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MONEY BOX

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TRANSMISSION: 19th JUNE 2010 12.00-12.30 RADIO 4

LEWIS: Hello. In today's programme, have you had your credit or debit card blocked when you travel to other countries? It's a big concern to many listeners, as we'll be finding out. A new watchdog will take on the financial services industry, but will the Consumer Protection and Markets Authority have any more bite than the Financial Services Authority? Then one listener told us this week:

CHRISTY: My dad recently told me that he had some spare cash literally upstairs under the bed.

LEWIS: The problem was it was thousands of pounds and they were £20 notes with Elgar on the back, and they won't be spend-able soon. Tuesday's Budget could be the toughest for 30 years. What can you do now to protect your finances? And we hear your ideas for cutting the £156 billion government overspend.

But first, when you go abroad do you tell your bank or credit card provider where you're going to make sure you can use your credit or debit cards as usual? Many banks do ask customers to notify them of travel plans, but some Money Box listeners have found problems with the way these procedures work. Bob Howard's been investigating.

HOWARD: Paul, having your card blocked abroad makes many of us almost weep with frustration and scores of people have already emailed Money Box today to

recount their experiences. One issue which has been highlighted is the limit some banks put on how many countries you can notify them about at any one time. Tim Meadowcroft from London travels a lot for work and often has to visit a whole series of countries in one trip. He says his bank, Santander, has told him on several occasions it won't allow him to register his debit card for more than three countries per trip.

MEADOWCROFT: I was stuck in Greece with the ash crisis. I'd registered I was going to be in Greece. I'd been through the telephone banking with them. And I was being offered flights back via either Spain or France or Italy, or I might come back through Germany. So I tried to ring them and say, "Look, I need my card to work in the next week in any of these countries in Europe." "No", I'm told. "You can only register three and it has to be the precise dates." I mean it's all well and good for them to have their international jet setting advertising image, but I bet Lewis Hamilton doesn't do this every time he goes off to a Grand Prix somewhere.

HOWARD: And it's not just business people who are affected by these limits. Kate Love from Rutland is organising a touring holiday through Europe this summer, but she was told by Barclays she could only register her debit card for use in two countries.

LOVE: This year we're planning to travel from France through Belgium, Northern Germany and Denmark to catch the ferry to go to Iceland. So I went into the bank to see if I could clear my card for use in both countries. Their problem is that they can now only clear the card for one country on one day. So I asked if they could clear it for a second country on another day, and that was alright. But they couldn't put on a third country. They were only allowed to put on two countries.

LEWIS: Bob, you've spoken to Barclays and Santander. What do they say about this?

HOWARD: Well Paul, Barclays - that's the bank, not Barclaycard - confirmed customers could only register two countries at a time, although it told Money Box it

was reviewing this policy. Santander insists that customers can in fact register more than three countries and that Tim was wrongly advised. But Tim insists he's been told he can't on several occasions, and another listener has emailed in to say he has had the same experience.

LEWIS: But, Bob, looking at the emails, it's not just registering different countries. Many listeners have contacted the programme to complain about cards being blocked *whatever* they do.

HOWARD: That's right, it's a nightmare. We've had a huge response to this, Paul. The main problem seems to be that the banks have very different policies on whether they want to be notified of your travel plans and when they'll block an account. And what they've said to us and what they do in practice doesn't always seem to add up. HSBC, American Express and RBS NatWest all said ordinarily there was no requirement to notify them of foreign travel, but that doesn't mean they won't block your card and many of you have emailed in to say that's happened to you. Claire from Warrington says every time she travels abroad, her NatWest card is blocked. She says the bank has told her it's not able to record details of her trip to prevent this. On the other hand, Lloyds TSB, MBNA and Barclaycard *do* want customers to notify them in advance. But, again, even if you do this, judging by your comments there's no guarantee your card won't be blocked then as well. Sandy from Enfield contacted us to say she'd told Lloyds TSB she was going to Greece, but her card was blocked anyway.

LEWIS: It makes me wonder, Bob, if it's worth bothering.

HOWARD: Yeah well it does, doesn't it? Well it's probably worth considering anything though that may reduce the chance of having a transaction declined when you're abroad. Many listeners have contacted us to complain at the cost of having to make or receive calls on their mobiles to unblock their accounts. Nicola from Bexley says she spent £100 on phonecalls trying to get her Nationwide card unblocked when she was in South Africa.

