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MONEY BOX

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LEWIS: Hello. In today's programme, can thousands of customers band together to get a better deal on their heating bills? A new savings account promises to be in the top five or the top ten, but will it beat inflation? Are bailiffs to be given more or fewer powers under plans published by the Government this week? Would you ping a payment from your mobile phone to someone else's? A new Smartphone app lets you do just that. And we discover that having no credit record can be as bad as having a poor one when it comes to borrowing.

But first, would you like to cut your energy bills? "Oh yes", I hear you all shout, and in the last ten days more than 100,000 people have signed up with the consumer organisation Which? to do just that. The idea is that Which? will offer these customers to the energy company that gives them the best deal. We'll hear from Which? in a moment, but the idea came from the Netherlands from its consumer union Consumentenbond. They have held two auctions and 130,000 people signed up, though only around 57,000 actually switched supplier. I asked Sandra de Jong from Consumentenbond how much they had saved.

DE JONG: The first bidding saved them 287 euros per year. The November bidding saved them 323 per year. And we're now currently working on our next bidding that will end in March this year.

LEWIS: How did people know that the deal they were signing up to was better than their current deal? Certainly in the UK deals are very complicated, you're signed in for a year, it's hard to get out of them.

DE JONG: Yeah, we have the same difference in contracts as well. You can sign up for a year, you can sign up for long-term. There might be penalties towards that. So there is a big variation in contracts here as well.

LEWIS: So you think people really did understand that they could save a certain amount of money when they signed up? There was no danger they'd sign up and then end up paying more, for example?

DE JONG: No because after the bidding a personalised offer has been made to those that sign up, so you had all the time to gather your own paperwork to compare with the new offer that we could generate for them.

LEWIS: Apart from saving individuals money, do you think it's changed the attitude of the energy companies in your country towards their customers?

DE JONG: Yes because it's also the openness of course in which this bidding was approached. It was online. Everyone can really see what's being bid by which company.

LEWIS: And just to go back to the saving, which I suppose between the two groups is round about 300 euros, isn't it? How does that compare with the total bill? Is it a very significant percentage?

DE JONG: It's a very significant percentage. I think the average bill per household in energy in the Netherlands is about 180 euros a month, so you could save like for 2 months.

LEWIS: Sandra de Jong from Consumentenbond in Holland. With me is Richard Lloyd who's Executive Director of Which? Richard, 100,000 signed up in ten days. How many do you expect finally to switch supplier?

LLOYD: Well it's been clocking up at about 10,000 a day. Actually we're up to 110,000 as of about ten minutes ago, so there is really serious interest in this. And we've worked very closely with our Dutch colleagues, looking at the conversion rates, how many people do

eventually pass through. Now of course no-one's ever done it on this scale in this country before and that's partly why there's so much interest in it. It is experimental - we don't know ultimately how people will convert. But what we're going to do differently to the Dutch is give everyone an assessment of how much they are likely to save at the end once we've got the deal done with the energy companies, and then they can choose whether to opt in or not right at the end of the process.

LEWIS: How will you do that deal because you will be going into the negotiation not knowing exactly how many people you can bring them?

LLOYD: Well this is new for the energy companies of course as well, and they're talking to us and have been for many weeks about this. What we're going to do similar to the Dutch is do a reverse auction on one day - it'll be online - and energy companies will have to make their best bid. Now I'm hoping as many of the energy companies large and small will take part - obviously they've got to bear some risk in this as well - but I think it is a really interesting example of how what I think at a local level is already going on with heating oil and so on, how people clubbing together should be able to bargain a better deal.

LEWIS: And the energy companies are going to play ball with this. They're actually going to join in because they could just sit there and say 100,000 customers, nothing to us, you know go away?

LLOYD: Well there's no guarantee that they will. I think many of them will. They're already indicating a lot of interest. But if they don't, then of course we'll tell everyone and we'll say who has played and who's played fair. So it's up to them. The ball will be back in their court and it's a pretty big ball.

LEWIS: Now you're going to operate, as I understand it, a kind of reverse auction: you'll get a price and then who'll go below that, who'll go below until you get a final result. So the savings in Holland were quite considerable, about 2 months worth. That would be a couple of hundred quid here, I suppose. Are you expecting savings like that?

LLOYD: Well we know that on the individual switching sites, the average saving is about £230 a year on the individual Which? switch site - that's about what people are saving over the course of a year. So we'll see. We'd like to save people serious amounts of money. We'd also like to give them something to do to vent their anger at the energy companies as well. So we hope we'll make everyone who goes through the system a bit better off.

