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## **MONEY BOX**

**Presenter: PAUL LEWIS**

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**LEWIS:** Hello. In today's programme, Money Box reveals that investigations have been launched into claims management company Cartel Client Review and its solicitors. The company denies it. A fine for one independent financial adviser; a compensation order for another. Our new reporter Gillian Lacey-Solymar has been looking at the concept of fair banking.

**LACEY-SOLYMAR:** A new study argues that banks should help improve our financial well-being. Not everyone I spoke to agreed.

**MALE:** I'm an adult. You want to treat me like a child, I won't have to go to work. I'll stay at home quite happily and play with my toys.

**LEWIS:** Would you be confused if you read this on your tax form?

**ANDREWS:** Include triviality and wind-up lump sum pension payments, but exclude lump sums paid or payable under commutation.

**LEWIS:** Simple enough. And another building society merger as other societies report losses. How healthy are our building societies?

But we start with Money Box revealing that an investigation has been launched into one of the most prominent claims management companies in the UK, Cartel Client Review. It's being investigated by the Ministry of Justice; and the law firm it uses to assess claims, Consumer Credit Litigation Solicitors, is being investigated by the Solicitors Regulation Authority. Our reporter Ruth Alexander has the story.

**ALEXANDER:** We understand the Ministry of Justice and the Solicitors Regulation Authority both launched investigations after receiving complaints from the public and professionals who'd had dealings with these firms. We found this out after complaints were made to us by customers of Cartel who say they've paid hundreds, in some cases thousands of pounds to get credit cards and loans declared unenforceable or to get compensation on their mortgages. But despite being told their claims would be resolved within 6 to 12 months, 2 years later we're told many customers are still waiting in limbo. Tricia Page paid almost £500 to submit a mortgage claim in 2007. She says the promise of several thousand pounds in compensation would have paid for her family to visit her father who was terminally ill in Australia.

**PAGE:** The deal was that we handed over about £495, I believe, and we were told at the time that the risk with this £495 was minimal. If there was no money to come back to us, then we would get all but £10 back. And the paperwork that I have from this company actually says that this should go through within a period of about 3 to 9 months. And I thought well that's ideal; if something came through in 3 months, we'd be able to go and see my dad. And now we're 2 years on, my father has since died, and we don't have the money or anything.

**ALEXANDER:** And that's despite numerous calls and emails sent. In November she demanded a refund, but was told that wouldn't be possible. In frustration, she contacted the Consumer Programme on Three Counties Radio in January. Once the BBC was involved, a refund was offered and Cartel explained they'd been waiting for the resolution of a court case, although Tricia says the money hasn't yet arrived. Earlier this week, we gave Cartel and the solicitors CCLS details of other customers who believe they've got nowhere after paying hefty fees 12 to 18 months ago, but they haven't yet responded about those cases. Cartel markets its service using agents who sign up customers for upfront fees, and in many cases make claims themselves. Tina Besant was one of them. I asked her what she understood about

the service she was going to be offering.

**BESANT:** Basically that anybody that had a credit card, a car finance agreement or a loan could be a client, pay their money and get their debts written off. So it was put across as a fairly done deal and across the board benefit.

**ALEXANDER:** She put in about 100 claims. The first went in a year and a half ago, but she says she doesn't know of any that have been successful and she feels bad for her clients.

**BESANT:** I'm sure they all think they've just thrown their money away, and they all paid 12 to 18 months ago and they still don't know whether they have a proceedable case or not. It gave people false hope and it's committed a lot of people who are vulnerable to spending money they can't afford for what? For no result.

**ALEXANDER:** Tina can't be sure none of her clients have been successful, but we've spoken with other agents who between them represent many hundreds of customers and they all told us the same story. I sat down with one agent this week to check whether what he said was true; that he hadn't had any success stories. We started to go through his client list from the top. We spent an afternoon making calls and got through to ten people. In two years, none of them had had any success. None had received refunds. All were frustrated and complained of very poor service. Phone calls to the solicitors weren't being answered. Messages weren't being returned.

