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## **MONEY BOX SPECIAL**

**Presenter: RUTH ALEXANDER**

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**ALEXANDER:** Hello. In today's programme, the Office of Fair Trading takes action against websites which charge for free European Health Insurance cards; but Money Box discovers the problem is by no means over. Why student loans are about to get more expensive and what to do about it. And a Money Box listener talks to the experts to find out what they think about gold.

**URQUHART STEWART:** Rather like a sort of financial teddy bear: you can stroke it, cuddle it, and it's nice to look at, but it doesn't do very much.

**ALEXANDER:** But first, over the summer the Money Box inbox has been dominated by angry emails from former Alliance and Leicester customers whose accounts are being transferred to Santander, which took over the bank in 2008. Listeners are telling us that they've been denied access to their cash online after technical glitches during the transfer, taking days and in some cases weeks to resolve. Matthew Tomlinson is one Money Box listener who's told us about his experience.

**TOMLINSON:** Each month I transfer some money from my business current account into my personal joint account in order to cover the cost of my mortgage and other household expenditure. Unknown to me, during the rebranding of Alliance and Leicester personal accounts to Santander, the sort codes were changed and my money didn't arrive in the correct

account. As a result of this difficulty, I contacted another bank about my business banking, so Santander/Alliance and Leicester have lost three business accounts and two personal accounts. Those accounts will now be being closed because I cannot trust them with my money and they seem unwilling to look after me as a proper customer.

**ALEXANDER:** And to make matters worse, customers say Santander hasn't been explaining what's causing the problems. The consumer website Money Saving Expert has also received a lot of complaints. I asked the news editor Guy Anker what people have been telling them.

**ANKER:** There seems to be two issues of migration: number one - people not being able to access their accounts; number two - people being told they can't access their account when actually they could. We heard one case in particular where a lady was told she didn't have access to her savings for five days. She needed it for a mortgage application, was desperate for it. But it turns out after further investigation that she did all along; she was just given the wrong information by a customer services agent. But that means effectively the account is frozen because she's not going to try to get in because she's told, hey, I can't access my money.

**ALEXANDER:** Santander is telling customers who have online accounts and it's coming up on the screen that they can't get hold of that money, actually they can ring up the bank and transfer their money that way - via telephone banking. So they can access their money. It's maybe just not as easy as they're used to.

**ANKER:** That's right. But a lot of people do rely on online banking. So if you see a message on the screen saying sorry, this is temporarily unavailable, or you can't transfer your money, for a lot of people (as far as they're concerned) the account's frozen.

**ALEXANDER:** When you look at the Santander website amazingly there's no reference to a) the migration; or b) any of the problems it's causing.

**ANKER:** Well you wouldn't expect a bank to say hey, we've got loads of problems at the moment. It's clear they do.

**ALEXANDER:** But they might want to communicate that to their customers because I think the point here is that there are obviously great technical problems with this migration, but also communications problems.

**ANKER:** You'd hope banks would be a little bit more transparent. In this case clearly Santander isn't. But, unfortunately, we see this everywhere. We see this with Lloyds, we see this with RBS, we see this with Barclays. Banks generally are not transparent enough to their customers.

**ALEXANDER:** What's interesting about this as well is that Santander is in many of the best buy tables, so above and beyond its acquisitions of other banks, its customer base has probably been swelling quite considerably.

**ANKER:** That's right, it does have some fantastic rates on current accounts and savings accounts and credit cards, and that's probably one of the problems. They're probably attracting too many customers. They often boast in fact that "we are attracting thousands of customers". And the other point you make about integrating other banks is another issue. Remember Santander is Alliance and Leicester, it's Abbey, it's Bradford and Bingley; and when you merge three giants like that, you can get teething problems and, unfortunately, that's what we're seeing at the moment.

**ALEXANDER:** Guy Anker from Money Saving Expert. Some customers have told us their access problems have been resolved and in some cases they've been given small payments by way of apology for the confusion and inconvenience, but after weeks of frustration and worrying. So what is going on inside the bank? Well we did ask Santander for an interview, but it declined. It gave us a statement saying that the vast majority of customers have had a trouble free upgrade to their banking service. It admits that a small number of individuals have experienced some minor issues with their accounts that the bank is working to resolve. Santander insists that the new sort codes issued for Alliance and Leicester customers won't cause any problems because they remain linked to the old ones. So we couldn't talk to the bank, but banking analyst Ralph Silva from SRN can give us some insight. He's with me in the studio now. So Ralph, what's been going on here?

**SILVA:** Well I think the best way to describe this is they're going from driving a horse drawn carriage one day. The next day they're flying a military type aircraft. It's a huge jump in technology. It's a huge improvement in technology, and with that comes a lot of problems. They have a lot of systems, and they're only moving one system across and the other systems seem that they're not linking properly to it.

