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MONEY BOX

Presenter: PAUL LEWIS

TRANSMISSION: 25th FEBRUARY 2012 12.00-12.30 RADIO 4

LEWIS: Hello. In today's programme hundreds of thousands of customers of insurance company CPP could be due compensation after the FSA orders a review. Two regulators and the Revenue have joined together to warn people to avoid companies which offer to let them release cash from a pension fund before the age of 55. A payday loan company apologises after a BBC investigation reveals it had threatened to contact a borrower's employer about her debt. And do you know your P's from your L's and your T's from your K's? We explain tax codes.

But first, hundreds of thousands of people who bought identity theft and card protection from the firm CPP may be due compensation after an investigation by the Financial Services Authority. The firm has agreed to review how it sold these products directly to customers. But millions of people who bought the same CPP products through their bank are not included in the review. Bob Howard's with me. He first broke this story on Money Box more than a year ago. Bob?

HOWARD: Yes, Paul. On Monday CPP had to suspend its shares after the latest FSA intervention. It has around 4 million policyholders in the UK and most of them have come through connections with the banks, including Santander, Barclaycard and RBS NatWest. Many of its policies were sold when bank customers phoned up to activate their new credit or debit cards, but when they called instead of their bank they got a CPP salesperson who after activating the card tried very hard to sell them ID theft and

card protection insurance. Mark was one of many customers who complained to us in November 2010 after he activated his NatWest credit card.

MARK: What they were saying back to me was that the details I'd given them over the phone in order to activate the card would be enough for someone who wanted to commit fraud and to steal someone's identity. They started talking about things like "Are you on the electoral roll? Well that means that your details are in the public domain." The person was saying, "So you do want this cover, don't you? Yes." I'd already said no several times. They just were relentless really.

HOWARD: Then in April CPP announced it was being investigated by the FSA. Its share price plunged by almost half and it suspended sales of its identity theft products, although it was allowed to carry on selling card protection policies. But out of the three big banks which shared data with CPP, only Barclaycard acted by severing links with the phone sales team. Santander and RBS NatWest carried on and customers who bought products through their bank are still not going to see any automatic redress because they're currently excluded from the review CPP has been forced to make of its business.

LEWIS: So Bob, what do the banks say now?

HOWARD: Well Paul, Barclaycard said that from this summer it will no longer offer any products through CPP, but RBS NatWest and Santander are continuing to do so and continuing to activate some of their cards this way. Neither bank would be interviewed, although they would say that they are "monitoring the situation". They also wouldn't tell me how many of their customers had cover with CPP or what commission they were earning from each sale.

LEWIS: Thanks Bob. CPP's Group Chief Executive is Paul Stobart. Yesterday I asked him what CPP was doing to see if the firm had mis-sold the company's products.

STOBART: The announcement is an agreement in principle regarding the need to carry out what we call a past business review, effectively to make sure that we give redress to those consumers who may have been mis-sold products in the past.

LEWIS: And is this all your customers?

STOBART: It certainly runs into hundreds of thousands of our customers who we're going to be writing to to ensure that they have the opportunity should they have been mis-sold to call into a specialist expert to have their case considered; and if redress is due, redress will be paid.

LEWIS: Sure, but is it all your customers?

STOBART: It's all of the customers to whom we've sold directly and all of those customers who've bought directly from us.

LEWIS: Ah right, so it won't include the customers where the complaints really started, which are the ones who thought they were ringing their bank but actually ended up talking to CPP and were sold stuff?

STOBART: The focus on this past business review is on those customers who we sold to directly or who bought from us direct.

LEWIS: But you have how many customers?

STOBART: In the UK we have some 4 million policyholders.

LEWIS: Right and you're doing a past business review of a few hundred thousand?

STOBART: Many hundreds of thousands, that's correct.

LEWIS: So, presumably, the balance of the 4 million all came through these business partners?

STOBART: By implication that's correct. Yes, that's correct.

LEWIS: And are you still selling products on the same model - I take out a credit card; there's a number to ring on the back; I call it; I get CPP?

