

THIS TRANSCRIPT IS ISSUED ON THE UNDERSTANDING THAT IT IS TAKEN FROM A LIVE PROGRAMME AS IT WAS BROADCAST. THE NATURE OF LIVE BROADCASTING MEANS THAT NEITHER THE BBC NOR THE PARTICIPANTS IN THE PROGRAMME CAN GUARANTEE THE ACCURACY OF THE INFORMATION HERE.

MONEY BOX

Presenter: PAUL LEWIS

TRANSMISSION: 26th NOVEMBER 2011 12.00-12.30 RADIO 4

LEWIS: Hello. In today's programme. The banks that close accounts without giving a reason and make sure you can't open an account with any other bank. There are claims this morning that a billion pounds a year is lost due to avoidance of stamp duty land tax. Should the Government be encouraging 95% mortgages on new build homes? New protection for people who use Maestro debit cards, and the savings website that keeps track of your interest rates.

But first, imagine you find a letter on your doormat from your bank saying your account is being closed because you 'no longer meet the bank's criteria for business' and 'please remove your money within 14 days.' Well last week we reported that a 6 month old baby girl's account was closed like this in error. The story got a huge response from listeners and dozens of you complained that other banks had taken similar action against them, leaving you unable to open an account with any bank. Bob Howard's been investigating.

HOWARD: Paul, Lisa from Berkshire's just finished university and had been a Barclays customer since she was a child. But then she changed her address and applied for a joint account with her partner. Not only did she not get the joint account, but Barclays closed her existing one.

LISA: I went into the bank and updated my details to my mum's home, and within a week the bank actually closed down my account. I got a letter saying that I no longer

met the bank's criteria. This was a bit of a shock. I tried to contact them numerous times and received no help at all - wouldn't tell me why they'd closed it, wouldn't re-open it.

HOWARD: Lisa's tried everything to try and find out why her account was closed and to open one with another provider without success. The Financial Ombudsman told her the account closure was a commercial decision by Barclays, so Lisa used the Data Protection Act to try to force Barclays and the other banks she's applied for accounts with to say why they would not let her be a customer. She says records revealed there was an allegation of fraud, but didn't tell her who had reported it or what she was supposed to have done.

LISA: How can I clear my name if the banks are not going to tell me what it is I've supposedly done? It's completely ruined my life to try and explain that I don't have a bank account. People automatically think that I've done something illegal and that's not fair because I never have. I've had to speak to my work, had to get my cheques paid into my partner's account. I can't just do basic things like book holidays. I will never be able to get a mortgage. And for them not to tell me the reasons why, I just think it's ridiculous.

HOWARD: We contacted the industry fraud prevention service CIFAS, which, despite all her research, Lisa wasn't even aware existed. It said there was a fraud flag against her, but Lisa would have to put in a formal subject access request to reveal the details. Our sources believe Lisa may have been the victim of identity theft with a fraudster using her name, address and date of birth to try and open mobile phone accounts. None of our research revealed anything which Lisa has done, which would be grounds for a bank closing her account. Barclays wouldn't tell us why Lisa's account was closed, but it did send us the standard wording used in closure letters.

BARCLAYS CLOSURE LETTER: The reason behind this decision incorporates numerous factors from account conduct to commercial assessment. While we're unable to explain the mechanics of our decision, please understand this has not been taken lightly.

LEWIS: Well thanks for that, Bob. Well none of the banks we contacted said they informed customers who had allegations of fraud against them of the reasons why their accounts were being closed, and although the banks said there was a right of appeal none of the closure letters we have seen mention this. The MP for East Ham, Stephen Timms, contacted Money Box after last week's programme to tell us he had had two similar cases of accounts being closed of people in his constituency. He's raised them in Parliament.

TIMMS: I think that anyone being denied a bank account, in practice by the whole industry, must have some chance to appeal against that really draconian sanction. And, secondly, when a bank imposes a sanction of that kind, they need to spell out the consequences, so that their customers know the situation that they're being put into.

LEWIS: One of the things that we've discovered with banks though is that when it's a matter of fraud, they don't even give that as the reason. And we've had a letter from Santander saying they can close an account without a reason and we've had a communication from Barclays saying if the reason was fraud, we wouldn't be in a position to disclose this. So they are not giving people information even about why the account's been closed.

TIMMS: They're not. And when my constituent tried one bank after another to open an account, they all said, "Yes of course, that's fine." And then a few days later, they sent a letter saying you do not meet our criteria. That was the only explanation. It's innocent people being caught up who are the victims of fraud, who I think are owed that explanation.

