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MONEY BOX

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LEWIS: Hello. In today's programme, as you've heard, another bungle by Revenue & Customs will leave nearly 150,000 older people facing unexpected tax demands. How much tax will people over 65 pay from 2012 and will they pay more when income tax and national insurance are merged? More on the Budget. We reveal the unofficial Olympics ticket website that charge a lot more, but can't guarantee tickets. There's a quiz on the best way to pay back £1200 over a year. And the first interview with an energy company after a damning report by the regulator this week.

But first, the latest tax bungle. HM Revenue & Customs will soon demand hundreds of pounds in uncollected tax from nearly 150,000 pensioners. The mistake happened when HMRC failed to take account of the state pension when it sent out tax codes to people who first drew the pension this year. HMRC made exactly the same mistake in the two previous tax years. The government announced in January it would cancel those bills, but the Revenue told Money Box this morning it had no power to write off the latest money it's failed to collect - £130 million - because the mistake was discovered in the year the tax was due. Live first to talk to Ian Liddell-Grainger, Conservative MP for Bridgwater and West Somerset, and Chairman of the All Party Parliamentary Group on taxation. And Ian Liddell-Grainger, you've been very critical of HMRC. What do you make of this latest bungle?

LIDDELL-GRAINGER: Well it sort of comes as two parts.. [inaudible]. First of all, as you know, we've just brought out a report about the way HMRC operates and

they've said yes, we have had problems, but we are there. We've sorted out, we've rectified all the problems in the past. Therefore we can now start again with the future ahead of us. And we suddenly realise actually that's not the case at all. What's happened is of course this has come to light. I'm delighted however it's been arrived at because it actually shows that we have an enormous amount of work to still do within the Revenue.

LEWIS: Do you think this 130 million should be written off too?

LIDDELL-GRAINER: I do think ... There's two problems with that. First of all, we don't know how old this all this; and, second, we don't know actually where the problem lies exactly. If we can get to the bottom of that - and I will be putting down some questions on Monday to see if we can find out - if it's quite obvious this is a long time ago, let's just write it off and let's keep going. If not, let's just see what the damage is. If people are paying back a fairly small amount - and I know it's relative - perhaps. But if it's an enormous amount, I'm sorry, I think the government should take it on the chin.

LEWIS: Yes, I mean the Revenue told me this morning it was an average of £800 each and it is in fact tax that was due this tax year. That's the problem with writing it off.

LIDDELL-GRAINER: Absolutely and therefore I do think we need to look at this. And if it's found that we have to actually say to people, I'm really sorry; but the Revenue themselves, we've got to say to them this is not acceptable. It cannot keep on coming out all the time - all these problems. You keep telling us you've done it, you keep telling us the systems you've got now are working. Quite obviously they're not there yet.

LEWIS: Do you think there should be an inquiry or perhaps a statement to parliament by the minister responsible on Monday?

LIDDELL-GRAINGER: Well the ultimate thing is actually, the point you've just made - the last bit, is the minister responsible - the Revenue is the only department that doesn't have a direct ministerial control; and what we've been calling for, there should be a minister directly responsible for HMRC. It could either be David Gauke as the Financial Secretary to the Treasury or somebody else. But until we get that direct line of command and also the most important thing is to make sure there are tax experts on the board of HMRC. As you know at the moment, there are not very many.

LEWIS: Ian Liddell-Grainger, thanks. Now no-one from HMRC or the government would be interviewed. The Revenue told me it apologised for the mistake, but in fairness it had to collect tax that was due. The bill can be spread over 3 years if you call and ask and a special phone line will be set up in the next two weeks. Well also listening to that is John Whiting, Tax Policy Director of the Chartered Institute of Taxation. John, how has this happened again?

WHITING: Well I think it's the final knockings of the switch HMRC have done to their new computer system. And I say final. I hope it's the final one.

LEWIS: We keep saying that, don't we - thinking and hoping that?

WHITING: Well yes, hopefully this one really is. It's obviously, as you've been saying Paul, it's people who've probably started to collect their pension this current tax year. Somehow that's been missed in the tax coding. And I've some sympathy for the Revenue saying well it's in year, we'd better collect the tax, because after all of course a lot of people have been paying their tax on their pensions.

LEWIS: Yes. And I know a lot of our listeners will say well mistakes are made and we've had to pay up. Why should this lot get it written off? Though there is obviously some ...