STOBART: You're referring to the call to activate channel, as we would call it. Yes we do have that, but the important thing to do is to make sure if there is any selling it needs to obviously be 100% compliant and hard selling or mis-selling is not going to be appropriate.

LEWIS: The whole process starts with a deception, doesn't it? You've got a credit card. You ring the number on the back and you're put through to someone who's there to flog you insurance.

STOBART: No, I don't agree with that. I think if a customer doesn't want to hear what opportunity there is, then the customer has every choice in the world to say, "I'm not interested, thank you." In the past where it's gone wrong, there has been part selling which has breached the rules and the principles, and on those occasions where customers have been misled or cajoled into buying, clearly, clearly they deserve redress.

LEWIS: So why aren't you conducting a past business review of those customers then?

STOBART: We are conducting a past business review of all the customers that the FSA has asked us to consider.

LEWIS: You could conduct a past business review into any of your customers,

couldn't you? You're the Group Chief Executive. But you're telling me that the people you say there has been hard selling, inappropriate selling, breached guidelines, you are not conducting a past business review of those customers?

STOBART: I know how many complaints we get on mis-selling and they are in the handfuls.

LEWIS: And Barclaycard has dropped your service. Do you expect Santander and RBS NatWest to follow?

STOBART: We have every expectation that our partners will stay as loyal to us as they have done to date.

LEWIS: You're being investigated by the FSA still. It's told me this morning that it's not the end of the process. Your shares are suspended. Is your business finished?

STOBART: No, I don't believe it is. I mean I joined as Chief Executive in October 2011 with my eyes wide open. The board recruited me with a remit to move the business to a much more overtly customer centric culture, which is my background and heritage, and that is something we are all as a team committed to doing.

LEWIS: CPP Chief Executive Paul Stobart. Well Mike Dailly is a lawyer and a member of the Financial Services Authority's Consumer Panel. I asked him what customers of CPP should consider if they wanted to bring a mis-selling claim?

DAILLY: If CPP has not been transparent in terms of the information that it's been providing to consumers, if it's misled consumers in terms of the policies, then we don't see how this is any different to payment protection. It's a case of mis-selling. I think the evidence that's going to be looked at is did they overstate the need to get the insurance policy, did they give information which would have been false, that ultimately would have overstated the case to induce the sale.

LEWIS: What about the banks? Is there any claim against them for mis-selling?

DAILLY: I mean certainly the Consumer Panel thinks that this case raises much wider and very serious conduct issues for the banks. Now the banks will say look, we acted on a kind of intermediate basis, execution only, it was not our responsibility. But the situation is that in terms of the banks, there's been a lack of transparency: customers have thought they were dealing with the banks in many cases, but actually we're dealing with the company CPP. So there's also that and there's a lack of fairness and trust, and ultimately consumers don't know that their personal details are effectively passed onto this company on a commission basis. So it's not going to be good enough for the banks to say well, look, this was nothing to do with us; this was an execution only product by CPP. At the end of the day, it would not have happened unless the banks had passed this information on. And I think given that lack of transparency, that lack of trust, we think that the banks have got a case to answer.

LEWIS: Mike Dailly. And if you've bought a CPP product when you activated your bank card and it wasn't explained clearly to you, complain first to CPP. If that doesn't work, you can go to the Financial Ombudsman Service. Details on our website.

Strong warnings have been issued this week about the dangers of trying to release money from your pension fund before you're 55. Normally it's not possible to do that legally, but many new schemes offering to release pension cash are springing up despite a court ruling in December that ruled one UK based scheme illegal. Ark Business Systems took its customers' pension funds and then lent them half of it back, investing the rest offshore. Brian Spence is Director of Dalriada Trustees appointed by the court to sort out the scheme and he's trying to recover the money.

