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MONEY BOX

Presenter: PAUL LEWIS

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LEWIS: Hello. In today's programme, is it safe to answer questions from a machine as the banks outsource fraud checking calls to a computer? The hawk talks: the economist and former rate setter, Andrew Sentance, tells us his fears about inflation. Free insulation for all. That's the unlikely offer from the big four energy companies in Britain. Are they really giving money away? And the bank that likes to say ethical says no to bank accounts for new bankrupts. Where can a bankrupt bank?

But first, how would you respond if you answered your mobile and heard this?

NATIONWIDE TELEPHONE MESSAGE: Hello. This is a fraud prevention call for Mr John Smith from Nationwide. Press any key on your telephone keypad to continue.

LEWIS: Well most high street banks are now using automated calls like this if customers make a transaction that their computers identify as unusual, perhaps fraudulent, but how do you know if it really is your bank's computer calling or some clever scam? Bob Howard's here.

HOWARD: Paul, as you said, automated calls are a relatively new fraud prevention method which most banks are now using. On the Nationwide system, it asks you if you are the customer and then to confirm your identity by correctly identifying your birthday in a two-part process. Here's an extract from the first part.

NATIONWIDE TELEPHONE MESSAGE: Please listen to the following dates and press the relevant key that matches your year of birth. Please press 1 if your year of birth is 1985. Press 2 if your year of birth is 1986. Press 3 if it's 1994 or 4 if it's 1990. Thanks.

HOWARD: Later, it then asks you if you recognise the payment.

NATIONWIDE TELEPHONE MESSAGE: A transaction on Friday 21st January of £100 at Harrods, an unknown merchant, was approved in United Kingdom. If you made this transaction, press 1.

HOWARD: The banks believe this is a simple way of cutting down on fraud, but some Money Box listeners don't agree. The problem is that by their nature customers are not expecting these calls and may not even know such calls even exist, and then within a few seconds they make a decision as to whether they believe this really is their bank calling or not.

NATIONWIDE TELEPHONE MESSAGE: Hello, this is a fraud prevention call for Mr John Smith from Nationwide.

HOWARD: Robert from Edinburgh recently received this sort of call from Nationwide following a problem with his account. When it asked him to verify his date of birth, he thought he smelt a rat.

ROBERT: It began by asking me for personal information in order to try to verify and authenticate who I was - the trouble being I didn't know who was calling me. It could be anyone at all. For all I knew, it could be rather akin to these email phishing scams that you get, which are asking for all sorts of personal information and before you know it your bank account is emptied, and it just seemed a very odd thing for a major high street building society to be doing.

HOWARD: In fact it was a genuine call from Nationwide, but Robert said he had no way of knowing that. And David from Leigh in Essex had the same thought when he had a similar call from Santander following an unexpected payment he made by cheque.

DAVID: On the message we got, there was no suggestion of a phone number that you could phone to check out it was genuine. And in fact it was a query. We'd moved an amount of money which was unusual for us and, fair enough, the fraud department were just checking it out. But it just seems a very strange way for a fraud department to issue that sort of message because one would think if one were a scammer that you could copy that and possibly make quite a bit of money out of it.

HOWARD: We asked Santander and Nationwide to give an interview about how customers

should respond to their automated security systems. Neither company had anybody available, but Santander sent us this statement.

SANTANDER STATEMENT: The automated system allows us to reach many more customers more quickly, all at the same time. On checks, we do around 1,000 calls a day. If a customer is unhappy receiving automated fraud alert telephone calls, they can opt out of the service.

HOWARD: And Nationwide had this advice for customers who wanted to verify who was calling them.

NATIONWIDE STATEMENT: Our advice to customers that receive a call and are unsure about the validity is they should key the caller number into the internet to check it. If you key this into your search engine, it will bring up the Nationwide page that tells you all about the service.

LEWIS: Well stay with us, Bob. That was Nationwide's view. Richard Koch is from the banking industry body UK Payments. I asked him how customers could tell whether one of these automated calls really was from their bank.

KOCH: I think one of the helpful things that the banks are doing is when they are asking you to identify yourself, they're presenting you with a series of options, so it's is your date of birth this, that or the other, and actually your bank will only have that information about you. So I think they're taking steps I think to allay consumers' concerns about dealing with them.

LEWIS: But when that call comes through, you pick your phone up, it's a machine talking to you. You have to make a decision in a very short time - do I trust this call or not - and that's why I say my default position is always I don't trust this call.