LEWIS: You want changes. Whose job is it? Is it the minister who responded to your debate in Parliament? Is it the Financial Services Authority? Who should make these changes?

TIMMS: I was promised in the debate an investigation of these two cases and a letter from the minister to follow, and I hope that he will take the matter up with the FSA

and with the banking industry and push for changes which I think banks' customers are entitled to.

LEWIS: Stephen Timms MP. Well with me is Brian Capon of the British Bankers' Association. Brian Capon, you heard Lisa there saying her life had been "ruined" and she couldn't clear her name. This isn't treating customers fairly, is it?

CAPON: Well I think here banks are between a rock and a hard place in as much as the fraud costs of the country are about 38 billion a year. Four billion of that involves financial services. Part of the fraud prevention process is sharing data with CIFAS and other databases, and what banks will want to do if they see a flag come up, what they should do is to check other sources to verify that data. But if they actually tell the customers, say well we suspect that you've been involved in fraud or there is fraud allegation, then the bank itself could fall foul of the law which provides you can't tip off people. So we've got on the one hand you know banks saying well actually we can't do that, we're not allowed to tell you this in case we're in trouble for tipping off; the other hand, quite rightly there is the customer who thinks well but where does that leave me?

LEWIS: But this is such a draconian measure to deny someone a bank account. It can really ruin your life. There's got to be some real checking. Now last week CIFAS said to us the banks don't follow its own procedures. Last week they closed an account of a 6 month old baby and it took our intervention to get that sorted out. Clearly checks are not being made, are they?

CAPON: Well it would appear that perhaps in these situations the right checks weren't. But I would say that you know even some accounts, which are very, very small and may perhaps belong to or be in the name of young people, organised crime unfortunately works in that way - through a series of small accounts opened, fraudulently perhaps - and this is what banks have to be aware of and it's a matter of trying to balance that.

LEWIS: Of course we understand that and there are all sorts of agencies that combat crime, but they don't have the right you know to burst into our houses and search through it without proper procedures and it does seem that this draconian action is taken without proper procedures. And then the other problem, which Stephen Timms clearly identified, is the letter doesn't even tell you why and it doesn't give you any right of appeal. Shouldn't it at least give you some indication and say if you disagree with this, you have the right to appeal, here's who you contact?

CAPON: Certainly the Ombudsman is there for appeal. You can appeal to the bank itself. But because of reasons I've mentioned, it can be very difficult for a bank to go into any great detail.

LEWIS: But I don't see why if it turns out to be falsely ... And the Ombudsman - I mean Lisa went to the Ombudsman and they just said well it's a commercial decision because obviously a bank can refuse anybody. The real problem is that the CIFAS register has a flag by your name and it's very hard to find out it's there in the first place; and, secondly, very hard to challenge it.

CAPON: Yes certainly the only people who can remove that flag is the organisation that's actually put it there. But you know if someone is the victim of identity fraud or feels that they're the victim of identity fraud, it's always worth having a chat with CIFAS. There is something it can do - protective registration - which you know if that flag comes up against you, there's another flag that says don't immediately reject. You know there could well be a problem here. Look into this further.

LEWIS: But the banks don't tell you to contact CIFAS. And I must say if it was me, I would be suing CIFAS for defamation if it was wrong. Is that an answer?

CAPON: Well I don't think it is because you know CIFAS is ...

LEWIS: *(over)* It would work.

CAPON: ... CIFAS is one of a number of databases.

LEWIS: (*over*) But they have to be accurate. Brian Capon, I must stop you there, sorry. Thanks very much for talking to us.

The Government is losing a billion pounds a year due to widespread avoidance of stamp duty on expensive homes. Well that's the claim in The Times this morning, which says no stamp duty is being paid on one in three homes that sell for more than a million pounds. Live now to talk to Angela Beech who's a partner at the accountants Blick Rothenberg. Angela Beech, are these figures accurate - a billion pounds in stamp duty avoidance?

BEECH: Well it's very difficult to estimate exactly how much is being lost to the Treasury and that's because we just simply don't know how many of these transactions are happening.

LEWIS: No, but I mean is your firm involved in them? Do you get people coming to you and saying, "Look, I'm going to buy this property for a couple of million quid and I don't want to pay £100,000 in tax. Can you help me avoid it?"