SPENCE: Total investment in the schemes was somewhere in the region of about £27 million, and of that they had managed to loan somewhere in the region of between 9 and 10 million pounds using these reciprocation loan arrangements, and then in addition to that invest millions of pounds in a number of investments that are very unconventional to probably be kind to them. They're investments that we're very

worried about the extent to which we're going to be able to recover the funds completely from the investments at all. Many of the members of these schemes are people who probably entered into the schemes because they were hard up and needed cash in difficult times, and technically illegal payments have been made. Now we're going to have to go back to the court in due course to look at the issue of what we do about that situation in terms of whether the right thing for us is to actually seek recovery, but certainly from the members' point of view there's the potential that they may have to pay that money back.

LEWIS: Brian Spence. Well although that scheme was stopped, the pensions regulator has warned this week many others are still around. Its Chief Executive, Bill Galvin, explained to me how you could lose most of the cash to the taxman and the rest might disappear in fees and uncertain investments.

GALVIN: The consequences of this can be that if, for example, you've a pension pot of £20,000, there are schemes that will offer you access to half of that. They'll take a commission of around £4,000, perhaps up to 20%, leaving you with £6,000 in your pension. Very often that then will then be invested in offshore vehicles which you might never see again. And then HMRC can come and say well actually this is an unauthorised payment, so we will charge you, tax 40% on that, 15% because it's an unauthorised payment, and the individual is left with about £4,500. That's a typical example.

LEWIS: So you can be left with almost nothing and the firm that sold it you has got a big fee and the Revenue has taken back the tax relief and more than it gave you in the first place?

GALVIN: That's what can happen.

LEWIS: You've made very clear the kind of amounts individuals may lose. How big is this business altogether?

GALVIN: We've seen an increase in known liberated funds that we have seen since 2008. It's now up to about £200 million in the last 3 or so years, so that's quite a lot of money.

LEWIS: It is a lot of money, isn't it? You can understand though, can't you, people may have a lot of money in a pension scheme and yes it's there for their future, for their retirement - if they're in financial difficulties, they might think well that money's just sitting there doing nothing; why can't I get hold of it? So there is a temptation to try, isn't there?

GALVIN: It's quite distressing you know to be involved in some of these cases and see that people who are already in financial difficulty have been lured into a situation which is in many cases making the people who are constructing it much better off and making the situation of the individual much, much worse.

LEWIS: That was Bill Galvin. The other agency involved in the campaign is the Financial Services Authority. Jonathan Phelan is its Head of Unauthorised Business.

PHELAN: The temptation to get into one of these deals is coming from in the main unauthorised firms who are largely untraceable. They operate from abroad over a telephone line, there's no way of getting to them. So the thing that we really need to do is to get the message out there that if you get one of these calls out of the blue offering to unlock your pension, that is something that you should be extremely wary of doing.

LEWIS: You say they're abroad, but certainly their advertising isn't, is it? I went on the internet today and found a company saying it's to help people who want to take advantage of pension funds at an earlier age than usual to pay off debt, for business purposes and so on. I found that within a couple of minutes. If the adverts are available in the UK, can't you at least do something about those adverts?

PHELAN: We do speak to the internet service providers and we do ask them to close down websites where we know that there are illegal activities going on. And depending on the jurisdiction where that internet service provider is, particularly if they're in the UK we do have a decent success rate at getting websites taken off.

LEWIS: The problem people have though is pensions are complicated, they might not understand that, and in a sense you're putting the onus on the public. When I was doing some research, I found a warning about pension liberation dating back to June 1999. Thirteen years and regulators have not managed to stop it.

PHELAN: Some, some problems like this are continual problems and we do have to continually warn the public. The best thing to do in all cases when it comes to dealing in financial services is check that you're dealing with an authorised firm.

LEWIS: This is obviously good advice before the event. People listening may be thinking my goodness, I've already started the process. What can they do?

PHELAN: If they've started the process but not gone through with it, then get some advice from an authorised firm. If you're concerned that you might have actually gone through with a deal, then get in touch with the FSA on the consumer contact centre.

LEWIS: Jonathan Phelan. And that helpline number's on our website. And also if you've been tempted by one of these pension release or liberation schemes, you can let us know more through Have Your Say, bbc.co.uk/moneybox.