LEWIS: Well thanks, Bob. With me is Manish Patel, a fraud prevention expert, in fact a Director of Retail Decisions. Manish, banks all seem to have different rules and it's very difficult, isn't it, to find out what they are?

PATEL: It absolutely is. We've heard examples of different banks having different policies in place. They each run their own risk engines and risk systems to profile the level of risk and exposure they're prepared to take for cards of theirs that are used outside of the UK. And clearly the message to the consumer is not necessarily the correct message sitting behind these engines and the capability to actually use your card when you're abroad.

LEWIS: So it really is the computer says no; and even if you ask what's happened, they may not even know?

PATEL: Yeah, absolutely. I mean these organisations have these big risk and fraud engines profiling millions of transactions you know on a regular basis, but they struggle to provide the most accurate information back to the consumer to say this is what you *can* do and this is what you're *not* going to be able to do.

LEWIS: And I suppose anyway when you're on holiday - a) you're inevitably somewhere else; and b) you're probably spending money you wouldn't normally spend. I mean if you go on a shopping trip to New York, that could well flag up a lot of fraud flags, couldn't it - to say spending a lot of money abroad; maybe the card's been nicked?

PATEL: Yes. Yeah, the banks generally look at previous behaviour. So what they will be doing is profiling the cardholder's behaviour maybe going back the previous 6 months or 12 months to say where is this card generally used. And as soon as there is a new pattern that's identified, this will start ringing bells. It will raise alerts within their risk engines and ultimately either block the card, or occasionally they may be proactive enough to actually contact the cardholder and say are you actually now in a different country?

LEWIS: Yes, if you've got your phone with you and of course you'll pay for half the call, won't you?

PATEL: Correct.

LEWIS: So even if you tell them, that just sort of feeds into this overall programme. So even if you've told them everything, everywhere you're going, there's no guarantee it won't still be blocked?

PATEL: No, there absolutely isn't because you're speaking to somebody at the end of the phone and then you're relying on that agent to then actually feed the information you've provided into their risk engines, so when transactions do start coming through the engine is already aware that actually this person is now travelling to New York, for example, and will be spending money on their cards. If that sort of transition doesn't take place, then the engine won't know; and as the transactions come through, transactions will be declined or blocked.

LEWIS: Manish Patel of Retail Decisions, thanks. And you can join in the emails - and they're coming in as I speak - by telling us your experiences on our website: bbc.co.uk/moneybox.

The Financial Services Authority - much loved by this programme - will be broken up in 2012. Over its 15 year life, the regulator will have cost us all more than three and a half billion pounds. The Bank of England will take back its historic role of making sure banks don't put the economy at risk, but regulating the process of selling us mortgages, loans, investment and insurance will all be taken over by a new Consumer Protection and Markets Authority. Announcing the changes this week, Treasury Minister Mark Hoban promised the new authority would be "a strong consumer champion". Unfortunately the minister wasn't able to come on Money Box to explain what he meant. Apparently a lot of details have still to be worked out. So we turned to Lord Lipsey, an ex-chairman of the Financial Services Authority's Consumer Panel. He resigned in 2008 after saying his efforts to make it more effective were being blocked. He told me why he thinks the FSA hasn't done a good enough job in terms

of consumer protection.

LORD LIPSEY: The FSA had a very patchy record on consumer protection and this was because it was trying to do two things at once. It was trying to protect the consumer, on the one hand; but it was just trying to shore up the balance sheet of dodgy banks and financial situations, so they didn't go bust, on the other hand. Very often the consumer took second place. I hope that the new agency will be focused on the consumer, will be out to help the consumer, and that the consumer will get the benefits from that.

LEWIS: Would you like to see it have control over all consumer finance? At the moment, the Office of Fair Trading has big chunks of it like credit cards and loans.

LORD LIPSEY: These are the details that remain to be settled, but I do think the division between the OFT and the FSA has been very destructive to swift action. The OFT, I don't criticise as a body, except that it moves rather slowly, and I think we need something swifter footed.

LEWIS: Do you hope it might be more proactive in naming financial firms it's unhappy about before it's had time to go through the very lengthy and formal enforcement process?