**LEWIS:** And what happened, Ruth, to their claims?

**ALEXANDER:** Well they're all still with Cartel or the solicitors CCLS. According to Cartel, it has 250,000 clients. It told its sales force last year that it had had 4,000 successful cases, but it hasn't yet given us a breakdown of these. And there are clearly tens of thousands of cases still with Cartel or its solicitors. We've had the inside track from a man called Colin Power, a former paralegal at the solicitors CCLS who now works for a competitor. At CCLS, he reviewed mortgage claim files. He explained that claims were colour coded. Red meant you had a good case; amber meant no decision yet; but most ended up labelled as green.

**POWER:** A green case, there would be no success whatsoever. That's it. There is no claim that can be made against the lender. If you had a green case, you would then pass that through to Cartel for a review. I would say around about 99.9% of the files I dealt with were what were classed as green files passed for further review.

**ALEXANDER:** Now Cartel disputes Colin Power's account and questions his independence as he works for a rival firm.

**LEWIS:** But Ruth, what he was saying there though was that even when the legal team which Cartel relies on to assess people's claims says there's no chance of success, Cartel says another review must take place, which will inevitably delay any refund due. Are customers refunded their initial fees if their claim isn't going to proceed?

**ALEXANDER:** Well agents say they know of a few who have had refunds, but they say most people who should have had a refund haven't had one. Cartel's terms and conditions say the £495 you pay upfront for a mortgage claim is refundable. For early cases, the credit card fee isn't refundable; but claims that went in from late 2008 onwards are. Or that's the theory. But from what we've learned so far, refunds are rare. Customers often can't get an answer on whether their case is going to be successful or not. Or, as Colin Power described there, when they're finally told by the solicitors that they have no claim and that they're due a refund, their case is passed back to Cartel which says it's putting the case under a second review. There's also a large question mark over the number of cases Cartel and the solicitors had taken on - essentially whether they have too many claims to deal with. We understand that there are at least 50,000 claim files inside the solicitors.

**LEWIS:** And, Ruth, these are serious matters. What do Cartel and CCLS say?

**ALEXANDER:** Well they strongly deny customers have been having the problems we've been hearing about and say they have had very positive results. They say the reason for the delays is because they've been waiting for judgements in court and they've told customers in the past that lenders have been dragging their feet. They told Money Box there's never been an issue with refunding cases. They say they're not being investigated and that they've always

maintained a strong relationship with the Solicitors Regulation Authority and the Ministry of Justice.

**LEWIS:** So are they being investigated?

**ALEXANDER:** Yes, they are. We understand inspectors from the Solicitors Regulation Authority have been inside CCLS this month, and the Ministry of Justice is also investigating various aspects of Cartel's business operations. We understand it has questions about whether there is a proper refund process in place and whether Cartel has the resources to cope with its large caseload.

**LEWIS:** Thanks, Ruth. And you can let us know your experience of Cartel Client Review or its lawyers, Consumer Credit Litigation Solicitors - good or bad - through our website, [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox).

Two independent financial advisers have been reprimanded this week for the way they sold pensions and investments to tens of thousands of clients. Park Row is based in Leeds and had more than 500 advisers. It's currently being wound up, but its owner, Royal Liver, has to examine 24,000 files and pay compensation which could amount to almost £8 million. A separate IFA, RSM Tenon, which is still in business, will have to investigate nearly 2,000 sales involving pension transfers and investments based on the failed American bank Lehman Brothers. With me is James Daley, Editor of Which? Money. James, people go to independent financial advisers like these to get genuine independent financial advice, but with Park we're told they got commission driven and unsuitable sales. How can people protect themselves against that?

**DALEY:** Well it's incredibly difficult and commission is one of the biggest problems in the financial advice market. The good news is that the FSA, the Financial Services Authority, the regulator is looking at banning commission on investment sales, and that's something that we'll get a ruling on over the next few months and that should go a long way to solving this kind of problem. At the moment customers are often being sold products that are simply unsuitable for them - unsuitable for their risk outlook, unsuitable for their needs given their

age.

**LEWIS:** Yes, I mean the research done by the FSA, the inquiry found that sales people were able to look at which product paid the best commission and pick that, and inevitably some of those advisers did.