A payday lender has apologised to customers who received emails threatening to contact their employers if they didn't settle their debts. It follows a BBC investigation. The regulator, the Office of Fair Trading, says companies shouldn't act in a way that's likely to cause debtors public embarrassment. MiniCredit, the firm concerned, says it's taken steps to ensure it doesn't happen again. Well Adrian Goldberg's the presenter of Five Live Investigates, which has been looking into the

story. Adrian?

GOLDBERG: Yeah, morning Paul. MiniCredit issued more than 100,000 loans last year and the Financial Ombudsman Service received more complaints about them than any other lender in that time. Now among the complainers was 27 year old Emma Burgess. She took out a payday loan last year when she needed money to cover the cost of moving into her new accommodation, and when she struggled to pay that loan back she took out another one to pay it off - as we've often heard before with payday loans. Now Emma ended up owing money to seven different lenders. She then contacted a debt advice charity who helped her settle a debt payment plan.

LEWIS: Well that sounds sensible. Did that help?

GOLDBERG: Well Emma says that all of her creditors accepted it except for MiniCredit. They told her they didn't accept payment plans and warned her there would be "consequences" if she didn't settle her debts with them.

BURGESS: They sent me emails and they threatened to contact my employer in one of the emails at the bottom, which obviously I was worrying about. It's quite embarrassing really. I didn't want people at work knowing what was going on. It would have been quite, quite awkward for me. I'd send them email after email after email. I was advised to send things in writing, but that wasn't working. It was basically just pay the full amount or they'd send people round to my house to collect the money or speak to my boss.

LEWIS: Well, Adrian, these loans are regulated by the Office of Fair Trading. What's it had to say about MiniCredit's tactics?

GOLDBERG: Well they have clear rules on debt collection which state that companies shouldn't act in a way that is likely to cause public embarrassment to a debtor, and the OFT also says that lenders must show customers experiencing

difficulty some consideration and not act in a way that will make the situation worse. And, arguably, that's exactly what did happen in Emma's case because MiniCredit's failure to act when she told them she couldn't settle her debt meant that her original £100 loan finished up spiralling to £750, and that's all because of the extra charges in interest that were added before they eventually passed her account to debt collectors.

LEWIS: And Emma's not alone, I suppose?

GOLDBERG: Sadly not. We've had a number of MiniCredit customers get in touch with us, all with similar complaints.

LEWIS: So what's MiniCredit said to you?

GOLDBERG: Well we spoke to a company director, an Andres Valdmann, and he said initially, when we asked him whether MiniCredit refused to help customers with problems paying their debts, he said absolutely no, that wasn't true, and he told us they never threaten to contact anyone's employer. However since then the company has done a u-turn. Earlier this week I received a second statement from MiniCredit via a PR firm. They said it wasn't their company policy to contact the employer of customers struggling to pay loans, but they did apologise if customers had received that kind of misleading correspondence from them and they say they have taken steps to ensure that the situation doesn't occur again, and they do insist that the vast majority of their customers are happy with their service.

LEWIS: Thanks very much for that, Adrian. And you can hear more on that story on Five Live Investigates on Sunday. That's BBC Radio Five Live at 9 pm. The Office of Fair Trading is so concerned that some payday loan companies are exploiting those struggling with their debts, it's begun a review into the whole sector. I asked the OFT's Director of Consumer Credit, David Fisher, whether a company was allowed to contact a customer's employer about their debts.

FISHER: We wouldn't regard it as acceptable for a company to act in that way. We can understand that a lender will want to do checks of a borrower's ability to repay. That can take various forms. They might, for example, ask the borrower for a pay check to have evidence. But actually going to a borrower's employer and speaking to the employer, only with the borrower's permission.

LEWIS: You also mention the problem of rolling over loans - the practice whereby you don't pay off your first loan, so they then roll it up with the interest into a second loan. In your view, is that ever lawful or acceptable?

FISHER: Yes, it is lawful. Is it acceptable? That will depend entirely on the circumstances of the individual borrower.

LEWIS: You say you want to drive up standards. If you find there has been widespread failure to obey the rules that you say have to be obeyed, what sanctions do you have? What might you do?

