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## **MONEY BOX**

**Presenter: PAUL LEWIS**

**TRANSMISSION: 25<sup>th</sup> JUNE 2011 12.00-12.30 RADIO 4**

**LEWIS:** Hello. In today's programme some Tesco bank customers are still locked out of their online savings accounts a week after the bank changed its computer system. The bank's Chief Executive is live in a few moments. Greece could default on the money it's borrowed to pay its bills. If it does, what effect will that have on us? Are financial firms making it too difficult to access pension funds at 55 when the law says you can do that? And some hope at last for 20,000 people who lost most of the £350 million they invested in Arch Cru when the firm collapsed 3 years ago ... 2 years ago.

But, first, some people with online savings accounts at Tesco Bank have been unable to access their money all week. The trouble began last weekend when Tesco moved the accounts from the old Royal Bank of Scotland system to its own computers. Tesco bought out RBS 3 years ago to provide an alternative to the familiar customer service failings of the big high street rivals. The new computer system was the final step in establishing its own banking brand. But it didn't go well. Customers were left without online access, and when they called:

**TESCO BANK ANSWERING MESSAGE:** (*Music*) Thanks for calling Tesco Bank. We are currently experiencing high call volumes and our customers are encountering long wait times. Thank you for your patience during this busy period.

**MALE TESCO CUSTOMER:** The problem is essentially step six in the brochure

about changing to the new security system where it says they need a password of at least seven characters long. I entered nine and it said it was not acceptable. It then took me over an hour to be able to ring back and get some help and it's still not satisfactory. Quite frankly my attitude is I want to withdraw all my money from Tesco's and bank somewhere else.

**TESCO ANSWERING MESSAGE:** Our customer service representatives really want to talk to you, so please stay on the line. You are moving forward and your call will be answered as soon as possible.

**FEMALE TESCO CUSTOMER:** I've been trying to log into my Tesco savings account since Monday. I think that Tesco should have come clean about this in the beginning and admitted they'd made rather a pig's ear of it and given customers a regular update, and then I think everybody would have been a lot happier.

**TESCO ANSWERING MESSAGE:** We do apologise for the delay. Your call will be answered as soon as possible.

**MALE TESCO CUSTOMER 2:** My wife tried to buy some goods from Tesco's on Wednesday using Clubcard Plus. Payment was refused. A manager was called and after another attempt he said that the problem was with my wife's account and that she should call the Clubcard Plus helpline. He did not admit that the fault could be Tesco's. She was stressed out by this. They could have admitted at the shop that it was Tesco's fault and not my wife's.

**LEWIS:** Well a number of other listeners told Money Box that it wasn't the computer errors themselves that were the source of their frustration. It was that lack of clarity from Tesco Bank about what the problems were and how they could be fixed, and indeed when. On Monday a Tesco Bank spokesperson told the BBC that for a brief period some customers were unable to access their accounts, but all customers could go back online as normal. Similar claims were made on Tuesday and on Wednesday, made indeed on Money Box Live in the afternoon, then on Thursday, and again on

Friday we were told most of the problems were resolved. But throughout the week listeners kept emailing to say they were still having problems logging on and particularly contacting the helpdesk. One listener, Angela Martin, told us of her week.

**MARTIN:** I've been trying to log into my Tesco savings account since Monday. The last time I tried was today, which is Friday. I still can't access my savings.

**LEWIS:** Well live now to Benny Higgins, Chief Executive of Tesco Bank. Benny Higgins, will you now admit that these problems are far more serious than your spokespeople have been telling us all week?

**HIGGINS:** At Tesco we strive to deliver service of the very highest standard. And this week ...

**LEWIS:** (*over*) Well you've not been doing that, have you?

**HIGGINS:** ... and this week Tesco Bank has for a significant minority of customers failed to do so, and it's not good enough and we apologise unreservedly for that. What I would like to make clear is what has happened and what we're doing about it.

**LEWIS:** Well tell us what's happened because I've heard a number of things have gone wrong. I mean people have said it's the passwords, it's the wrong Internet browser. Some people, I was told, had their identities effectively trashed because they were online when the glitches occurred on Monday and Tuesday.