LEWIS: But who will go through it? Will it just be what I've called the switching classes? Will you, for example, help people on prepayment meters or people without direct debit access?

LLOYD: Yeah, we're looking at how we can be as inclusive as possible. And one of the things we've also done is made sure that people can sign up if they haven't got access to the internet. So, for example, we're in Reading at the Oracle Shopping Centre today signing people up face to face. People can do it on the phone. We're trying to make it easy for as many people as possible, not just the regular switchers.

LEWIS: And in a word, will you make money out of this at Which?

LLOYD: This is not for profit for Which? We're a charity. We need to cover our costs, but we are ...

LEWIS: You'll get a fee though?

LLOYD: Well we may get nothing of course if the companies don't play ball, but we need to cover our costs. But in the end any money we make on top of our costs will go back into our Affordable Energy Campaign.

LEWIS: Richard Lloyd, thanks very much from Which?

LLOYD: Thanks Paul.

LEWIS: Now inflation fell to 3.6% on one measure this week, bringing it within shouting

distance of the return you can get even on an instant access savings account, especially if you're not a taxpayer. Moving your money frequently is essential of course to get the best rates as bonuses come and go, but a new offer from Investec Bank this week promises to pay you the average of the top five or top ten savings accounts as measured by Moneyfacts, and that turns out for these two accounts to be 3.17% or 3.11% depending on the deal you choose. Anna Bowes is here, one of the founders of the website Savingschampion.co.uk. Anna, you watch savings rates every day. How does this Investec deal stack up?

BOWES: Well it is on our best buy tables for notice accounts, so it's pretty good. And the really interesting thing about it is that the way that it works is it looks at the top accounts, but it includes things that have fixed rate bonuses, for example. A lot of accounts these days have a short-term bonus that will fall away, so this account includes those in the rate it offers but it doesn't have a bonus itself. It just has quite long notice periods.

LEWIS: Yes it's 3 months or 6 months, isn't it?

BOWES: Yes.

LEWIS: There's a slightly different rate on each of those. It isn't of course as high as inflation that, is it - 3.11, 3.17? Can you beat inflation yet with it coming down?

BOWES: Well actually there are a few more accounts that you can beat inflation, but you do have to tie your money up. So ISAs have never been more important. For cash ISAs, you can earn on a 2 year ... You can just tie money up for 2 years and you can get 3.9%, so that beats CPI and in fact RPI.

LEWIS: But you have to of course know you won't need that money for 2 years.

BOWES: You do. You can't access that money.

LEWIS: No, so that's good and that beats it because of course it's tax free. But of course if you pay tax or if you're a higher rate taxpayer or even worse, you have to be earning, what,

4.5 or 6% for a higher rate taxpayer. You're not going to get that anywhere.

BOWES: Well on a 5 year fixed rate bond, you can get 4.7% gross at the moment. That will cover a basic rate taxpayer.

LEWIS: And what about bonuses? I talked about them earlier. I mean they are really the bane of savers' lives, aren't they, because you think you've got a great rate and then 6 months or 12 months later it disappears, you have to move your money again - which people don't like doing, let's face it. Are there signs now that some more accounts are offering bonus free - a reasonable rate with no bonus?

BOWES: Yeah, it's really interesting. Virgin came in a little while ago with an easy access account and an ISA that was paying 2.8% - no bonuses, no restrictions on withdrawals. And Marks and Spencer has come in as well very recently an on ISA paying 3% - no bonus, no restrictions. Then of course these Investec accounts as well. So it is good. You do need to keep an eye on your money, so you know that's the key issue really.

LEWIS: But at least of course now they have to tell you when they take a bonus away, which is a positive, isn't it, which they didn't used to? And just briefly, if you were to pick one best buy - put you on the spot here Anna - what would it be?

BOWES: I like that Marks and Spencer's ISA because I think it's really good. There's also a new Nationwide ISA paying 3.1 - easy access, the rate is fixed for 18 months. But you can get your money easy access, so that's a really good one.

LEWIS: And just briefly. Some accounts in the past have offered inflation protection. Does that begin to seem less and less attractive with inflation falling?

BOWES: It does with inflation falling, plus you can't find ... I don't know of any at this stage that are tax free. Of course National Savings and Investments don't have one at the moment available for new savers.

LEWIS: And won't open one certainly till the next financial year, they say.

BOWES: Not for a while.

LEWIS: Anna Bowes of the Savingschampion.co.uk, thanks very much.