BEECH: We certainly do get clients approach us. We don't actually undertake that sort of scheme ourselves, but we can refer people to specialists who do do this.

LEWIS: And how does the scheme work? How can you actually avoid this tax because I'm sure anyone who's bought or sold a house recently, bought a house recently, knows that it's all done through the lawyer and it seems inevitable that you pay it?

BEECH: Yeah, these schemes are very complicated, so they're not for the faint hearted, and they normally involve some kind of middle step that basically results in the stamp duty land tax being avoided.

LEWIS: And a middle step such as what? I mean The Times is saying the house is in fact held in an offshore company and then the person who lives in it actually owns the company. Is that how it's done?

BEECH: No, that's a completely different arrangement. What we're talking about here is the domestic tax avoidance that's mentioned in the paper, and that's where the purchaser basically makes sure that when they buy it and they transfer it into the offshore company to start with, that that step doesn't incur stamp duty land tax.

LEWIS: And is this really legal? It does sound certainly at the edges of legality.

BEECH: Well there's loopholes in the legislation and it's up to the Revenue to close them. And they are doing so. There's been various land stamp duty schemes that have been closed over a number of years, but it takes a while for them to be discovered even though they're reported to them and then closed down.

LEWIS: Yes because everyone who engages in any sort of tax avoidance scheme has to report that scheme to the Revenue to give it time to do something about it, I thought?

BEECH: That's right. But with stamp duty land tax, they've got a very short period of time in which they can investigate things. They've only got 9 months from when the return goes in that says I'm not paying you anything.

LEWIS: And do you think there may be something said in the autumn statement on Tuesday or perhaps in the budget next spring? This is a billion pounds if that figure's right. It's a significant amount for the Government to lose.

BEECH: Well it's still a very difficult area for them to close off completely. You've mentioned the use of offshore companies and really there there's nothing that anyone can do. If you go and buy an offshore company, you're buying the shares, then there's no stamp duty land tax payable.

LEWIS: Well perhaps there should be. Angela Beech of Blick Rothenberg, thanks for talking to us.

Now the Government launched a scheme this week to help 100,000 people buy their own homes. Ever since the credit crunch lenders have been demanding big deposits of 15% or 20% for many buyers, so the Government's trying to encourage lenders to cut those deposits to 5% and offer 95% mortgages on new build property. The Government and the building industry will guarantee part of the loan, but the scheme will only help people afford a home if interest rates are brought down. Ann and her partner tried to buy a home in Sheffield.

JENNY: We've been looking for a house for about 6 months or so now. We've been looking at 95% mortgages. Unfortunately the rates are quite high - we were looking at around 6.5% - so we've extended to a 0% deposit and we've managed to get a mortgage at 4.69%. The difference between the two rates means we'll be paying around £120 per month less. We had a look at a few new builds, but they were in undesirable locations and generally the quality's pretty poor.

LEWIS: That was I think Jenny in Sheffield. The new scheme was launched this week by Housing Minister Grant Shapps. I asked him what interest rate would be charged on these 95% mortgages.

SHAPPS: The evidence that the rates will be lower is that the deal is actually driven by the sector, so the house builders have got together with the lenders and they've been working on this for quite some time. Actually government effectively came in at the last moment to push them over the finish line. And that is the deal - that the rates will have to be on those lower levels, otherwise they won't be part of the scheme.

LEWIS: But when we've talked to the lenders involved, they've all said it's too early to comment. Santander said we need to avoid incentivising customers to gear themselves more highly than they need to. So it doesn't seem from what we've learned that these mortgage rates will be any lower.

SHAPPS: What they're saying is that they'll test very carefully what they believe is the ability of the mortgagee to pay back the mortgage. What they're not saying is that it won't be done at a good rate.

LEWIS: So what level will the mortgages be at?

SHAPPS: Well that's impossible for me to guess, not least because the scheme won't launch ...

LEWIS: (*over*) But surely that's central to the scheme?

SHAPPS: The intention of the scheme is to ensure that at a 95% mortgage, for those who can comfortably afford the repayments, what you end up with is rates which are closer to perhaps having an 80% loan to value. But only on the basis that the mortgagee can actually afford the monthly repayments.

LEWIS: If they're closer to an 80% loan to value mortgage, you're really saying that the interest rates will be half what they are now on a 95% mortgage?

SHAPPS: Well that could be one of the ramifications. I want to make sure that people can access the mortgage market when they don't have the Bank of Mum and Dad to help them out.