WHITING: (*over*) And at least they're getting it spread over a number of years, which I think is not unreasonable.

LEWIS: Yes. Though they have to ring up and ask for that, I'm told.

WHITING: It would be better if that was the default, wouldn't it?

LEWIS: Better if it was automatic?

WHITING: Yes.

LEWIS: Stay with us, John, because the Budget beckons, as I'm sure you know. And I should just add we asked for a minister to come on the programme but no-one was available. So on now to the Budget. Here's Chancellor George Osborne explaining the tax cut he hoped would make a smile.

OSBORNE: I can confirm that from April next year, the personal tax allowance will increase by a further £630 to £8,105. That's another real increase of £48 extra per year or £126 in cash terms, together with this year's rise - a total of £326 extra money each year for those working hard to pay for their family needs.

LEWIS: Well that was George Osborne. Let's start with that rise in personal tax allowances from April 2012. Anita Monteith is with me. She's Technical Manager of the Institute of Chartered Accountants for England and Wales. Anita, how much is that tax cut actually worth?

MONTEITH: Well for a basic rate taxpayer, then it will be worth as he says. But it's for the higher rate taxpayers that I'm afraid the devil's in the detail as ever because what he's done is brought down the threshold at which higher rate will start to have to be paid.

LEWIS: Yes, so they'll gain the same amount as people on basic rate - £48 after you take account of inflation ...

MONTEITH: That's right.

LEWIS: ... which is only 92 pence a week, so not much of a cheer really. But the over-65s, people over 65 have been contacting us saying they've been left out of this big tax concession again. Will their allowances be raised?

MONTEITH: Their allowances have been raised, but not by nearly as much. One other thing that has gone up for them is the income limit at which their higher allowance starts to be reduced. So both things have gone up. They will be a little bit better off, but not, I'm afraid, by as much as the man in the street basically.

LEWIS: No. And the actual figures for 2012 for the over-65 allowance haven't been published, won't be published till the end of the year.

MONTEITH: No.

LEWIS: John Whiting's still with us. John, as people under 65 get these extra tax allowances to build up to £10,000 eventually under the coalition government's policy, people over 65 are feeling that gap between the two is narrowing. Could it disappear altogether?

WHITING: Well I think it's a very good question, Paul, and really we could do with a statement as to what is the strategy on this over-65 allowance. Is it going to just erode back down to the basic personal allowance? Are we going to keep the differential? Because one irony of this - you alluded there to the higher earning pensioners who of course start to lose that higher pension, that higher age allowance - of course they can only go down to the basic personal allowance, so they will actually gain more in a sense than their less well off brethren.

LEWIS: It benefits them. And, John, apart from your role in the Institute of Taxation, you're also Head of the Office of Tax Simplification.

WHITING: Yes, I confess it.

LEWIS: One of your ideas - merging tax and national insurance - was in the Chancellor's speech as a kind of idea he would move forward. Will that though mean higher tax - a lot of people have been emailing us about this - for people who don't pay national insurance now? Will they have to start paying extra tax?

WHITING: Well the first thing to stress is this is a study. And it's a study about integrating the operation, as the Chancellor put it - so trying to smooth out the kinks between the systems - and frankly it'll mainly benefit employers, save an awful lot of admin. But what he did also say is he picked up something we fairly quickly pointed out, which is to say of course NIC on pensions and savings income would not be welcome by many people. He's ruled that out, so the stress is it won't happen on pensions and savings income. And indeed nothing is going to happen for some time; it's a study.

LEWIS: Some words of comfort there from John Whiting. Thanks, John, and thanks also to Anita Monteith. We must move on because we've got a lot to try and squeeze in. It wasn't just tax changes that emerged from the Budget. The winter fuel payment for people over 60 will be less this coming winter than it has been for the last 3 years. The change wasn't announced to parliament, wasn't in the budget documents. And even Deputy Prime Minister Nick Clegg seemed unaware of the change on BBC Radio Sheffield on Friday.

CLEGG: He made so many claims which turned out to be completely wrong. We're actually increasing the winter fuel allowance much more sharply than it would have been increased under Labour. We made that very clear before the very harsh winter and it's helped a lot of people this winter. Honestly I don't know what he's going on about. He keeps sort of throwing around a lot of sort of wild allegations.