**ALEXANDER:** So the Alliance and Leicester computer system was quite old. The Santander system is much newer, bigger and whizzier, and that's the fundamental problem?

**SILVA:** To give you an idea, Banco Santander's core banking system, the system we're talking about here is actually the world's biggest software application period. It has over 100 million accounts that it manages on a daily basis. And remember these are personal accounts. This is your money. It's not like if Amazon goes down and you can't buy your book. That's not such a big deal. But if this goes down people take it personal and that's why they get so many complaints.

**ALEXANDER:** So there's a big confidence issue here. If your bank doesn't seem to be handling your money properly, then that's going to make you seriously worry about them?

**SILVA:** As well we should. If I see a 1p discrepancy on my account, I wonder what else have they messed up? So I want to make sure that that can be accounted for. And that's why people complain, and rightfully so. And I don't want to defend Banco Santander. They should have done this better. And the truth is they've done this hundreds of times. They've bought hundreds of banks, and the vast majority of times it goes off completely seamlessly. So this is an exception for Santander, but honestly they should have stepped up to the plate and done it a little bit better.

**ALEXANDER:** So customers have been really worried by the fact that they can't see their accounts online when they log in; that they can't easily do anything with their money, transfer it without ringing up and saying, "What's going on? Can I transfer my money?" But what safeguards are in place to make sure that their money really is there and that this ... You know people you know want to know that this is just a cosmetic problem, but will presumably

be worrying that their money might have gone somewhere.

**SILVA:** Well here we actually have to thank the government for this because the government actually insists that they manage the old database at the same time as the new database. So essentially they know what's going on because they have all the old information. That's not going anywhere, so they can look back. The problem is that sometimes the internet based systems aren't connected to the old system and that's why they have to do it over the phone. This should get sorted out in the next couple of days. It's not going to take forever to sort out. But for the time being, you shouldn't worry. Your money is there. It just may be a little harder to get to.

**ALEXANDER:** Okay, banking analyst Ralph Silva, thank you very much.

Following a Money Box investigation, the Office of Fair Trading has taken action against websites which charge for access to free European Health Insurance cards. The card gives UK citizens free or cheap healthcare in the EU, and it's free if you get it direct from the official NHS website. One of the websites the OFT has sanctioned is ehic.uk.com, which Money Box reported complaints about in May. It claimed it checked customer details before forwarding their application form onto the NHS. While not doing anything illegal, the OFT found that this site - and others - had misled customers into believing they were providing an official service. I've been speaking to the watchdog's legal director Jason Freeman.

**FREEMAN:** We were concerned, for example, that the websites looked very official. If you googled in EHIC onto your computer, then you know these websites tended to come up first and they look very official. We felt that they would lead you to think that you perhaps had to use this site to apply for your EHIC card online, you know, so if you wanted to make an online application, this was how you did it.

**ALEXANDER:** What action did you take against these websites?

**FREEMAN:** Three of the websites we approached and asked them to give us undertakings to change their conduct, and those were the ehic.org, the Jwsgroup.com, ehicservice and

ehic.uk.com. So those websites agreed to change their conduct. A fourth website, which was E111online.com, decided that they didn't wish to continue offering the service and they voluntarily ceased trading. And the final website, which is ehiconline.com, we asked the domain name registrar to pull the domain name. We weren't able to persuade that trader to change their conduct, so we just asked this third party to assist us and they did.

**ALEXANDER:** Well I've actually tried going to all of those websites and none of them work anymore in fact. But we've discovered another one has sprung up in their place - EUmedicard. If you type EHIC into Google, it comes up top (as you were saying) ahead of the official government site. And this website, this new one charges a £9.95 processing fee (as it describes it). So as with the other sites you've closed down or taken action against, you pay £10 to get what you should be able to get for nothing.

**FREEMAN:** Well I'm not able to really comment on sites that we may or may not be investigating. You'd have to form your own view about whether it's as bad as the other ones or if it's not bad at all.

**ALEXANDER:** So you have noticed this site? It is a site you have in your sights?

**FREEMAN:** I wouldn't confirm that.

**ALEXANDER:** But you wouldn't deny there's an investigation taking place?

**FREEMAN:** We just don't talk about the sites that we may or may not be investigating. What I'd advise consumers to do is to do their research before they start spending money. You can go to the Direct Gov site, which is a website the government runs to provide information to consumers and citizens generally, and you can search for EHIC and indeed it provides a link through to the official NHS site.

**ALEXANDER:** But the fundamental problem, as you said, is that when you type into Google EHIC, then what you get right at the top is an unofficial website. Really you're not going to be able to stop this, are you, unless pressure is put on the search engines because these

companies pay to have that top slot, don't they?