Now is the Ministry of Justice planning to give bailiffs in England and Wales the power to break into your home to recover a civil debt or a parking fine? New powers for bailiffs and new controls over them were announced this week in a consultation paper by the Ministry of Justice, but it remains unclear (at least to me) exactly when, how or indeed whether bailiffs will in future be able to break into your home. The plans also include a new scale of fees, which debtors will have to pay if bailiff action is taken to recover a debt. And are they more or less than the current fees? Well again the Ministry of Justice can't tell us, or at least it couldn't tell me yesterday. "It's complicated", I was told. Well with me is Peter Tutton of Citizens Advice who's been reading the 164 page report - several times, I think, certainly more thoroughly than I have. Peter, let's start with forcible entry because that would be hugely controversial if you didn't pay a parking fine and a bailiff could break in to recover goods? Is that going to happen?

TUTTON: As far as I can read from the paper - and there seem to be, from what you're saying, some mixed messages here - what this has done is replicating the existing situation whereby some bailiffs have a forced entry power, so bailiffs collecting magistrate court fines and entry to commercial premises. And from reading the paper, they don't seem to be extending that, and that's a good thing. The power is in the act to extend it, but there aren't really any safeguards on its misuse and we're obviously worried at the moment about bailiffs misusing their powers.

LEWIS: And just to be clear. This is in an act that was passed in 2007, but was never brought in. This paper proposes bringing it in, but with extra safeguards. You know I spent a long time talking to press officers at the Ministry of Justice yesterday. One of them now I'm told did get it wrong. But the other, the more senior one, said this to me, and I wrote it down, I'll quote it to you: "If bailiffs can show you are refusing to engage with them, they can apply to

the court for an order to give them the right on the second visit to use reasonable force, and that will mean they can, for example, drill a lock as long as they leave the premises secure”. Now that’s what she told me several times on the phone last night.

TUTTON: Right, well I haven’t found that in the 150 pages yet. *(laughs)* And in our past conversations with them, they’ve told us that they weren’t planning to extend these entry powers from what already exists. So if that is there, it’s extremely concerning. What we were expecting from this paper is better controls on bailiffs, not more powers.

LEWIS: And of course it does do that, doesn’t it?

TUTTON: Only to a very slight extent. What it does is it introduces some safeguards, but they don’t give any detail; it’s all for future consultation. But really what it does is it moves around the deckchairs and it tries to extend powers that have never been successful in controlling bad practice by bailiffs in the past. What we’ve argued for is we need some independent oversight and they’re not providing that.

LEWIS: And of course this is a consultation paper in itself as they kept telling me yesterday, so people can comment and the links will be or indeed are on our website. And just briefly on the fees, Peter. The new fees are very clear. The old fees come in a 200 odd page document and are very unclear. I was told this by the Ministry of Justice. Will the new fees be less or more than the old fees?

TUTTON: As far as I can tell from reading the 200 page economic assessment, the new fees will be more in nearly every case. We’re very concerned, particularly council tax which is the thing we see most of - this in some cases could go from about £45 to £300. At a time when households are squeezed, it’s an increase.

LEWIS: Peter Tutton of Citizens Advice, thanks. And with all that unclarity, it would have been nice to talk to the Justice Minister Jonathan Djanogly, but his office said no to our request.

A new method of paying money to people was launched this week. Barclays Pingit system let's users transfer cash free to anyone with a current account just using their mobile phone number. Both of them have to be registered with the scheme, but only the sender of the money has to be a Barclays customer. Barclays says it's the first service of its kind in Europe though similar systems have operated in Africa and Asia for some time. Now I'm not a Barclays customer, but my colleague in Money Box (Gemma) is, and yesterday she registered with Pingit and I registered to receive money. Then I asked Gemma to send me some money. So I'm sitting here with my colleague Gemma and she is going to send me £10, which is very kind of her, just by knowing my phone number, my mobile phone number. So I'm giving her that and she's going to send me a tenner and we'll see how quickly it happens.

GEMMA: I'm just opening the application at the moment. Right, okay, here we go. Two: enter money. This is my typing. It's very slow at the moment. I can enter a message. Would you like me to enter a message?

LEWIS: Oh yeah, put 'from Gemma'.

GEMMA: 'From Gemma'. Tap to enter amount. Oh there you go. Send payment. Processing request, checking details. Oh it's come up with your name.

LEWIS: Oh right, they know who I am.

GEMMA: And your phone number. And you will apparently receive an SMS confirmation.