LEWIS: Well Nick Clegg clearly slightly confused two days after the Budget on BBC Radio Sheffield. With me is Mervyn Kohler, Special Adviser to Age UK. Mervyn, Nick Clegg clearly needs briefing on this. What is happening?

KOHLER: Yes, the cold weather payment is what he was suggesting was increased sharply. That is the means tested benefit - the one that you qualify for if you're on means tested benefits - and it's paid to households where the temperature is zero for seven consecutive days. The winter fuel payment is a different benefit altogether. That's the one that goes to all pensioner households and that's the one which we'll see its value fall to £200 and £300 for this coming winter.

LEWIS: Now I've been calling it a cut. People have been saying well it's not a cut because it always should have been £200 and £300 and the last government kept adding to it. Is that fair?

KOHLER: I think that's fair. Technically it didn't need to be announced in the Budget because the decision was taken in the Spending Review, but I think it comes under the heading of you know one of the awards for being economical with the truth here. It will look like a cut because for the last 2 years people over 80 have been getting £400 and others getting £250, and that will come down to £300 and £200.

LEWIS: Right but it will feel like a cut because you've got £250, you're getting £200; you got £400 and now you're getting £300. That feels like a cut even though technically if you delve back into past budgets, it's not a cut.

KOHLER: Technically it's not a cut, but that's parliamentary semantics for you and the reality is fuel prices keep going up remorselessly.

LEWIS: And on a related subject, Mervyn, while you're here, the £140 flat rate state pension was mentioned.

KOHLER: This sounds a really good idea because our mean pension system, our complex pension system means that nearly a third of our pensioners qualify for pension credit, which is means tested of course. And that stands at just over £130 a week. If everybody got £140, we'd take all those people out of means testing. And since means testing is inefficient and about a third of the money that's allocated

doesn't actually get claimed because people don't know about it or don't make a claim, we would really improve and simplify the state pension arrangements if we were to move it in this direction.

LEWIS: But we still don't know the details and we're waiting for them.

KOHLER: We don't know the details. And the Chancellor did say ominously it will take a long time.

LEWIS: Yes and it won't cost anymore, which is his key criteria. Mervyn Kohler from Age UK, thanks very much indeed.

Money Box has discovered that unofficial websites are illegally selling tickets for next year's Olympic Games at vastly inflated prices. Ben Carter's been investigating. Ben?

CARTER: Yes last week we looked at some of the problems surrounding the official site selling Olympics tickets, and this week we've discovered the problems of the unofficial websites. Money Box listener Irene Ermelli has contacted the programme. She said she was excited to try and get hold of the tickets as soon as they went on sale, so she did an internet search for London 2012 tickets and clicked on the first result.

ERMELLI: I was particularly interested in the athletics. So I asked what was available and they quoted £80 per ticket, which I thought was a bit steep but, oh hey, it's worth it. So I sort of Agreed to pay £160. And then they wanted another £20 for delivery, so I agreed to that. But then I suddenly thought, hmn, not sure if this is the right site. So I paused and went into another search engine and put again the same details, and another site came up and I realised that that was the official Olympics site. So of course I wanted to cancel the one that I put in before, which was Euroteam, and they refused to give me a refund even though it was within 15 minutes of asking.

CARTER: Now the reason Irene was so keen to get a refund is that she discovered the tickets were on sale on the official site for £16 each, a fraction of the cost. By buying the tickets through Euroteamtickets.com, she'd paid five times the official price.

LEWIS: And it's hard to see, Ben, how a website could be selling Olympic tickets when no tickets have actually been released yet.

CARTER: Well absolutely. The official site is inviting applications for tickets, but you'll not know whether you've been successful or indeed be charged for any tickets until a draw is done in May.

LEWIS: And also hasn't the government made it illegal to sell Olympics tickets unofficially?

CARTER: Yes, by UK law tickets for Olympic and Paralympic events can only be sold through authorised outlets. Section 31 of the London Olympic Games and Paralympic Games Act 2006 makes it an offence to sell an Olympic ticket without authorisation from the London organising committee. And this includes reselling tickets to make a profit. Over the next couple of months, the fine for illegally selling 2012 tickets will go up to a maximum of £20,000 per offence. The organising committee has confirmed to Money Box that Euroteamtickets.com is not a licensed seller of Olympics tickets. Nor has it applied to be. But the thing is this website is based in Norway, which makes it more difficult for the authorities to take action.