LEWIS: Will there be something built into that deal to take part in the scheme that rates will be lower?

SHAPPS: Oh yes, yes. In order to get the indemnity, the lenders will have to be signed up to a lower rate offer.

LEWIS: It is only for new build. Why?

SHAPPS: House building contributes perhaps 3% to gross domestic product. We

think that by making sure that the scheme backs new build, you not only increase that economic activity but you also employ two people for each home that's built and improve people's job chances as well.

LEWIS: But new build homes do lose their value, don't they, more quickly than older homes? And that, coupled with a 95% mortgage, means it'll be extremely easy for first time buyers to fall into negative equity within a year or so.

SHAPPS: Well new build homes right now have a small premium of 2% to 3% over a similar not new home. Just in the same way as you know you drive a car out the showroom immediately it loses its value, it's similar with a new home. Anyone who buys a house has to make those serious decisions about what they think might happen. And far be it from me as a minister to advise people on where the housing market's going next. It's very, very hard to predict these things.

LEWIS: Housing Minister Grant Shapps. Well live now to Bath to talk to David Hollingworth, Associate Director of the mortgage brokers London and Country. David Hollingworth, a clear commitment from the minister there that mortgages would be less than the 6 or 6.5% charged now for a 95% loan. How far down do you think they'll come?

HOLLINGWORTH: Well the proof of the pudding of course will be in the eating and we'll have to see what the lenders actually come up with when it comes to pricing these deals, and that will really depend on how much scope this scheme will actually improve things.

LEWIS: Yes. I mean what's the interest rate now for lower loan to value loans? Is it more sensible for people thinking of this perhaps to save up a bit longer and then get a lower rate?

HOLLINGWORTH: Well the rule of thumb is always at the moment the bigger the deposit, the better the choice you'll have and therefore the better the rates on offer. So

if you can get a bigger deposit together, even if it's 5% generally, that could make quite a significant difference of the order of 1% on your interest rate.

LEWIS: And is it sensible for people do you think to borrow 95% of the cost of the home? I mean Grant Shapps admitted that a new build premium of 2% or 3% is there, so you take that off and it's almost a 100% mortgage, isn't it? With house prices falling, is that something you'd recommend?

HOLLINGWORTH: Well I think whenever you go into any market, there's a chance that things can go down as well as up, so people will have to bear that in mind. And also what they have to remain focused on is they're buying the right property for them, not just being pushed towards new build because they feel that they can get a higher level of borrowing.

LEWIS: Yes, we did have a number of emails and tweets from people saying well I don't actually want a new build. I want to buy an older property because I like them better and I can do them up and so on. Why doesn't this scheme cover them? And I didn't really understand the answer, I must say.

HOLLINGWORTH: Well I think one of the aims of this scheme is to, in conjunction with other initiatives, will be to address the overarching issue of how do we improve housing supply going forward. At the moment there's very low numbers of properties being built.

LEWIS: And do you think the Government is right to think this will bring another 100,000 homes onto the market?

HOLLINGWORTH: Well lenders have been very cautious around new build, so I'm hopeful that it will at least improve availability. We'll have to see how much it cuts the rates by. But even bringing more mortgages to the market will hopefully help competition and drive rates down for people.

LEWIS: Yes and certainly help builders build, as the minister has said.

HOLLINGWORTH: Yeah.

LEWIS: And just to be clear, this guarantee only comes in of course if the homeowner defaults and goes bankrupt and then this protection comes in from the lender and the Government. So it's a slightly long-term promise.

HOLLINGWORTH: Yeah, like I say I think we really need to see what products come out of this backed by the indemnity. It sounds hopeful, but until we see the product it's very hard to quantify just how successful it will be.

LEWIS: David Hollingworth of London and Country, thanks very much.

Now there's good news for 5 million people in the UK who have debit cards bearing the Maestro brand. They're run by Mastercard and that name will soon be on them all. But since October, these Maestro debit cards join rival Visa in offering customers a full refund if the goods they buy with them are not delivered or are faulty. Sandra Quinn speaks for the UK Cards Association.

QUINN: The big change for those customers is that from the middle of October where they could only get chargeback if they bought things online, that now works in a face to face environment. So if you use your Maestro card when you're shopping and those goods are faulty or not as described, you have customer protection. This new rule came into place on 14th October this year, so that means anything you bought after that time will get this new protection.

LEWIS: So you can get your money back from Mastercard rather than or as well as a shop?