KOCH: Even if you go on through the call and you have given your details and then you start to have concerns about it, again the best advice is to go back to your bank and ensure that it was them that made the call.

LEWIS: But that's a bit late, isn't it? I mean by making these calls at all, banks, which they say they're trying to stop fraud, they're actually making it a lot easier for crooks to defraud us because if you always knew that a call like this was always a fraud, it would be easy; but now the banks are making them, you have to think is it or isn't it?

KOCH: The difference is in the questions being asked, is in the data being asked for, is in the extent to which the bank knows and presents information to you. So once you've authenticated yourself, it will list, for example, the transactions that you've undertaken and it will also have a facility for you to go on and speak to an operator.

LEWIS: But that might be a fraudster too. I mean I have to say that whenever I've had a call like this - and I've always rung them back - every single time it's been a genuine transaction. So the software that detects fraud is clearly rubbish as well, isn't it?

KOCH: I don't think so, Paul. I think actually the figures speak for themselves. It's actually very effective in ...

LEWIS: But what are the figures? You're saying that these calls actually prevent fraud. Have we got figures on that?

KOCH: Yes, well since 2009 you know fraud's reduced by half of what it was in 2009.

LEWIS: But that's not necessarily due to this technique, is it? I mean what I'm saying is are there figures from the industry on how many times these calls actually detect fraud?

KOCH: I don't have that available, but I know ...

LEWIS: Well then we can't say they work, can we?

KOCH: I think from speaking to the banks, we know that they're quite successful in identifying very unusual transactions.

LEWIS: So what's your advice? People listening, maybe they'll get one of these calls today or tomorrow or next week. Your advice when you get one of these calls is to respond to it?

KOCH: Yes, I think you know it's very helpful to respond to it. I think follow the process through. Be very suspicious if you're being asked for information like a PIN or a full password. That would be something that your bank would never ask. If you're in any doubt, call your card company back using the number on the reverse of the card or on their website.

LEWIS: Richard Koch from UK Payments. I was perhaps a bit harsh on calling that software rubbish. (*laughing*) Some listeners say it does work. Bob Howard's still here. Bob, I must say I wouldn't key in data or answers to one of these calls. As I said, I'd look at the phone

number on the back of my card and call the bank back. Is it sensible to respond?

HOWARD: Well Paul, some customers say they've been told by their banks that the automated systems have been approved by the Financial Services Authority, but the regulator told me it doesn't do this. Now the FSA told me it advises customers to never give personal information unless they know who they're talking to.

LEWIS: Or indeed what.

HOWARD: *(simultaneously)* Or what.

LEWIS: *(laughs)* Thanks, Bob. And you can let us know your experiences or thoughts on calls from your bank on our website: bbc.co.uk/moneybox. Many of you are.

The rate of inflation may have fallen slightly this month, but that good news might be temporary. The Bank of England has even admitted that things might be worse than it had been predicting. It didn't say inflation would rise, but it did warn it might fall more slowly than it had previously forecast. In other words, it'll take longer to reach that target of 2% a year. But there are world food shortages, there are rising oil prices. Both will raise the cost of everyday items, so is the bank still too optimistic about inflation? Live now to Chelmsford to talk to Andrew Sentance, Senior Economic Adviser to accountants PricewaterhouseCoopers, and for nearly 5 years a member of the bank's Monetary Policy Committee. Andrew Sentance, where do you expect inflation to go?

SENTANCE: Well, I would be quite surprised if it fell below the 2% target and stayed there on a sustained basis because I think the bank has consistently underestimated the upward pressure that we're getting from food and energy prices in the global economy, and we now are beginning to see this come through with drought in the United States and a rising oil price even though it fell back a little bit over the last week. The oil price is still very high given where we are in the world economy. So I think we may find that inflation doesn't come down much more and maybe even picks up again as we get into next year.

LEWIS: Yes, so far from falling to 2%, you think it will stay above that in the near future?

SENTANCE: Well over the last 4 or 5 years, the average rate of inflation's been about 3.5%. And there's certain factors that seem to suggest that it probably is averaging somewhere over 3%, one of which is the fact that while we've relied very much on falling goods prices, the

prices of many services that we buy, they have been rising on average by over 3% since 1997 for a long period of time.

LEWIS: And of course those imported goods we relied on, the price of those is going up as wages in China and India and other Asian countries rises as well; and commodity prices that are often in the electronic things we buy are going up too.