**HIGGINS:** Okay, I'd be delighted to tell you what happened. As you said at the outset of the programme, we transferred 605,000 customer accounts in respect of savings and another 320,000 in respect of personal loans. The system, the web availability went down on Monday for 12 hours and on Tuesday for 6 hours, so regrettably during those periods customers clearly had no access to online. Thereafter we have had continuous availability of our online service. However customers have been affected as follows. Those customers who use an Internet Explorer version 9

browser have had to make changes to their settings to enable them to use the online service. We should have been clearer in the instructions we gave customers about how to make those amendments.

**LEWIS:** Benny, I'm just going to interrupt you there because I want to hear the rest, but I've got an email here. Last night we got this from one of your customers: 'I have followed their recommendations on Internet Explorer 9 and am repeatedly getting a security certificate issue which I can't get past.' Another e-mailer emailed to say: 'I'm still not accessible from my Internet Browser IE8, which is supposed to be compatible.' So I mean it's all very well saying you've resolved that. You haven't resolved it for a huge number of customers.

**HIGGINS:** Yeah if you don't mind letting me perhaps just expand on my answer. As I say, there has been the issue with Internet 9 and that has affected a number of customers. Of the 100,000 active customers, 25,000 have already re-registered successfully. We've had 9,000 customers over each of the last few days active online. One of the two things I think you need to be aware of too is that there were a number of customers online when the system failed. Those customers were locked out. There was also ...

**LEWIS:** *(over)* And they're still locked out, aren't they, until they write to you and you write back to them?

**HIGGINS:** No, that's not the case if I can make it clear.

**LEWIS:** *(over)* Well that's what some of them have told us.

**HIGGINS:** Well let me make it clear. There's also a number of customers who routinely - and this happens every week ... Prior to this week, in a typical week we would have between 750 and 1,000 customers who can't sign on because they have got inaccurate security credentials in their possession, so they themselves don't have the right details.

**LEWIS:** *(over)* Well so you're blaming the customers now?

**HIGGINS:** No, I'm absolutely not. I'm just saying typically there will be 1,000 customers who have that difficulty every week. We had 2,500 customers, including any that had the details wrong themselves, plus those that were online. So we had 2,500 customers who were locked out as a result of Monday and Tuesday and we have been contacting those customers by telephone and by email to ensure that they have every chance to be back online.

**LEWIS:** And many of them have been trying to contact you and they have been unable to. I hung on to your helpline with that lovely music for 54 minutes this morning before we got an answer. That's just not good enough when you know there are thousands of people needing to contact you.

**HIGGINS:** It's absolutely the case that we have failed in that regard, but ...

**LEWIS:** *(over)* What are you doing about it? That's what people want to know.

**HIGGINS:** I'll tell you what we're doing about it because it is our highest priority to focus on doing the right thing to put customers in the right place. At the start of the week when we had the failure online, we had a waiting time, an average waiting time of over 40 minutes. We have between doubled and trebled the number of people on the telephone since Wednesday. Our average waiting time yesterday was 15 minutes. Still not good enough, but we are ...

**LEWIS:** *(over)* Well it was 54 when I rang, unless you're saying I was kept on hold exceptionally. It was 54 minutes.

**HIGGINS:** Well yesterday ...

**LEWIS:** *(over)* And also we were told today faster payments aren't working, are they, so it's still not back to normal even for the customers who can log on?

**HIGGINS:** The average yesterday was 15 minutes. I don't know what the average this morning has been, but I would expect it to be around the same time.

**LEWIS:** Well I can only tell you I rang at half-past ten and it was 54 minutes. Let me ask you this. You've got this transfer of, as you say, nearly 900,000 people. Didn't you test the new system to destruction before you actually went live with it? This is a banking system with people's money at stake.

**HIGGINS:** Of course we did, and I have ...

**LEWIS:** (*over*) Well not very well then, did you?

**HIGGINS:** Well if you let me answer the question. I have been involved in a number of large migrations in my career in financial services. We tested very, very thoroughly. It is no consolation to customers and no consolation to us that a relatively small number of issues have gone wrong and created disproportionate damage to the customers. We do apologise unreservedly. It is absolutely our focus to put this right. We're doing absolutely everything we can and we've made huge progress since earlier in the week. A number of ...

**LEWIS:** (*over*) Well I have to say we're getting more emails than we were earlier in the week. It doesn't seem to us that things are getting better. But thanks very much. Can I just ask you very briefly. A lot of people have said to us we're going to take our money out of Tesco. What do you say to them?