QUINN: You can get your money back from your card company or your bank or credit card.

LEWIS: And this has always been the case for Visa, but it's been extended to the Maestro brand?

QUINN: Visa have always had something very similar, a chargeback arrangement, and Mastercard have had that in place already for their credit cards. But for the Maestro brand that we've seen in our debit cards in the UK, that hasn't been the position up to recently.

LEWIS: Normally when we think of getting compensation on a credit card, we think not of chargeback but of the Section 75 protection under the Consumer Credit Act. That still applies, but the two are slightly different, aren't they?

QUINN: They are slightly different. Section 75 is a legal protection, so it's a much stronger protection in many ways, but it only applies to goods over £100 or to a value under £30,000; where in fact chargeback applies to credit cards throughout, but for those goods under £100 as well you'd be able to claim. The only real other difference I would stress is that there is a time limit on chargeback of about 6 months.

LEWIS: Sandra Quinn. And just to be clear, Section 75 protection applies only to credit cards. Chargeback applies to both credit and debit cards and now by both Visa and Mastercard.

When we put money into a savings account, we usually choose one with the best rate, but once that rate ends it can be very difficult to know what interest the money is earning. Even online accounts make it very hard to find out and with inflation running at 5% or so, that's an important and very frustrating omission. A new website's been devised to fill that gap. Savingschampion.co.uk will tell you what rate you're getting if you just enter the name of your account and when you opened it. It will also say where you can do better. Anna Bowes is with me. She's one of the founders of Savingschampion.co.uk. Anna Bowes, who's your site aimed at?

BOWES: Well it's really aimed at everybody. Everybody needs to have some sort of

savings and hopefully they can do that. And everybody's in the same boat, so it's very hard to keep track of your savings rates as you've mentioned, so we're looking to help people do that.

LEWIS: So really you can put in any account, however old, when you opened it, and you'll say what interest it pays now?

BOWES: That's the plan.

LEWIS: It must be a vast database?

BOWES: It is. It's taken me over a year compiling the database and it's always changing, ever changing. We have got telephone numbers, so that if people do need to ask us a question and they can't find their account, they will be able to speak to us and we'll sort it out for them.

LEWIS: Right. Shouldn't the banks though be telling us this? It would be much easier if you logged onto your savings account and the bank said well, you've got, I don't know, £10,000 in there and it's earning x per cent interest.

BOWES: Well the banks do tell you. It's just a matter of being able to find the information, which is different on every website, believe me, and can be not in the places that you would expect it to be. So it's there and I do believe it's getting a bit better. I know that they're going to be including rates on statements, for example. But we're filling that gap because that's only once a year.

LEWIS: Yes and I suppose a cynic might say it's in the bank's interest not to tell you if the rate's plummeted to 0.5% because of course you can earn a lot more than that. And just tell me how your site helps you find the best buys.

BOWES: Well we do have best buy tables on the website, so people will be able to see that. And, as you mentioned, if you put in the account that you have, it'll show

you the rate you've got and on the same page it will tell you one of the best rates that's currently available. So you can see very easily how much more you really could be earning.

LEWIS: Now one of the complaints about many comparison sites is that companies can pay to get their site at the top even though lower down there might be better deals. Do you suffer from that problem?

BOWES: It was so important to us that we didn't do that. We don't allow that and that's our main focus for going forward. We simply look at the whole market, the whole of the UK market, and we simply put down the rates that we feel are the best.

LEWIS: And you don't have adverts, you don't have those click throughs. I have to ask you, Anna, how are you paying for it?

BOWES: Well we've been very fortunate - we've got private funding for a couple of years to find a way to make the website pay for itself - but we will not compromise our data.

LEWIS: And free to users?

BOWES: And it's free to users.

LEWIS: Anne Bowes of Savingschampion.co.uk, thanks very much indeed.

That's all we have time for today. You can tell us about your what we call zombie account experiences through our website. That's accounts that are just alive, but pay a really dead rate of interest. More on our website: bbc.co.uk/moneybox. You can listen again, send us your ideas, and have your say on those zombie savings accounts. Vincent Duggleby's here on Wednesday with Money Box Live taking questions on the tax and benefit changes we expect to be announced in Tuesday's autumn statement from the Chancellor, and of course there'll be a lot more on that topic with

me on Money Box next weekend. Many of you telling us your bank account closure stories as well, I see, coming in the email. Today the reporter was Bob Howard, producer Fiona Woods. I'm Paul Lewis.