SENTANCE: Yes, that's right. We had a very benign period for inflation in the first half of the 2000s when people talked about the China effect - these low cost manufactured goods pushing down actual ... the prices of things we bought, so they actually fell year on year. But that's now changed. China and India are actually putting upward pressure on energy and food prices.

LEWIS: But those are external factors. What the Bank of England does is not going to stop those, is it? When you were on the Monetary Policy Committee, you voted for interest rate rises - alone many times in 2010/2011. How would that have helped? It would just have made the recession we're now in worse, wouldn't it?

SENTANCE: Well I'm not so sure about that because growth was very sluggish last year because inflation was squeezing consumers. So it's a sort of chicken and egg situation; high inflation is not necessarily good for economic growth. I think there are two ways in which the bank by having gradual interest rate rises may have been able to help the inflation situation. One is through the impact on the value of the pound that was very weak through 2010 and 2011; and, secondly, as a signal to companies that the bank is being vigilant about the rate of price rises.

LEWIS: And what would you now do if you were on the Monetary Policy Committee or indeed if you were responsible for the Bank of England? What would you do now to help stop your predicted rise or at least leveling off of inflation around 3%?

SENTANCE: Well I wouldn't have been injecting more money into the economy through quantitative easing. I don't think that's very effective and, if anything, it probably is in danger of aggravating the inflation situation further down the track. What I would be doing is perhaps not raising interest rates now, but making sure that people were aware that interest rates will need to rise at some point in the future because otherwise it's going to come as a big shock to the public and that's going to make the problem worse.

LEWIS: And quantitative easing - what we journalists like to call printing money, creating money out of nothing, £375 billion - what will happen when that's unwound, when that's got rid of?

SENTANCE: Well I think the bank over a period of time would need to sell the bonds that it's bought back to the financial markets, and then the danger ...

LEWIS: And that would... What would that do?

SENTANCE: Well the danger is that if they do that too rapidly, it starts pushing up longer term interest rates quite dramatically.

LEWIS: Andrew Sentance, in a word, are you going to apply to be Governor of the Bank of England?

SENTANCE: *(laughs)* I'm not sure about that. The application process hasn't closed yet, but ...

LEWIS: I'll take that as a definite maybe then. Andrew Sentance for the next Governor. Thank you very much for talking to us, Andrew Sentance.

Now it's free, and to get it all you have to do is ask. Well we don't often do special offers on Money Box, but time's running out to get your home insulated for nothing, zilch. You have to have a suitable home, but if you do four of the big energy companies in Britain will survey it, provide cavity wall filling, loft insulation free, and some might even pay for scaffolding or to clear your loft out as well. And that's for everyone - customers or not, millionaires or not, Radio Four listeners or not. So we thought it was worth mentioning, not least because some of these deals end this month. With me to explain is Jessica Forster from the Energy Saving Trust, which provides free and impartial advice about, well of course, saving energy. And Jessica, you're called the Trust Energy Doctor. Let's clear up these free for everyone offers. Where are they from?

FORSTER: The offers are from the big six energy companies. There is an incentive under the carbon emission reduction target ...

LEWIS: This is something set by the Government.

FORSTER: Set by the Government.

LEWIS: They have to spend the money, don't they?

FORSTER: Yeah, a certain number of grants and offers. The energy companies are obliged to spend this money by the end of the year when the Green Deal comes into place.

LEWIS: But not all of them are free for everyone, are they?

FORSTER: No, no.

LEWIS: I think four of them - SSE, British Gas and a couple of others are free for everyone, EDF.

FORSTER: No traditionally they were only available for people who were over 70 or in receipt of certain benefits. But I think obviously they need to spend this money by the end of the year, so some of the companies such as British Gas are opening up the offers to wide audiences.

LEWIS: Yes, so it really is any householder regardless of income, regardless of being a customer or not?

FORSTER: Yeah, yeah, any householder. And it's main things, main energy efficient measures like cavity wall insulation, loft insulation. They're two of the big energy saving measures anyway.

LEWIS: Now I've been getting a lot of tweets and emails about this since I mentioned it on Breakfast, on television the other day - people in mobile homes, people with draughty windows, people who are tenants, all of them saying this isn't for me; what can they do for me?

FORSTER: Well basically unfortunately the CERT doesn't apply to them and this free money unfortunately doesn't apply to them. They can do smaller things, behavioural measures. Small things like turning down your thermostat by one degree will make some savings in your property.