**FREEMAN:** The OFT has opened up plenty of channels of communication with you know people like Google and other industry players, so that where it's appropriate we can contact third parties as I mentioned - like the domain name registrar, payment providers, you know search engines like Google - and we can tell them that their services may or may not be being used for what we say is an illegal purpose and then they would take action to deal with that matter.

**ALEXANDER:** And do they? Do they take action? Do they take notice of your concerns?

**FREEMAN:** Oh yes, in several cases we've had to contact third parties to tell them that their services are being used illegally, and indeed yes they take it very seriously.

**ALEXANDER:** Jason Freeman from the Office of Fair Trading. And if you need to apply for or renew your free European Health Insurance card, go to the official website: [ehic.org.uk](http://ehic.org.uk). And we've put a link to that website on the Money Box website, which is [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox). We did approach the company that runs EUmedicard.com to speak to the programme, but it didn't respond.

And now for a brief musical interlude. (*Music*) The Gold and Silver Waltz by Franz Lehar. A little indulgent of us, but we were feeling inspired by the doubling of the price of gold since the start of 2007, the year the global economic turmoil began. Gold is now worth a bit over \$1200 an ounce (that's around about £770) - a sparkling performance driven by a renewed faith in its solid safe haven properties. When the stock markets do badly and interest rates are low, gold is seen as a safe haven, a hedge against inflation and deflation. But when it's this highly priced, should you sense danger? One Money Box listener, Graham Long, is tempted to invest.

**LONG:** I don't see why the ordinary saver shouldn't consider it as an alternative to the more traditional savings vehicles - particularly now that there are some organisations who are enabling you to do the buying and the selling online without ever having to touch the stuff. So

would you consider that a reasonable position to be taking and is it reasonable to consider gold as a savings investment?

**ALEXANDER:** Well that was Graham's question. And Money Box was curious too, so we fixed it for him to meet three investment experts: Justin Urquhart Stewart of Seven Investment Management; David Kuo from the financial website The Motley Fool; and John Stepek, Editor of Money Week. So is gold right for ordinary investors? Justin Urquhart Stewart is cautious.

**URQUHART STEWART:** There's nothing wrong with gold as an asset class, but there are one or two problems with gold in terms of what it actually does. Rather like a sort of financial teddy bear: you can stroke it, cuddle it, and it's nice to look at, but it doesn't do very much. So over the years, if you actually look in terms of say a 20 year life span - yes we've had a hockey stick where the price has gone up at the end; but unfortunately for the staff of the stick nothing happened at all. Having said that, gold does do something in terms of actually having a value which, if everything else is going horribly wrong, then it gives you something else to hold onto.

**STEPEK:** I do believe that gold has further to run, principally because of this whole point about interest rates. If you don't believe that governments around the world are suddenly going to get a fit of trying to introduce sound money, then gold will probably continue to go up in relation to those currencies. Gold tends to do well whenever it's fairly difficult for you to get a decent rate from either cash or government bonds, safe investments. Now as long as you think that's going to continue, then gold should keep going higher from here.

**KUO:** You think gold has gone up in price. Therefore you must go and buy some gold. Because you're going to buy gold, other people buy gold as well. And this feedback loop will keep on going until such time that somebody wakes up to the idea that this looks a little expensive. Now when you have a look at the performance of gold over the last 10 years, it's gone up something like 300%. Now if you say this is a hedge against inflation, then I have to question whether or not inflation has been running at 15% a year for the last 10 years and the answer is definitely not. So if something looks like a bubble and feels like a bubble, it probably is a bubble.

**ALEXANDER:** A warning from David Kuo. But even if it is a bubble, it may take years to burst. What's gold going to do over the next 12 months?

**STEPEK:** I would have thought that it would probably be higher in about a year's time; maybe around about the same - 1300, 1400 possibly. Principally because I must admit I don't think the financial crisis is over, I wouldn't be 100% gold. I think if we get a bout of deflation or growth goes down in the US, then the Federal Reserve will act again to pump money into the system and again that could spark gold to go higher.

**KUO:** Back in the days of Henry VIII, an ounce of gold would buy you a suit of clothes, and with inflation an ounce of gold today should also buy you a suit of clothes. Pop down into the high street, have a look at how much a suit of clothes would cost you, and that should be the equivalent of an ounce of gold. So I would say around sort of £300 to £400 looks about right to me.

**URQUHART SMITH:** The great thing about investing is you keep a very broad range of asset classes, so betting the house on one particular asset is always very silly. So should you have some gold? The answer's yes. Has it already gone a long way? The answer's yes. Is it going to do the same again? The answer's probably not. So it may well go up a little bit more, but there's a lovely old maxim in the investment world which is leave something for the next man. So you've already done quite well out of it. Thank you very much indeed. Bank it.