**HIGGINS:** Customers are entitled to make their own choice. We will not be deflected by the incidents this week from seeking to provide customers with the very highest level of service. The test of an individual and the test of an organisation is what they do when things go wrong as much as any other time. That's what we're focused on. Customers will make their own choice. We will not be deflected in our pursuit of serving customers well.

**LEWIS:** And you think you've passed that test because, of course, you want to become a force in banking, don't you?

**HIGGINS:** (*over*) We have not passed that test yet.

**LEWIS:** You haven't passed it. But you want to become a force in banking to compete with other banks when one of the big problems is service.

**HIGGINS:** (*over*) Absolutely, that is indeed what we are setting out to do. This is one of a series of migrations. Many are behind us very successfully. It is no consolation that things have gone wrong this week. We are very focused on doing the right thing and focusing on what customers need sorted. That's what we're doing.

**LEWIS:** Benny Higgins of Tesco Bank, thanks. Well with me is Mike O'Connor, Chief Executive of Consumer Focus. And, Mike, we're going to have be fairly brief, I'm afraid. But should we expect more from a new entrant that's trying to take on the big banks?

**O'CONNOR:** Tesco have dropped an almighty clanger. They're not the first, not the last. But online banking is now not just an exotic rarified thing. It's becoming the mainstream and we're losing cheques, etcetera, so our own backups are disappearing. So I think we need a guaranteed standard of service from anybody who runs online banking, so that we can all be confident and secure we don't end up in this horrible mess.

**LEWIS:** So you think perhaps that ... You say we should have a guaranteed standard of service. You're implying the government or the Financial Services Authority should be laying down rules; that somehow there should be a service we can rely on even when a new computer system doesn't work and even when there are too few people on the helplines.

**O'CONNOR:** I welcome more and more people coming into the banking field like

Tesco, but if they do come into the banking field we need to make sure that they have all the contingency plans in place because when we lose our bank accounts it's really debilitating. So I think there should be minimum standards set for everybody.

**LEWIS:** And the minimum standards would be what because if your online bank goes down, it's hard to see what you can do really?

**O'CONNOR:** Well the minimum standard should be around ensuring that people have the adequate contingency arrangements in place because things do go wrong, we'll never have accident free. But when things go wrong banks should admit it, they should communicate clearly. They should fix it, they should apologise, and compensate not just for loss of money but also if you've spent an hour on the phone I think you deserve a payment.

**LEWIS:** Okay, and certainly Tesco has said they will compensate people. And we've had at least one email from someone who's added it up. He's spent £15 on his calls to Tesco. Though the line is now free, there's an 0800 number, and let's hope Tesco do honour that and give people the money back. Thank you very much Mike O'Connor. You can still let us have your experiences of Tesco banking, have your say on our website: [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox). And of course good experiences as well as bad.

The Greek Prime Minister has been assuring people that he will get his austerity plan through parliament next week despite threats by some of his own MPs to vote against it. If he fails, he won't get the promised help from Europe and Greece could be unable to meet its commitments to investors who've bought Greek government bonds. That could happen as soon as July. If it does default on those loans, that could trigger a major collapse not just of its own banks but other European banks which hold these increasingly doubtful bits of paper. But what about depositors with money in Greek banks? Dave Smith is from Worcestershire, but he has money in a Greek bank account and he's worried about its safety.

**SMITH:** My wife is Greek and we have a deposit account with 50,000 euro plus. We



just decided to be safe and remove the money. It does sound as if it will be limited to not being able to move it in one amount. We'll have to do it in small individual amounts by the look of it. I think it'll be probably in the region of about £30 per transaction and I think we might need to do it in about four transactions. It's not a sizeable amount considering what's at stake and for the amount of money that you need to spend to do that.

**LEWIS:** Well one man who's taking his money out of Greek banks. Greece, like all European countries, has a system though to guarantee deposits up to 100,000 euro. But if Greece did default and left the euro - restoring its own currency, possibly a new drachma - those funds could be converted at a poor exchange rate. That's what happened to people who had money in Argentina's bank when the country defaulted on its debt in 2002. They stayed in Argentinian pesos, but that currency had been linked to the US dollar. One peso, one dollar. But on the default that link was broken, as author Alejandro Manara explained to me from the BBC's Buenos Aires studio.

**MANARA:** The peso dropped from one to one to about three to one, but prices at the beginning didn't go up very much. People were so, you know, flabbergasted, they didn't have no clue what was going on and people were scared to lose business so they didn't raise the prices. But then of course, you know, if you buy ten pounds of cheese, you're a merchant, you want to have at least money to make a little profit and to be able to replace the merchandise. So, you know, eventually prices had to go up.