LEWIS: A lot of them think they're too cold already.

FORSTER: Yeah. (*laughs*)

LEWIS: And local authorities. I've had an email just this morning actually from Suffolk

which says the council in Suffolk is running a free insulation scheme for householders. So it's also local authorities, isn't it?

FORSTER: Yeah, some local authorities will be also offering money. Our advice is just to give the Energy Saving Trust advice line a call on 0300 123 1234 because that will tell you what is occurring locally to where you live.

LEWIS: And you say "locally to where you live" and we haven't mentioned specifically Northern Ireland at the moment. The big energy companies don't operate there, so what can they get there?

FORSTER: We recommend that you again ring the advice line or do your own search on the energy companies in Northern Ireland because they are different to the rest of the UK.

LEWIS: Yes. And of course apart from the free schemes, there's also things like Warm Front in England, Nest in Wales, Energy Assistance in Scotland and Warm Homes in Northern Ireland, but that is for low income people.

FORSTER: That is. That is definitely for people who are on benefits or over 70. And more information for that and the eligibility criteria can be found on the Direct Gov website.

LEWIS: Direct.gov.uk.

FORSTER: Yeah.

LEWIS: Okay, Jessica Forster, thanks. And I'm going to say it - the energy doctor with her finger on the pulse of energy saving deals.

FORSTER: Thank you, thanks Paul.

LEWIS: Thanks very much ... from the Energy Saving Trust.

Now the Cooperative Bank will no longer let new bankrupts open an account. The change this week reduces their choice to just one major bank, Barclays, which to its credit has told us it intends to carry on letting them open accounts, but none of the other main banks will allow new bankrupts to open a current account. Of course people who've gone bust need bank accounts like the rest of us for wages, benefits, other payments that come in, not to mention payments going out for rent, energy bills, phone, which everyone (bankrupts included)

certainly need to make. But from this week, the 35,000 people who've gone bust in the last 12 months have one fewer bank to choose from. The Coop's Head of Banking is Robin Taylor. I asked him why the Coop, the ethical bank without shareholders to worry about, pulled out of this market.

TAYLOR: We could not sustain carrying the market in the way we have. There is a cost to all of the providers in providing basic bank accounts and what we're calling on is for all providers to offer the same opportunities to customers that we do.

LEWIS: What steps are you going to take to try and make either your banking colleagues or government ministers do something about it.

TAYLOR: So we have already written once again to the Government. We've also written to the Treasury Select Committee. We have been in consultation with Citizens Advice and other consumer bodies because we think it is now time for everybody to act. So I am actually calling on the industry. I would be happy to sit down with people tomorrow to discuss this and get a way forward because I think it is now really relevant that something is done to act on this.

LEWIS: So do you think the British Bankers' Association, for example, should be taking a lead in this and making their members do something?

TAYLOR: Well I certainly think the BBA has a part to play, but I do actually believe that potentially government intervention is required.

LEWIS: That was Robin Taylor from the Coop. We asked the British Bankers' Association for an interview. It refused our offer. Instead it gave us this statement.

BRITISH BANKERS' ASSOCIATION STATEMENT: Some banks consider that by accepting bankrupt customers, they could open themselves to potential challenges from their customers' creditors who could have a legal claim to money passing through their accounts.

LEWIS: So what does the Government say? We talked to the department and the new Consumer Affairs Minister Jo Swinson, but again we got a statement: the Government is committed to financial inclusion and we are continuing discussions with the sector about how to take this forward. The Insolvency Service consulted on bank accounts for bankrupts last November. It still hasn't published its response. When we spoke to it, it said it could add

nothing to what the minister had said. So plenty of discussion and concern, but not very much action except less choice now for those who have just gone bankrupt. With me is Mick McAteer. He's the Director of the Financial Inclusion Centre, a not for profit campaigning think tank. Mick McAteer, before we get onto what might happen, just for people who perhaps haven't gone bankrupt, tell us what happens - what happens to your bank account when you go bust?

McATEER: Well the first thing that happens is whenever the bankruptcy order is made, then your bank account is frozen. And I think an important thing to remember is that any money in the account is treated as an asset by the trustee or by the receiver ...

LEWIS: So you can't just take it out?

McATEER: You can't just take it out, so it's usually set against any claims that might be made against your particular account. But the one safeguard is that you should be left with an amount of money, an amount of reasonable expenses, so you can carry on paying your important utility bills and so on.

LEWIS: But ultimately you may have to open a new bank account, and now you only have a choice of Barclays.