**DALEY:** Absolutely. We often see structured products being sold, investment bonds being sold, and actually in the vast majority of cases these products are not the best and not the most suitable for the customers who they're being sold to, and that's because they pay commission rates of between 6 and 8%.

**LEWIS:** Structured products of course one of the things the FSA is looking into, and it's also relevant to the other company I mentioned - RSM Tenon. It was fined for failings in its advice and sale processes, and I think they've sold 1.8 million pounds worth of structured products. Now there's no suggestion there of commission driven sales, but the FSA is looking into pension switching and these structured products, which are basically things that say they're safe but often aren't. What can you tell us about pension switching, which is the other thing that RSM Tenon was accused of doing wrongly?

**DALEY:** Well it's just often the case that financial advisers try and get their clients to switch to another pension when it is really not actually necessary. Again it's just a matter of churning and delivering more commission for them, and so hopefully this banning of commission will make a difference there.

**LEWIS:** Yes and RSM Tenon says it's sure it's done nothing wrong and that eventually it will not have to pay compensation to a significant number of clients. How can someone know though? They go to a financial adviser. They're called independent. They trust them. How can they be sure the advice they're getting is genuinely independent?

**DALEY:** It's very difficult, especially at the moment. And the one thing we tend to advise the people coming to us to do is to try and find a financial adviser that's got a higher level of qualification than the minimum. So to be qualified as a financial adviser in the UK, you need

to have the certificate of financial planning. Don't just accept someone who's got that. Try and look for someone who's got a diploma of financial planning, or, better still, someone who's a chartered financial planner or a certified financial planner which are even higher qualifications.

**LEWIS:** And what about commission? It's not been banned yet. You say it might be in the future. Can you insist that you don't pay it; that you pay a fee and that the commission is in effect given to you?

**DALEY:** Absolutely. If you're going to see an independent financial adviser, then they have to offer you the option to pay by fee if you want to. And obviously if some people do want to pay by commission, they don't like the idea of writing a cheque upfront for the advice they're getting, then that's fine; but you should be absolutely insistent that your adviser makes it clear to you how much you're paying for advice. A lot of people think that advice is effectively free because you know they're paying for it over the longer term, but the adviser can be getting thousands of pounds in commission.

**LEWIS:** Indeed. James Daley, thanks very much from Which? And both firms say they will contact customers who are due redress. Royal Liver apologise for any disappointment or inconvenience caused to customers of Park Row. Anyone with concerns can call either company. Details on our website: [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox).

Now should your bank be helping you control your finances? A charity called Fairbanking says they should and was set up to encourage financial institutions to help us control our money rather better than many of us do. It's assessed the UK market and this week has rated the products on offer, and it has to be said very few meet their standards. Our new report Gillian Lacey-Solymar's been taking a look at the notion of financial wellbeing.

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**LACEY-SOLYMAR:** With their soothing slogans, tones and music, banks seem particularly keen to prove how helpful they are and how supportive. And yet few of us associate banking with feeling good. But a new report from the Fairbanking charity wants exactly that: for banks actively to increase the financial wellbeing of their customers. I asked Anthony Elliott, the charity's Director, what on earth that means and what drives wellbeing anyway?

**ELLIOTT:** Many people would think that having more income would be your main driver, but this not really the case. What we find is that having control is really important over your money, and also having some kind of planning - thinking of your money in pots.

**LACEY-SOLYMAR:** But very few financial products actually have these features. According to the report, only two savings products qualified at all. A mere seven credit cards and only four current accounts got as much as a one star rating. Isn't that somewhat depressing?

**ELLIOTT:** I agree with you that we would like to see a lot more products. We've rated on a five star rating. The best rating we've given any product is three stars. Having said that, at least we did find some.

**LACEY-SOLYMAR:** Interestingly, the top rated product isn't from one of the industry titans, but from the rather smaller Saffron Building Society. Its Goal Saver Account - yes that's goal rather than gold - does exactly what it says on the tin: it allows savers to set themselves different goals and to save money into different pots - one for each goal. The idea came from a customer who appeared in the branch one day with six different savings books for six similar accounts, but each with a different purpose - one saving for a car, one for a wedding and so on. The Saffron's Chief Executive Andrew Golding is clearly rather proud of the product that ensued.