LEWIS: And have you spoken to anyone from the Norwegian website?

CARTER: I asked the man running the website to do an interview, but he declined. But I've received written responses to questions I put to him. Andreas Gyrre told me that the website is not doing anything illegal and that it does not market its services to British residents. He argued that the point of the business is to sell event tickets which are hard to get hold of and that this is reflected in their prices.

LEWIS: But, as we said, there's no way this company could have tickets to sell yet and some postings on internet message boards say that although the website takes money for tickets, it doesn't always deliver them and refunds can sometimes be hard to get.

CARTER: Well there are a host of website forms which feature complaints about this website. A lot of them relate to tickets purchased for last year's World Cup in South Africa. People travelled to the country on the promise that tickets would be delivered to their hotel and people say that in some instances the tickets never materialised. And some of those people say they're still waiting for refunds. Andreas Gyrre insisted they deliver up to 100,000 tickets to people every year, although he admitted that sometimes it goes wrong. When it does, he said, the company gives the customer a refund, but he conceded that sometimes it takes longer to refund than necessary.

LEWIS: But Irene Ermelli said she'd been refused a refund.

CARTER: Well she was. But now Money Box has intervened and Andreas Gyrre has said she will get back the money she paid.

LEWIS: Thanks Ben. Another success. Now, as Ben said, the authorities are trying to crack down on unofficial Olympics websites. I've been speaking to Detective Chief Inspector Nick Downing from the Metropolitan Police. He says the police and the Olympics Committee will work with authorities abroad to try to stop unlicensed sellers and warns that people wanting tickets need to be careful.

DOWNING: Our advice has been very simple and consistent: www.london2012.com. That is the official London 2012 website. That is the only place that we will direct people, that people should go.

LEWIS: And since Money Box has been looking into this, Euroteamtickets has been added to a list of known unauthorised websites on the official London 2012 tickets website.

Now moving on from Irene Ermelli's experiences with the website she stumbled on, DCI Downing has a dedicated unit of more than 30 officers who have been looking at others which sell tickets for a wide variety of other events. In the past his team has found some of those websites have been involved in serious criminal behaviour.

DOWNING: We've already disrupted eight separate criminal networks involved in ticketing scams. These are fraudsters, make no bones about it. They're organised fraudsters whose sole goal is financial gain at the expense of the general public and the banks.

LEWIS: So you have people looking at websites day in, day out and finding these criminal sites to try and see what action you can take?

DOWNING: We've been looking at who's behind those websites - you know what's the criminal network, what makes them operate? So are they UK based, are they foreign based abroad? And then we work with again law enforcement from across the world and look at what opportunities we have to disrupt them. Just because their main activity might be running a ticketing website, a fraudulent one, there might be other crimes that we can do with them. We want to follow where their money is. If people have put their credit card details in, their personal details, we have seen in the past these will be sold on to other criminal networks and be used in other crimes.

LEWIS: And that's DCI Nick Downing of the Metropolitan Police. And you can go to our website and let us know your experiences of ticket websites on Have Your Say.

This week the big six energy companies have been strongly criticised by the energy regulator. Customers bamboozled by too many confusing tariffs and a failure to drop prices quickly enough when wholesale prices fall are just two of the accusations made by Ofgem. Its Chief Executive, Alistair Buchanan, told the BBC that's left customers disillusioned with the industry.

BUCHANAN: The overall effect is a profound loss of confidence. Consumers are not

switching. We've seen consumer switching decline in gas from 20% to 15%. We've seen the companies lean on their legacy customers to make most of their margin. And we've seen at the same time companies increase the number of tariffs available, almost doubling it.

LEWIS: Well Money Box approached each of the big six firms this week to respond to those criticisms and only one, Npower, agreed to an interview. I asked Richard Frost from the firm whether having so many tariffs was confusing people as Ofgem found.

FROST: We have currently nine products available to new and existing customers - so something like, without going through all the stand: one a fixed, one an online, one a green one, maybe something with the National Trust that we have. And those products you can choose to buy whether you have direct debit or whether you do it on a receipted bill. I don't think that's actually confusing. I think most people can actually manage to find their way round that and use the excellent cost comparison websites that are out there to help them.

