, but Stephen was relying on his statement and Santander has now credited him with another £50 to make up the money and a bit more. Mr Clarkson mentioned he was thinking of moving to M&S. Would that really be the best deal? Money Box has done its own survey. Fiona's back with me. Fiona?

WOODS: Yes, so on average people spend £2,000 a year on credit cards. Now by taking that figure and stripping out any introductory bonuses, we were able to compare what you could earn on leading loyalty cards over a 12 month period.

LEWIS: Okay, which is best?

WOODS: Well actually there's not much price difference for card users. An M&S Mastercard, Tesco Clubcard and Sainsbury's Nectar would all give you £20 in reward vouchers on an average yearly spend to £2,000. But where the deals get better is when you use your card in the shop that issued it, so your choice really depends on where you do your shopping and of course you need to look at the small print of all the deals.

LEWIS: Yes, so use a card in the shop that issued it. That's a good tip. Thanks Fiona. Well I asked Louise Holmes from Moneyfacts what the best deals in reward cards were in her opinion.

HOLMES: At the moment Amazon offer a very competitive deal. You can earn two points for every £1 spent on Amazon.co.uk, then one point for every £1 spent elsewhere. So for customers looking to shop online, it's a good deal.

LEWIS: So that's about the top really?

HOLMES: Yes.

LEWIS: You have to be careful though, don't you, because some do cap how much you can earn? You might think oh I'm earning lots of money buying all my Christmas shopping, but then you discover there's a cap on it. What are the caps?

HOLMES: There's various caps and restrictions with these types of cards. For instance, Sainsbury's Nectar card, you can earn four points for every £1 spent in store or online, but that's only valid for the first 2 years. Likewise, BHS's Mastercard, you

can build up points but you must use the vouchers within the first 3 months of them being issued or they'll be lost.

LEWIS: Now these are all vouchers or in-store deals that you're getting. What about just getting cashback, getting a nice little note from your credit card saying congratulations, we're crediting your account with £20 or £30?

HOLMES: We've seen a slight increase in the number of cashback credit cards on the market. Capital One currently offer on their World Mastercard an introductory 5% on all spending and that's for the first 99 days - after which it will reduce to 1.25%.

LEWIS: And that's 1.25% once you've passed that initial deal forever, is it?

HOLMES: It is, yes.

LEWIS: But some of these very popular cashback cards charge a yearly fee, don't they?

HOLMES: They do, yes. You have to be careful. The American Express Platinum card charges a £25 fee as an annual fee, so in terms of being rewarded and receiving that cashback any fees that can be incurred can actually wipe out the cashback that you've earned.

LEWIS: Yes, you've got to do the arithmetic and make sure you use it enough really, shouldn't you ...

HOLMES: Absolutely.

LEWIS: ... otherwise you could end up worse off rather than better off?

HOLMES: Yes.

LEWIS: If you're one of the people who don't pay your credit card off in full - and I think the latest figures show 38% of us don't do that - you're better off really, aren't you, getting a 0% purchase card?

HOLMES: Absolutely, yes. There's some really good deals available at the moment. Marks & Spencer's Money Mastercard offers 0% on all purchases for the first 15 months. The Tesco Bank also offer a competitive deal on their Clubcard Mastercard, and again that's 0% on all purchases for the first 15 months.

LEWIS: That was Louise Holmes from Moneyfacts. And Bob's back. Bob, just time to mention compensation for some customers of the power company SSE.

HOWARD: Yes that's right, Paul. Up to 400,000 SSE customers are being offered compensation if they were duped by its doorstep salesmen into switching to the company. It's put aside £5 million for the likely bill. Most energy companies have now stopped doorstep selling, but so far SSE is the only firm to agree to pay compensation. The offer applies to anybody mis-sold an SSE contract after October 2009.

LEWIS: Thanks very much for that, Bob. Well that's almost it for today. There's more information on our website: bbc.co.uk/moneybox. Click on the page for today's programme. My newsletter's there - you can also sign up to get it every week - and the pod cast. You can send us your ideas, as many of you do, and of course have your say on those over-50s plans. Goodness, you certainly are. Let me give you a couple of alternative suggestions. John from Blandford Forum says better than the 50-plus savings plan, put your money into a credit union which carries life insurance for your savings. And Helen from Roydon says my dad arranged and paid for his funeral using Co-op stamps to buy a new bedroom carpet. She says it's a brilliant idea. So there are alternatives. Whole of life policies we've also had suggested. I'm back on Wednesday with Money Box Live, this week taking your questions on paying for long-term care. Next Saturday is Christmas Eve and we'll be basting our turkey by covering 2012 in the used foil of 2011. Yes, I did write that line. Today the reporter was Fiona Woods, producer Bob Howard, editor Richard Vadon. I'm Paul Lewis.