LORD LIPSEY: I'd like to see a shift in that direction. I mean there are problems. You don't want to be naming people who later turn out not to be guilty at all and you have to be careful about the legal implications of doing so. But the FSA I think was too cautious in that regard, partly because it wanted to keep its reputation high with the people it was regulating. I hope the new authority will be much braver about that kind of thing.

LEWIS: So if it sees an advert it's not happy about, it might well say that before it's gone through any formal procedure - which doesn't raise the issue you mentioned of whether someone's guilty or not; it simply says this advert to us is a bit misleading.

LORD LIPSEY: Well that's the kind of more proactive approach I'd like to see.

LEWIS: Lord Lipsey. Well live now to Oxford to talk to Peter Vicary-Smith, Chief Executive of the consumer organisation Which? Peter Vicary-Smith, do you welcome this new body focused on consumers?

VICARY-SMITH: I think if it is focused on consumers, I think that'd be great because I don't think the FSA has done a wonderful job over the last few years. But ultimately the structure is less important than what the regulator in practice does.

LEWIS: The FSA's been getting better though, hasn't it? But do you think the new body needs more powers?

VICARY-SMITH: I think the FSA has been getting better since the banking crisis, but it's still a fairly woeful record in protecting consumers. And I think a lot of the powers are actually there already. I think Lord Lipsey's right: there are some things that the FSA has trouble doing. It has trouble, for example, in promoting competition. And that's one of the most important things here. You know we've just completed this Future of Banking Commission Report and that highlights competition or the lack of competition as being one of the major problems, and the FSA has always struggled to promote competition whilst maintaining the stability of firms. But it has a lot of other powers already. It's just chosen not to use them.

LEWIS: One thing it really can't do, at least to any strong degree, is regulate products themselves. It's very much about *how* something is sold rather than *what* is sold. Would you like to see the new body have stronger powers to say that product should never be sold to anyone?

VICARY-SMITH: Well I think there's some things they can do with product regulation like setting minimum standards. After all, we have minimum standards for car insurance that all car insurance policies have to comply with, so why don't we have that for things like Payment Protection Insurance? But it isn't just about the product regulation, though that's important. It is also about how things are sold. And

one of the big problems where the FSA's fallen down is on the level of deterrents, so for example it fined Alliance & Leicester £7 million for particularly serious breaches of mis-selling of Payment Protection Insurance. Well Alliance & Leicester made £266 million in sales of that same product, so it was hardly a deterrent; it was a cost of doing business.

LEWIS: You mentioned the way things are sold, and of course in 2012 when this new body begins, we were expecting another shake-up in how financial products were sold - the so-called Retail Distribution Review that's going to end commission, train people better. Will that still happen with the new body?

VICARY-SMITH: I very much hope so. I mean we've been calling for an end to sales commission not just for IFAs, but also for frontline bank staff as well, to avoid this feeling that people have that they walk into their branch and the sales staff are incentivised to sell them anything whether it's right for them or not. But let's bear in mind that you know there are lots of powers - never mind the Retail Distribution Review, never mind the structure. There are lots of powers the FSA already has, and I'd like to see it use this next two year period to really go out with a bang and to look at this as a time where it can redeem its tarnished reputation and actually get tough on those firms who are doing things badly.

LEWIS: So a very active two years rather than sort of winding down and doing very little for two years?

VICARY-SMITH: Well consumers can't afford to have a regulator wind down. There's a lot of bad practice out there. Some good practice too. But what we need to see is a regulator that says okay we've got two years to really leave our mark on this industry and we're going to do that and deliver for consumers what they desperately need, which is protection in a market at which they're at such a disadvantage.

LEWIS: Peter Vicary-Smith from Which?, thank you very much.

Now which bank note is this: (*Music*) Well 'In The South' there, by the English

composer Sir Edward Elgar; and his image was the one on the back of the pinkey mauve £20 notes. The Bank of England has decided it's time to junk the 11 year old design and that's worried some Money Box listeners. Christy contacted us after he made a rather startling discovery.

CHRISTY: I understand that as of the end of this month, the Elgar £20 note is being withdrawn by the Bank of England. My dad recently told me that he had some spare cash literally upstairs under the bed. We took it down to the building society and after much deliberation managed to get it paid in. Could Money Box advise what happens after 30th June with regard to the Elgar £20 note?

LEWIS: Well who better to tell us than Victoria Cleland who is Head of Bank Notes at the Bank of England.