**LEWIS:** Because the cost of things from other countries obviously went up considerably if the currency fell so much.

**MANARA:** Yeah, exactly.

**LEWIS:** And that presumably affected ... that must have affected people with savings. Those savings would be worth a lot less. But people with debts, people with mortgages, they would benefit from this?

**MANARA:** Exactly, you know the ones who benefit were people with mortgages because the mortgages were frozen. While people who had saved dollars, they were automatically turning to pesos. So if you had \$40,000, suddenly you had 40,000 pesos that were worth \$10,000. So, you know, you can imagine how pissed off people were.

**LEWIS:** Yes indeed. And among the people in Argentina at the time, who do you think suffered the most? Was it pensioners? Was it people with families?

**MANARA:** Well I think the pensioners and people who lived from their savings, who had no, you know, foreign bank accounts and who had believed in the bank and they had put their \$20,000 or \$30,000 - you know those people were very affected. So pensioners and people who had small savings. And then of course there's about a fourth or a third of the working force is outside the market in the sense they get paid cash and they are not recorded in the social security and so on and so forth. So those people were affected because they would still be paid very low wages, which in dollars had been reasonable, but with the default those wages were low and those wages took a lot longer than the legal market to pick up.

**LEWIS:** Well that was Argentine author Alejandro Manara. Live now to economist Megan Greene who specialises in the Eurozone. Megan Greene, will Greece default?

**GREENE:** Yeah, I think that it's pretty inevitable that Greece will have to default on its debt eventually. Its debt levels are simply unsustainable and have to be written down. The question is just when it might happen. And there's a real risk that it might happen in the very short-term if the government can't manage to pass this medium-term plan, but the timing is everything.

**LEWIS:** *(over)* Yes and we heard there may be problems with that because some of its own MPs may not even vote for it.

**GREENE:** That's right. Two of the PASOK MPs have said that they'll vote against it, so now the government only has a three MP majority.

**LEWIS:** And if it does default sooner or later, does that mean it will have to leave the euro, it will have to reinvent its own currency - the new drachma or something like that?

**GREENE:** So that is entirely up to the timing of the default. Right now Greece is running a primary deficit, which means not considering its debt interest costs. It is borrowing money just to run the government. So if Greece were to default now with a primary deficit, it means that it would be frozen out of the markets, it would be cut off from funding from the EU and the IMF and it would need money immediately just to run the state. And so it would have two choices: It could either leave the euro and issue its new currency; or it could stop paying all the public servants, which in Greece particularly is just a recipe for massive civil unrest.

**LEWIS:** Well they're striking already over the previous austerity measures, so that would really bring everyone out on the street, wouldn't it?

**GREENE:** That's right, that's right. And so if there is a default now in the primary deficit, I think Greece would probably leave the euro. But if Greece could wait until 2013 when it's finally generated enough growth to have a primary surplus, then it wouldn't have to leave the euro.

**LEWIS:** But that implies that over the next 2 years, it will do what it manifestly failed to do over the last year or so and actually get down to solving the problem, which it seems almost incapable of doing.

**GREENE:** Well it doesn't mean it would have to solve the problem. It means that it would have to convince the troika that it's implemented enough of the reforms demanded for the troika to continue lending it money until 2013 when this European Stability Mechanism, the ESM, is due to be implemented. And the ESM, the whole point behind it is to create a structure through which countries can default in as orderly and managed a way as possible. And, you know, that makes a huge difference in terms of how quickly a country can return to the market. So the idea behind all of

these bailouts is just to bide time until 2013 when the ESM is in place. That being said, I'm not sure that the Greek government can possibly convince the troika that it's meeting any of its targets because even if this medium-term plan is actually passed, it will be impossible for the government to implement it, given all the opposition within Greece among the public, among PASOK members and among opposition parties too.

**LEWIS:** And just tell us what the troika that they have to convince is.

**GREENE:** Sorry, it's the EU, the ECB and the IMF, so essentially all the creditors for Greece. And every quarter they descend on Athens and do an analysis of how well Greece has done by meeting all the targets that have been set up as conditionality for all of these loans.

**LEWIS:** And just let me go back to the listener we heard earlier, Jonathan who's got money in France. What happens to people? Should they be panicking and taking their money out, or really is an individual with money or property there going to be alright?