**GOLDING:** The system's got some sort of clever trickery where you can play with sliders and move things up and down and say well if I saved for a bit longer, could I reduce the amount I paid; or if I you know saved a bit more, could I get the thing I want quicker? But it's a tool that enables people to get really on top of what's coming in and what's going out and

what they actually want to do with their money.

**LACEY-SOLYMAR:** But does splitting savings into several buckets like this have any effect on the amounts put aside?

**GOLDING:** In comparison to all of our other products, this one has more regular feeds of money coming into it. It's clearly encouraging people to actually put a bit extra aside each month and try and reach those goals that they've got quicker.

**LACEY-SOLYMAR:** For credit cards, Fairbanking emphasised different criteria like sending you text alerts to your mobile warning you when you're about to reach your limit. But of all the cards in circulation only seven got even one star out of a possible five. Out on the street, an incredibly blustery street, do people think that the banks should be helping us control our finances?

**FEMALE:** I think it's a really good idea. I mean they've got all our details anyway, so why don't they send us those text messages?

**MALE:** No, I'm an adult. You want to treat me like a child, I won't have to go to work. I'll stay at home quite happily and play with my toys.

**LACEY-SOLYMAR:** And it's not only members of the public. Some financial experts are also rather cynical.

**KOHN:** The reality is that these things have always been available to people. However what's needed is the motivation by the institutions themselves to want to make them very readily available, and that's largely to do with, I suspect, whether they can make as much profit out of them. And until that time comes where they feel motivated to want to provide what consumers need, the status quo won't change.

**LEWIS:** IFA Roddy Kohn ending Gillian Lacey-Solymar's report.

We've looked at tax quite a lot over the last few weeks, and this week another report came out - this one by a committee of MPs criticising HM Revenue & Customs for how it treated the nearly 6 million people over pension age who pay tax. It claims that something like half a billion pounds is wrongly taken from them, and it calls for radical simplification of the tax for older people and for more face to face advice, something the Revenue's cutting back on to save money. John Andrews of the Low Incomes Tax Reform Group gave evidence to the committee.

**ANDREWS:** Pensioners have a separate regime when they get to 65. They get higher allowances when they reach 65, but the Revenue make people claim these allowances rather than just giving them. The Revenue send out at this particular time lots of forms that are full of jargon. I mean my favourite helpful statement, I've even memorised it, is 'include triviality and wind up lump sum pension payments, but exclude lump sums paid or payable under commutation'. Now what does that mean? Revenue staff don't know, so why ask a pensioner?

**LEWIS:** And are people confused by the extra age allowance they get at 65? And I think it goes up at 75, doesn't it?

**ANDREWS:** It is a complicated system and one would like a new government to come and give some original thought to scrapping this whole arrangement and providing something which is much more modern and graduated and understandable.

**LEWIS:** One thing the committee said was that as part of cutting costs, the Revenue was cutting back on the availability of face to face advice. Is that something that older people who find all these changes as they reach 65 difficult would welcome?

**ANDREWS:** Oh yes indeed. I mean we're very much involved with the two tax charities Tax Help for Older People and Tax Aid who do a wonderful job on a shoestring, but they effectively compensate for the closing down of inquiry offices and it's no good inviting a pensioner to make a journey when there's one bus a day to go and visit an inquiry centre ten miles away.

**LEWIS:** If there was one thing that you would like to be in the budget to help older people and their tax, what would it be?

**ANDREWS:** I would say I would like the minister to say from this point on we're going to have better cooperation between the two government departments that impact on pensioners' lives. The Revenue and the Department for Work and Pensions, they already know so much about a pensioner. Just let them share that information and only ask a pensioner what they really need to know.

**LEWIS:** John Andrews of the Low Incomes Tax Reform Group. And before you email me, I know that higher allowance for people over 65 is reduced if your income exceeds £22,900 a year. Very annoying for many people.