McATEER: Well exactly, this is the big problem. Now we're only left with one major bank offering this option for people who are in bankruptcy and the alternatives are not very good, I'm afraid, you know.

LEWIS: I mean I think credit unions might help, but you have to pay for most of these alternatives.

McATEER: Well I mean there are some of the bigger credit unions that do offer current accounts, but of course despite some of the growth in the credit union movement, you know they are still very limited in terms of their rates. So I mean it depends on which part of the country and it depends if you're a member of the credit union, so I'm afraid it's not an option for most people in the country.

LEWIS: Now this is clearly a big issue. The Coop says it hopes by pulling out, it'll sort of make the Government do something. I suggested at a different point to the Coop that maybe they were going on strike in the hope that the Government would take action. Is that going to

happen or are the rest of the banks going to say well, blow it, let's just leave Barclays to do it?

McATEER: Well I mean you know it's incredibly disappointing that the Coop has done this, but I must say it's one of the first times that I've ever felt sort of sympathy for a bank, you know. And I think it's not surprising they ended up doing this because they were as a bank taking a you know a much bigger share of the responsibility for financial inclusion than other institutions, so I'm not at all surprised they've done that. And credit to Barclays if they have committed to keeping their bank account open actually.

LEWIS: Yes well that's what they told us because that really is the last option for people.

McATEER: It is, it is.

LEWIS: Nothing wrong with a Barclays account, but it just means that there's less choice. This is a big issue though for the Government, isn't it, because next year 12 million people claiming means tested out of work benefits will move to this new Universal Credit eventually. They will have to have a bank account or they won't get paid.

McATEER: Well exactly. I mean we've got the changes to Universal Credit. But the other trend that's emerging is a lot of people are leaving full-time employment or permanent employment. They've become self-employed or freelancers or whatever and so they're effectively small businesses, you know, so if they get caught by the bankruptcy laws, I'm afraid then more and more people are going to be affected by decisions such as this. And of course you know the current rules don't encourage an entrepreneurial society, of course, you know if you can't get back on your feet after going bankrupt, you know.

LEWIS: Now one of the things that the BBA, the British Bankers' Association mentioned, is that banks could be held liable if they allow bankrupts to open an account for their debts. Is that really a possibility?

McATEER: Well I mean technically they can under a thing called Section 307 and I won't go into the details. But it is a theoretical risk because it's actually very, very hard to find any real evidence of any banks being victims of that kind of behaviour.

LEWIS: So they're just being ultra cautious?

McATEER: Well I think they're using it as an excuse; not sort of play their full role in financial inclusion here.

LEWIS: Now the Government owns the majority of one big bank, RBS NatWest. It owns a big chunk of Lloyds TSB. If it's concerned, as the Minister Jo Swinson says, why doesn't it make them open accounts?

McATEER: Well I mean I think part of the problem is you know in the UK we have been notoriously lax on financial inclusion. We have left it to self- regulation and this is what happens really. You know the banks have got away with it, you know, and there's nobody actually making the banks behave responsibly here.

LEWIS: But Europe might briefly?

McATEER: Europe might indeed. And what's happened in the summer is that the European Parliament voted to make access to a basic bank account a legal right, and I think what will happen then is ... what has to happen now is for the European Commission to agree to put that through. So we might see Europe rescuing us for once.

LEWIS: In the future. Mick McAteer from the Financial Inclusion Centre, thanks.

Now, Bob Howard's here with some news. Customers with HSBC accounts may be able to use the Post Office for their banking, Bob?

HOWARD: Yes, Paul. From spring next year all 9 million HSBC and First Direct personal current account holders will be able to access their accounts from Post Office counters. All the other major banks, apart from Santander, have already signed up to a similar agreement, which is good news if your local bank branch has closed, particularly as there are now more Post Offices in the UK than there are bank and building society branches.

LEWIS: Okay, Bob, thanks for that. And I should just add the taxman, the Revenue is inviting people to give up their child benefit if their income is more than £60,000 a year because that will be taxed away starting in January, so they say you might as well give it up.

That's it for today. There's more on our website: bbc.co.uk/moneybox. You can download the programme, send ideas and have your say on those banks and automated calls. I'm back on Wednesday with Money Box Live taking questions on benefits now and after the many

changes in the pipeline. I'm back with Money Box next weekend. Today the reporter was Bob Howard, the producer Sally Abrahams. I'm Paul Lewis.