**GREENE:** No, I think that probably deposits will be backstopped by the EU. They definitely will if Greece remains within the euro. But even if Greece were to leave - if Greece left the euro, it could possibly still stay in the EU and I think the EU would probably step in to backstop all deposits. I mean if you look at Ireland, for example, the banking system is in much worse shape, was in complete meltdown and the EU stepped in to back up all of those deposits, so I think probably Greek deposits are safe.

**LEWIS:** So the next week or two will be crucial. Megan Greene, thanks very much for talking to us.

The Financial Services Authority has approved plans for a £54 million compensation package for the people who invested in Arch Cru. Capita, the fund administrator and BNY Mellon Trust and HSBC, which acted as the banks that the money was deposited in, agreed to the voluntary establishment of the compensation fund. Now Arch Cru funds were worth more than £350 million when they were suspended in

March 2009. Since then their value is less than half of what it was then. I'm joined now by Daniel Grote, News Editor of Citywire's New Model Adviser magazine who's been following this story from the start. Daniel Grote, very briefly just rewind and tell us what went wrong with this investment.

**GROTE:** I mean these were funds that were marketed as you know low risk cautious type investments. I mean one of ...

**LEWIS:** (*over*) They're the ones that always go wrong.

**GROTE:** Well exactly. One of the funds was even sort of marketed as an alternative to a bank deposit account, for example. What they were investing in were risky private finance private equity type schemes and not giving investors enough information about the specific companies they were investing in. And it transpired that, you know, a lot of money for example was going into a single great shipping firm that, you know, plunged in value. So not enough information was given to investors.

**LEWIS:** I mean given that, given that I mean despite what people were told their money was invested in some rather strange places - if they eventually get back, I think they might get 70% of it under this new deal, I mean that may not seem that bad a loss given what went before it.

**GROTE:** I mean no-one's going to be happy about losing 30% of their money.

**LEWIS:** It's a lot better than they feared at one time though.

**GROTE:** It is. There are question marks though over whether investors will eventually get that 70% and, if they do, when they get it.

**LEWIS:** How do we get to that 70%?

**GROTE:** What's happened is the FSA has announced a 54 million payout for investors. Investors have already received another 54 million from the selling off assets within the funds, so what the FSA is assuming is that the current fund managers of the funds are able to deliver around £140 million by selling off the assets.

**LEWIS:** And is selling those assets going to be a problem given what you said about what they were like?

**GROTE:** It's going to be a very complicated and tricky procedure. Spearpoint, which is the company that now manages the funds, they took over in December 2009 and they were given a mandate of selling off the assets within sort of 3 to 5 years. So it may not be that, you know, investors get money until December 2014.

**LEWIS:** You mention that date, but when might they be likely to get some money? Are they getting it in stages? When might they get it all?

**GROTE:** They've already received some and they're likely to receive some in the near future from this FSA deal, although the details aren't quite clear yet. And they will receive that money in instalments - maybe until 5 years time.

**LEWIS:** Okay, Daniel Grote from New Model Adviser, thanks very much indeed. Always beware of investments that say they're safe when they're not actually in cash. Ben Carter's back with me. Support this week then for the idea that taxpayers should get some shares when the part nationalised banks are sold off?

**CARTER:** Yes, that's right. This week this proposal was backed by the Deputy Prime Minister Nick Clegg. Under the plan, the 45 million people on the electoral role would be given free shares in the bailed out banks, Royal Bank of Scotland and Lloyds Banking Group. The shares would only have any value above a floor price equivalent to what the government paid for the holdings, so the Treasury could cover the cost of its investment, and that price is estimated at 74p per share for Lloyds and 51p for RBS.

**LEWIS:** Thanks Ben. We'll have to see if that happens. That's almost it for today. There's more on our website: [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox). Newsletter, podcast, listen again, send us your ideas and have your say on Tesco. I have to say a lot of you are. 'The website froze on Tuesday', says Susan. 'Put in the new ID and then promised to call back. Still waiting.' But one listener, Stewart, says: 'Both my wife and I have accessed our accounts without any problems.' so he says not everyone is suffering but he understands the frustration of those who are. Vincent Duggleby's here on Wednesday, Money Box Live this week, taking your questions on tax. Back next weekend with Money Box. My twitter, [PaulLewisMoney](https://twitter.com/PaulLewisMoney) is live all the time. Producer Ruth Alexander. I'm Paul Lewis.