Another building society merger was announced this week. Skipton, the fifth biggest, is to absorb the tiny Chesham Society whose claim to fame, apart from having three branches, is that it is - or it was - Britain's oldest society, founded in 1845. Now although it's called a merger, it is more of a rescue. Two other merging societies though, Yorkshire and Chelsea, posted a combined loss of £40 million in 2009. Other societies seem to be doing better. But just how secure are our building societies and what changes can we expect? Adrian Coles is with me. He's Director General of the Building Societies Association. Adrian, that merger first - Chesham being absorbed by Skipton. And no bonus for Chesham members. Why not?

**COLES:** In the current financial market, it's important for building societies to retain their capital - that buffer stock of money that they've got available to absorb losses for the rainy day - while over the last two and a half years, we've had an absolute thunderstorm in the financial markets. Now is not the circumstances to be distributing your capital to the members. The pressure from the regulator is to keep your capital within the organisation to ensure that savers savings are as safe as they can be.

**LEWIS:** Now we've seen annual results from several societies this week and, as I said, some are still making losses, aren't they? Chelsea and Yorkshire, the second and third biggest - a total of 40 million, their loss.

**COLES:** Well again 40 million sounds a lot, but it pales into insignificance compared to the £42 billion that we've just seen on the front of today's FT being written off ...

**LEWIS:** (*over*) A thousand times bigger.

**COLES:** ... by Halifax and Bank of Scotland. And again the Yorkshire is extremely well capitalised. It's got lots and lots of rainy day money just so it can absorb losses like this when a difficult period in the financial markets emerges. So I don't think anyone should be worried at all about that tiny loss.

**LEWIS:** And are the ... Well you say tiny, 40 million, but are the losses exaggerated or increased, I should say, by the levy that societies are paying to the Financial Services Compensation Scheme, which is principally paying for the banks that collapse though of course there was one building society?

**COLES:** The building societies have had to contribute big time to the bailout of Bradford & Bingley Bank and the Icelandic banks when they crashed in the autumn of 2008. And if you look at last year's figures, 2008 figures, building society profits were reduced by 63% below what they otherwise would have been had they not had to pay that compensation to bail out imprudently run banks.

**LEWIS:** Now you've complained in the past about unfair competition. The Treasury of course, which mainly owns Northern Rock or *does* own Northern, had 100% guarantee. It's now said that's ending. Is that going to help the societies get more money back because there won't be that one bank where any amount of money is safe?

**COLES:** We very much welcome that development and we've been asking the government to implement it over the last year or so. Northern Rock's had a unique position in the market for deposits above £50,000. This is a small move towards a more level playing field and it's very much welcomed by building societies.

**LEWIS:** And over the next year, what are we going to see? Are we going to see more

mergers?

**COLES:** I think we will see more mergers. The market is changing fundamentally. Owner occupation, for example, grew for 50 years until the middle of the last decade, but it's fallen over the last 5 years. A big change in society. Mortgage lending, £100 billion a year being lent in the middle part of the decade. Last year only 12 billion. It's not surprising that we're seeing huge market restructurings. But in the forthcoming market, we're going to see some strong, vibrant building societies competing with the banks. I've no doubt about that.

**LEWIS:** That's the message you wanted to get over. Adrian Coles of the Building Societies Association, thanks.

Well that's almost it today. I'll just report on the emails. Many of you have been emailing about our story on Cartel Client Review. It's been one of our biggest ever responses to a story. Some are in favour of Cartel, but most are from unsatisfied clients, I have to say. We're keen to get more of your views. Go to our website: [bbc.co/moneybox](http://bbc.co/moneybox). Your experiences please, good or bad. But that is it. You can find out more from the Action Line - 0800 044 044 - our website of course, as I said, [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox). Lots of other things to do there apart from having your say. You can also have your say on financial advice. Vincent Duggleby's here on Wednesday with Money Box Live, this week taking your questions on investing or saving in an ISA, tax free savings. I'm back with Money Box next weekend. Today the reporters were Ruth Alexander and Gillian Lacey-Solymar, the producer Karen Kiernan, and I'm Paul Lewis.