LEWIS: When I went to your website and I printed out from one of your own pages your questions and answers, I put in my postcode and I got 61 different rates. And then when you get to the end of the 13 pages, it then says you might be entitled to a discount if you stay with us for 12 months and then it explains the conditions in another long and complicated paragraph.

FROST: Well again you see it's actually about trying to provide what customers want. If you go back some years to 2001 ...

LEWIS: *(over)* So customers want to plough through 13 pages ...

FROST: *(over)* Well if you go back to 2001, we had a situation there where I think it was probably simpler in the sense we had a very simple standing charge and then one rate for all of the units that were actually consumed. But a lot of people told us they

didn't like that, so we've changed the structure of our tariffs so that we have typically a block of units that you pay at a higher rate and then another block of units that you pay at a lower rate. That basically is in response to customers saying to us we don't like the way you're doing things, we want things to change.

LEWIS: Another criticism that is made is that you raise prices quickly when the wholesale market price increases; but when the wholesale prices fall, you're too slow to reduce your prices. I mean we hear this again and again from our listeners and now Ofgem agrees.

FROST: Well I'm not sure they do. We don't recognise this assertion. I think if we were doing this, then you've got a situation where wholesale gas prices for example have gone up by 26% since January and over 2010 they went up 50%. So I think were we doing that, we would actually be ratcheting up our prices very, very quickly indeed, and we have not put our prices up by anything like that.

LEWIS: It must be damaging though to you as an industry and to Npower as a company to have all these criticisms hanging over you? Are you going to get this passed to the Competition Commission so you can make your case and we can get a final decision on all these matters?

FROST: I think Ofgem have focused very much on the areas where things (as they would see it certainly) are not going well and have totally neglected to look at all of the positive things that are actually going on.

LEWIS: But that's their job isn't it? They look at the things that aren't going well and say improve them.

FROST: I think their job is to actually take an overview of the market and try and make sure that everybody understands how well things are going in the areas where things are going well. And, yes, if there are things not going so well, then yes of course they should highlight them. I know there are colleagues of mine who would

say you know with the Competition Commission - fine, let's bring it on.

LEWIS: Is that's what's going to happen?

FROST: I don't know and I don't think anybody else does either at the moment. We have had a lot of investigations from Ofgem over the years. We have absolutely nothing to hide and to that extent we are open to a Competition Commission inquiry.

LEWIS: Richard Frost from Npower.

Now humans are not very good at arithmetic. It's why financial services make so much money out of us. And study after study finds that faced with what should be simple choices, we make the wrong decision. Tim Harford is the undercover economist at the Financial Times and presents More or Less, the programme about numbers here on Radio Four. He told me about this question, which he says 93% of Americans who are asked it got wrong.

HARFORD: Imagine that you want to buy a computer and the computer costs £1,000. And you don't have £1,000 to hand, so you need to buy this computer on credit and you have two options. One is that you're going to pay in monthly instalments, and the deal is you'll pay monthly instalments of £100 a month and so over the course of the year you'll pay a total of £1200. The second deal is you'll borrow the money - maybe it's a credit card, maybe it's a consumer loan. You won't pay any of it off until the end of the year, and at the end of the year you'll pay £1200 - the £1,000 you borrowed, plus £200 interest. So the question is which of these is financially the best option? You've got a) 12 £100 monthly instalments; b) borrow the £1,000, don't pay anything all year, at the end of the year you pay back £1200; or c) both of those two options are equivalent?

LEWIS: Well that was Tim Harford. Now we had hoped to give you the answer this week, but you're going to have to wait till next week now, so you've got a week to ponder it. In the meantime More or Less is back on Friday at 1.30 here on Radio Four.

And that's just about it for today. You can find out more from our website: bbc.co.uk/moneybox. Sign up to my weekly newsletter, read it, download a podcast, listen again, send us your ideas, and have your say on unofficial ticketing websites. What's your experience of buying tickets for the Olympics and other events online? Have you paid more than you've wanted to and can you easily distinguish licensed from unlicensed sellers? On Wednesday Money Box Live will be broadcast live from Plymouth at the Drake Shopping Centre. You can come along and be part of the audience, see us in action, ask a question on air or get confidential financial advice all day from the BBC Money Matters team of experts. I'm back with Money Box next weekend. You can read my money thoughts every day on my twitter, Paul Lewis Money. Today reporter Ben Carter, producer Ruth Alexander. I'm Paul Lewis.