CLELAND: Until the end of this month, they can use them in shops, banks and building societies and the Post Office as normal. After the end of the month, it's at the discretion of the banks and building societies; but banks, building societies and the Post Office have said that they'll be taking them from their customers certainly for the next few months.

LEWIS: What have you done to warn people about this because we tend to think that the notes we have are always going to be good? What warnings have you given the public?

CLELAND: We've said for a while that the Elgar note will be drawn because the Adam Smith note came in 2007. Back in March this year, we started with a number of press releases, newspaper adverts. We've had a number of radio initiatives and sending information to banks, retailers to really try and increase awareness, so people know what's happening.

LEWIS: And if you go to your bank or building society with some old notes and they say, "No, sorry, we're not taking them anymore", what can you do with them?

CLELAND: They can always be returned to the Bank of England - either posted to us or delivered in person - and we'll always pay full value. So the main thing is people shouldn't be panicking.

LEWIS: So people can turn up at the Bank of England with a bag full of Elgar £20 notes and you will give them value for them?

CLELAND: We will. I should note though that if they've got more than a thousand pounds worth, they will need to bring some form of identity.

LEWIS: Yes, I mean that's under money laundering rules.

CLELAND: That's exactly right, yes.

LEWIS: Victoria Cleland. And there are still 150 million Elgar notes around. That's £3 billion. So spend them soon or you may have to change them at your bank, or even *the bank*. Links to the Bank of England advice on our website: bbc.co.uk/moneybox.

New figures out this week seem to show that the UK's finances, though pretty bad, are not quite as bad as feared. On Monday, the new Office for Budget Responsibility found that our planned overspend this year will be 155 billion. I nearly said *only* 155 billion. That's bad, but rather less than the previous government had predicted. And new numbers out yesterday showed that borrowing was coming down with spending lower and tax receipts higher. But the hints from the government continue to be that tough, really tough decisions will be made in Tuesday's Budget. Well live now to Oxford to talk to Linda Yueh, Economics Fellow at Oxford University and a Visiting Professor at the London Business School. Linda Yueh, in the light of these slightly better figures, what does George Osborne have to do on Tuesday?

YUEH: Unfortunately his task is not going to be much easier because even though the figures have come in slightly better, what that says is that the cyclical fluctuation - so that is the sort of business cycle - the economy is falling, you get slight variations

in the borrowing figures, but the underlying black hole in the public finances actually hasn't gotten better. It's actually gotten worse because this new OBR has said ooh, listen, the permanent damage to our revenue base is actually larger than what the previous government thought - which is why you hear all the sounds coming from the coalition government saying the task will be hard on Tuesday.

LEWIS: So the government is routinely overspending by, what, 70, 77 billion pounds a year, something like that, and he's got to cut that to give that confidence to people who lend us the money in the first place?

YUEH: Absolutely. Globally we borrow money from what's called bond markets, so these are creditors who buy our government bonds - the IOUs the government issues - and they will only lend us money if they believe that the government can seriously tackle that black hole, which is exactly the size that you referred to. In fact it's gone up from 70 billion to 77 billion because this financial crisis has seriously wiped off a portion of our revenue base.

LEWIS: And so what do you think he will do to achieve that because that is a quite extraordinary amount of money to take out of the economy and we've seen estimates of 25% cuts in the major government departments?

YUEH: Yes indeed, that would be the scale, because the government spends about £700 billion per year, so to take off £77 billion requires more than 10% cuts. And then once you exempt certain departments like the NHS and interest payments, this implies about a quarter percent cuts in these departments. Now one way to reduce the amount of cuts is to raise taxes to fill that hole, and I think he will do a mix of both.

LEWIS: A mix of both. And what do you say to the argument though that by making these cuts, you're actually damaging the recovery because there's less government money around?

YUEH: That is a very tricky balance. That is indeed true. But the key factor there is there are two major sectors of the economy - the private sector and the public sector.

If government spending is cut but private sector is supported, so demand goes up by households and firms, then you wouldn't have the cuts bringing us into another recession. And the key there is if interest rates can stay low because households and firms need low borrowing costs in order to grow and interest rates can only be low if the government has credibility in bringing down the deficit.

LEWIS: Linda Yueh, thanks very much indeed. Well to discuss what you could and indeed should be doing ahead of the Budget and what might happen, we'll talk now to John Whiting, Tax Policy Director at the Chartered Institute of Taxation. John Whiting, a bit of good news first. Some or at least one tax cut is expected.