LEWIS: Okay. You've got to press 'okay' and then that'll be it. Well that was very easy, wasn't it?

GEMMA: Request sent. (*phone fx*) Ooh!

LEWIS: Ah, and that is my phone saying Gemma - and that gives me your number - has sent you £10 and says 'from Gemma'. Well I'll have a look in a few minutes and see if it's there. Thank you very much, Gemma.

GEMMA: My pleasure.

LEWIS: And just by way of exchange, let me give you this fresh £10 note.

GEMMA: I don't need to make a trip to the cash point. (*Lewis laughs*) Brilliant, thank you.

LEWIS: Well a few minutes later I checked my bank account, as I said, and Gemma's £10 had indeed safely arrived. Bob Howard's here. He witnessed all that yesterday. Bob, how secure is this payment then?

HOWARD: Well, Paul, Barclays says it's as secure as other payment methods. I've been speaking to Mike Hawkes who's Chairman of the Mobile Data Association, and he does have some concerns, especially about people receiving cash. Now when you received your payment earlier, you had already registered with Barclays, but what if you weren't expecting a payment? Could fraudsters text you and convince you to log into a fake site and put in sensitive bank details?

HAWKES: One of the common phishing attacks, this is where people send you something and say look, we've got some money for you, all you need do is register for this service where we'll collect some personal information, and of course the money never materialises. We've been told for a long time that we should be avoiding that type of approach from unknown third parties and here are Barclays sending somebody who isn't a Barclays customer a message saying look, we've got some money for you, please come on and put all your personal details into our website. It's one of those I think where the advice has to be only give your information when you absolutely know that it's going to the real Barclays domain here.

HOWARD: Apart from that, Mike Hawkes believes the system is secure and other banks will follow suit, and in future you may not need a bank account to benefit.

HAWKES: I think they will and I think we'll see probably more flexible payment options as well in terms of not needing to have bank accounts and being able to send cash rather than simply going between two nominated bank accounts. The way that this works in places like

Asia and Africa is that you can collect your cash from any ATM and you can also collect cash from local shops in the community.

LEWIS: That was Mike Hawkes. Well with me is Dave Birch, a Director of Hyperion. It's a technology consultancy. I think you also chair the Digital Money Forum?

BIRCH: Indeed.

LEWIS: What do you think of Pingit?

BIRCH: I think it's in the vanguard of a new wave of apps, to be honest. I think many people in the UK, I mean given that probably a quarter of all adults have Smartphones already and something like 5 million people access their bank account using their mobile every month, a lot of people have been looking forward to doing more transactional things with the apps. So I think the comment was correct: this is the first of many to come.

LEWIS: And I must say it did seem very simple. You don't fear it's too easy? You just know someone's mobile phone number, you can send them some money. Could they just pick your phone up and do that?

BIRCH: I actually think it's easier than giving somebody your bank account details. You can already do this kind of thing by doing your home banking on your mobile phone, but it always ends up with trying to read somebody's sort code details and account number and you always type them in wrong. So the idea of using mobile phone numbers is pretty good. I think in the long run you'll probably end up having a sort of payment name. You know just like you have a Facebook name or a Twitter name, you'll end up with a payment name and people will send money to that.

LEWIS: 'Help, send me money' it could be, couldn't it? (*Birch laughs*) And what about other banks? We heard there that they'll probably follow suit in some way, but you can already log on and do your banking, as you say, with Smartphones and that's pretty straightforward, isn't it?

BIRCH: Absolutely. You already have sort of two classes of Smartphone app. You have the sort of basic apps - I think probably RBS NatWest was the first of these - where you can get alerts and check your balance and look at mini statements and move money between your own accounts. There are plenty of apps - you know First Data and places like that - where you can send money for prearranged payment, so you log in on the web and set somebody up as a payee and then you can log in on the train and send it to them. But you know this is the first of the more spontaneous payments. The comment about perhaps in the future not needing a bank account, I think is also correct because this is only for people who have bank accounts. But of course you don't always want to use your bank account.

LEWIS: No. I was thinking there might be a sub-application of this in a restaurant where you want to divide the bill up. One person could pay it and then everyone could send him or her the money from their mobile phone as they were sitting at the table.

BIRCH: Well that's of course the used case that got PayPal off the ground all those years ago, and I have to say I've used my PayPal app for years on my mobile phone and that works fine too.

LEWIS: You mentioned one particular app there. What's your favourite app apart from that?

BIRCH: Money app?

LEWIS: Mmn.