FISHER: We are the licensing body. We licence these companies to operate. If we believe, and we have evidence that suggests that a company is unfit to hold a consumer credit licence, we can take enforcement action up to and including revoking that licence. And if a licence is revoked, the company is no longer able to operate as a payday lender.

LEWIS: And you'd be willing to do that?

FISHER: Yes, we would.

LEWIS: David Fisher of the Office of Fair Trading.

And now a familiar tune ... (*Blockbusters Music*) Oh that takes me back. But if you're waiting for someone to shout "Give me a P, please, Bob" - Bob Howard's looking a

bit bemused - the Revenue is sending out its own version of Blockbusters this week. It's called a 'tax coding notice' and you might have been given a P, a Y, a T, a K or even an L. Here's Jane Moore from the Chartered Institute of Accountants in England and Wales with her explanation.

MOORE: There will be a letter after a PAYE code. A standard letter would be 'L', which is the number you get if you're under 65 and just have got the basic personal allowance. So if you've got a code for next year which is something like 810L, then that would just be the basic personal allowance. If your code is 'P', then you're at least 65 and getting the age allowance. And if you've got a 'T' at the end of the tax code, it means there are things in there that the Revenue want to look at every year - for example, if your income is around the limit for where your age allowance might be withdrawn.

LEWIS: So 'T' is something to make you have a careful look?

MOORE: Yes.

LEWIS: And sometimes I've seen a code with a 'K' at the front of it. What does that mean?

MOORE: 'K' means that you've got more income or tax underpayments in your code than you have got allowances which can be deducted from your pay. So it means that you're paying quite a high rate of tax.

LEWIS: So it's like a negative tax code in a way?

MOORE: It's like a negative tax code. It may not be wrong - it may be because you've got a super powered company car or quite a large tax underpayment being recovered - but it's certainly worth making sure you understand it.

LEWIS: One of the things a lot of people will have - probably over a million we think this year - is a deduction from the code for tax they still owe from a previous year, underpaid tax. How does that work?

MOORE: What it means is if you owe some tax from an earlier year - perhaps you were one of the people who had the PAYE under or overpayment problems - rather than having to pay it all in one lump, you can have it included in your tax code, so that you pay it off over a whole year. This year also from April 2012, the Revenue can for the first time include tax credit overpayments in your tax code as well as underpaid tax, and the total that they can collect in that way for earlier years is £3,000 of tax and tax credits together.

LEWIS: So if you've had too much tax credit in a previous year, they actually take it back the following year through your tax code for the first time?

MOORE: That's right. It used to be that you had the option to do those things. Now the Revenue actually have the power to insist on collecting a debt that way if you've not been able to arrange to settle it some other way.

LEWIS: And when you've looked at all these figures, and assuming you have made head or tail of them and you think gosh that doesn't look right, what do you do then?

MOORE: Well you can do a number of things. One is obviously to get advice either from a professional adviser or from one of the tax charities. You can of course phone the Revenue and ask for an explanation or ask them to change the code if you're certain that it's wrong, which they may well do there and then on the phone as they're talking to you.

LEWIS: And I think the prize goes to Jane Moore of the Chartered Institute of Accountants in England and Wales.

That's almost it for today. Just time for a bit of feedback on the CPP story. Clare and David say they were treated very well by it: 'They're brilliant, very helpful and sympathetic'. Others though saying that they signed up and didn't realise ... Timothy Kahn says they didn't realise, for example, that they would be automatically renewed, and they didn't like that and said when they rang things were "very difficult". But that is it for today. They're still coming in. You can have your say on that subject and also on pension transfers on our website: bbc.co.uk/moneybox. There you can also read my weekly newsletter, sign up to the podcast and get Money Box every week downloaded, and of course send us your ideas - as so many of you do. Pension liberation, as I say, is the Have Your Say. Vincent Duggleby's here on Wednesday with Money Box Live, this week taking your questions on holiday finance. I'm back with Money Box next weekend. Today the reporter was Bob Howard, the producer Sally Abrahams, and I'm Paul Lewis.