WHITING: Indeed, Paul. Income tax, we have this commitment to raise the personal allowance, the amount of tax free income everybody can have to £10,000 eventually - up from what is now £6,475.

LEWIS: That won't happen at once though, will it?

WHITING: It won't happen at once, but I think you know they've talked about a substantial move - so perhaps £1,000 of that, worth £200 a year, from next April.

LEWIS: But we'll all end up paying for that somehow, won't we?

WHITING: We'll end up paying for that because something's got to be raised to pay for that, and well partly it'll go in national insurance where of course we've got the 1% increase already in the pipeline.

LEWIS: That's for next April, from next April.

WHITING: From next April.

LEWIS: What about capital gains tax? People appear - a lot of people, a lot of newspapers anyway - very worried about that.

WHITING: Well indeed. And possibly overborne because not everybody pays it. It's not like income tax and national insurance.

LEWIS: 99.5% of us don't.

WHITING: Indeed. And it raises modest amounts, but it's psychologically important because people have been trying to grow capital, particularly in the wake of increases to the income tax rates. So, yes, we're likely to see rises there, and in fact it's being flagged probably up to 40% on some assets.

LEWIS: What about taxes we do all pay like VAT? Is that inevitably going to go up?

WHITING: Ah, the elephant in the room, isn't it? It's been studiously avoided in terms of official comment from either of the coalition parties really. But really to balance the books, you can't help feeling it's got to go up probably to 20%, probably say from next January rather than immediately.

LEWIS: And what about things like alcohol, petrol, tobacco? Should we be buying booze and filling the car before Tuesday?

WHITING: Well it's unlikely to go down, although cider drinkers need to watch out to see what is going to happen because there was a bit of to-ing and fro-ing in the previous Budget. But, yes, there's every chance a further rise I think in alcohol, tobacco - probably not petrol - are on the cards.

LEWIS: Well we'll know soon enough, in a couple of days. John Whiting, thanks very much. And you can ask questions about the Budget on Money Box Live the day after, Wednesday afternoon.

The big cuts that we expect won't be announced in the Budget but in the autumn, in the spending review, and here at Money Box we're still taking your ideas for what cuts you think the government should make. Here are some of the ideas you've sent.

First up: Nina in Oxford.

NINA: Linking your history of national insurance payments to your entitlements to benefit - so where there's no employment history and no national insurance has been paid or it's below a certain amount, people would only be entitled to unemployment benefit as a loan. If people instead had been working for some time and then someone was made redundant, that person would be entitled to what you might call free benefits for a period of time.

NICK: I'm Nick from Solihull. In order to minimise the impact on the lower paid people, they should be removed from income tax and the money gathered from raising VAT.

SYLVIA: My name is Sylvia. Pensioners could easily afford 50p with their travel pass for the buses. Prescriptions, everyone must agree that prescriptions are worth tens of pounds and they could easily afford £1. Family allowance, it should be stopped after three children.

LEWIS: Some ideas there. Send yours to our website: bbc.co.uk/moneybox. We'll collect them. You never know, George Osborne might even respond. Bob Howard's back. And, Bob, emails have been coming in at a rate I've very seldom seen.

HOWARD: *(laughs)* Indeed - we've had hundreds of them, Paul. Just to give you a taste, Gillian from Anglesey: 'I informed my bank that my husband and I would be in Malaysia for 4 months in advance of going. However they continually blocked both our cards. On one occasion, at 3 o'clock a.m Malaysian time, we received a phonecall on my mobile, which after the initial alarm of thinking there was an emergency in the family, we found out it was just a call to alert us.' And another one, Mike from Leicester. 'My son went to Argentina for a sailing competition and used his card. The bank noticed the unusual use of the card and rang him. He answered the security questions, but they blocked the card anyway and he was left without funds.'

LEWIS: A lot like that. Thanks very much for that, Bob. That's it. Find out more

from our website: bbc.co.uk/moneybox. Now I'm back on Wednesday, as I said, with Money Box Live taking questions on the Budget. We'll have our usual half hour on Radio 4 and a further half hour on our website as a webcast. And for the first time, you'll be able to see us. I'm back with Money Box without a webcam next weekend. Today the reporter Bob Howard, producer Monica Soriano. I'm Paul Lewis.