BIRCH: The one I probably use most is currency converter, which I use absolutely all the time on my iPhone. That's a very good app. I tend to prefer the things that let you do things rather than just look at pie charts of your money, so I like things like Ringo for paying for parking, I've got the Arriva app for paying for my bus. I prefer things like that, the doing things. But there are plenty. There's the tax calculator, the expense trackers. Those are also very popular.

LEWIS: Yes, I have to say tax tool 2012 calculates your tax on any gross or net income. It's

fascinating. And you can do it over the last three or four years. It's brilliant. Anyway thanks very much for that, Dave Birch.

BIRCH: You're welcome.

LEWIS: Now if you've never defaulted on a loan or missed a payment, you might think that taking out a monthly mobile phone contract or getting a credit card would be easy. After all, there are no bad marks on your credit record. But in fact a credit record with no entries can be as damaging as ... well a bad one. Here's Money Box listener Viv Brown from Bramall near Manchester.

BROWN: I have no mobile phone, no loans, no cards, so my credit history is basically blank apart from the fact I'm on the electoral roll. It's just incredibly frustrating and embarrassing as well really. It's like a huge circle where, I don't know, you can't seem to get anywhere. You know I've worked for a long time and pay things on time and thinks like that. I just seem to be stuck where I can't even get a phone for trying to deal with my accounts good, well, and live within my means really.

LEWIS: Well Viv has what's called a "thin file". She's at least on the electoral roll, which is important for lenders when they want to be certain about who you are. But what else can Viv do to fatten up her thin file? Neil Munroe is External Affairs Director at the credit reference agency Equifax.

MUNROE: One of the pieces of advice is to go to an organisation that knows of you because obviously when risk assessment is being done, they will look at your credit file but also information they may know about you as well. Try and develop a credit history through possibly ordering some goods on credit through mail order organisations. That information gets supplied to your credit file. Possibly apply for storecards where the organisation concerned may be a little bit more open to giving credit because obviously they're balancing that with the fact that you're buying goods from that organisation as well.

LEWIS: And what about her taking on paying the utility bills - the gas, the electric, the

telephone?

MONROE: Well I think that will help eventually the information that is starting to be supplied by utility companies to the credit reference agencies. It's not across the board at the moment, but various suppliers are looking at that.

LEWIS: You say try and build up a credit record by taking on these sort of easier forms of debt. Viv's already tried a credit card. It was turned down. If she applies for another form of credit and that's turned down, can that in itself put bad marks on her credit record?

MONROE: There may be a situation where if you apply for credit very quickly across a wide range of organisations, that organisations may look at that subsequently in the form of that could indicate possible fraud or it could indicate possible rejection. But if it's done over a period of time, it's likely to have less impact. The piece of advice generally though is if you are turned down for credit, stop, get a copy of your credit file. Ask the organisation why you've been turned down as well - you have a right to do that - and find out from them where you are before you start moving on again.

LEWIS: Yes, but in the case of people like Viv who've got no credit record, that's all they'll be told, isn't it, and it seems a complete catch-22 that you can't get credit because you've got no credit and you've got no credit because you can't get credit. It's a crazy situation.

MONROE: The decisions about how the data is used is down to the lender concerned, their models. We do produce evidence to lenders to suggest that if you have thin files, it's not a negative.

LEWIS: But they're clearly taking it as a negative, aren't they?

MONROE: In this case, that would appear so. I think it's a case really, as I say, of her talking to that organisation about you know the information and what they've used and how they've used it.

LEWIS: Is there anything else she can do? I know you can correct a credit record if it's wrong. Can she put any kind of statement on her credit record?

MONROE: Absolutely. It's the individual's right to put that on, to be able to put their point across, up to 200 words, and lenders are obliged to look at those when they are assessing it and to take that information into account. Whether it will change the circumstances or not is down to the individual lender of course.

LEWIS: That was Neil Monroe of Equifax. And there are direct links to get those £2 statutory files on our website: bbc.co.uk/moneybox. Go to today's programme and then scroll down. And you can also have your say and let us know your experiences about getting credit when you've never had any. That is just about the end today. We're already getting emails. Rod and Maureen say they've got two houses, no credit, cash to the surplus of £400,000. They were refused a credit card because they had a thin file, if not a thin bank account. That's it. More on our website: bbc.co.uk/moneybox. Send us your ideas. And Vincent Duggleby's back on Wednesday with Money Box Live, this week taking your questions on general insurance. I'm back with Money Box next weekend. Today the reporter Bob Howard, the producer Lesley McAlpine, and I'm Paul Lewis.