**ALEXANDER:** Justin Urquhart Stewart, John Stepek and David Kuo.

Now over the summer there's been a steady stream of Nationwide customers contacting Money Box complaining about the building society's decision to start charging for cash withdrawals made with debit cards at ATM machines on the continent. From November it will start making a commission charge of 2% plus a £1 flat fee. Nationwide says it's made the change to the Flex Account because it was bringing disproportionate benefits to only a tiny minority of its members. It says a much fairer way of rewarding these customers is to give them free travel insurance instead. But David Reagan from Berkshire is one of many Nationwide customers who have told Money Box they're unhappy about the change. He runs

a small company which does a lot of business abroad and he says he'll really feel the new cash withdrawal charges.

**REAGAN:** The last bastion that we had was Nationwide in actual fact in terms of withdrawals abroad for no cost. We will be paying I would say £15 to £16 a month at least on that 2% on withdrawals. Anybody that's in a small business and are doing those sort of trips, then it's going to cost them.

**ALEXANDER:** Well Andrew Hagger is from the financial website Money Net and joins me down the line. Andrew, why do you think Nationwide has introduced these changes?

**HAGGER:** I spoke to Nationwide last month when this story first broke and they say they've got 5 million Flex Account customers, but only a quarter of those actually use the account as their main bank account. Everyone else was just in there for the cheap debit card. So, as they said, they're trying to sort of spread the value amongst the customers who use their account rather than those 5 million people.

**ALEXANDER:** So how will using a Nationwide debit card abroad compare with other providers come November?

**HAGGER:** Even though the costs are going up, it still stacks up quite well. If you look at debit cards, the only one that's free at the moment is Metro Bank, but that's only got one branch in London at the moment so probably not too many customers are going to be affected there. Coventry Building Society will charge you a 2% foreign loading fee but no ATM charge. And then Nationwide comes in in third place - a 2% usage charge and a £1 fee for the withdrawal. So it's still quite a good deal.

**ALEXANDER:** And if you're considering using a credit card abroad, there are a few of those which have no foreign usage charge or ATM withdrawal fees, aren't there?

**HAGGER:** There are. I would say the number one is the recently introduced Clarity credit card from Halifax. No foreign usage charge or ATM withdrawal fee. Just bear in mind that you will pay interest on the cash you withdraw up until your statement date. Again Metro Bank have a credit card that is free, as does Santander - their Zero Card - but you do have to have a Santander current or investment or mortgage to qualify.

**ALEXANDER:** And Andrew, just very briefly, what about taking all your money with you - taking it out in the UK and just taking cash? What do you think of that idea?

**HAGGER:** There's always the risk. You know it could work out fine for you; but if for some reason you lose it or it gets stolen, then you could be stuck. So you know I think ...

**ALEXANDER:** Maybe not a wise idea.

**HAGGAR:** Not a wise idea.

**ALEXANDER:** Okay, Andrew Hagger, thank you. And we'll come back to you in a moment because we want to turn our attention to student loans now and how to be savvy about them because millions of people who are paying off their student loans will be worse off as of next week. The Student Loans Company has announced it's raising the interest rates on their borrowing. Students and graduates have enjoyed an interest free year on their loans because rates are linked to the Retail Prices Index, which went negative last year. Of course they've been paying back their capital, but interest hasn't been accruing on that sum. Well Charlotte McDonald has been looking at the detail for Money Box. First of all, Charlotte, there are two types of loans, aren't there, and so two new interest rates?

**McDONALD:** Yes. Those who took out a loan after 1998 - and that's more than 3 million of them - are going to be charged 1.5%; while those who took out their loan before that - about 350,000 people - will be charged 4.4% interest.

**ALEXANDER:** So the majority will be paying quite a low rate?

**McDONALD:** Yes, in fact both rates are very low compared with those of a standard loan. Some commentators refer to the interest rates on student loans as not being real because the debt only increases in line with inflation. If you have any other form of debt, such as an overdraft or credit card, it will almost certainly have a higher rate of interest. So if you've got any spare cash, you should pay that off first.

**ALEXANDER:** So, Charlotte, I'll flatter you now. You're young enough to have taken out a student loan. How long will it take you to pay off with this new rate?

**McDONALD:** Well that's a bit personal, Ruth. But on my current salary, it will take about 12 years - unless I increase my repayments.

**ALEXANDER:** Okay, thanks Charlotte. Well what's the best thing to do now interest rates have gone up on student loans? Should you rush to pay the debt off as soon as you can, or should you put any spare money you have into a savings account? Andrew Hagger is still with us and he's been doing some research into the savings products on the market at the moment. Andrew, is it worth people with a student loan putting money into a savings account rather than trying to pay off their loans early?

**HAGGER:** I think it depends on your situation. The problem with savings at the moment is because inflation is so high, by the time you take inflation and tax into account there's very few savings accounts out there giving you a real return. However if you're somebody who's got a little bit of spare money, you may want to be thinking of borrowing in the near future - perhaps you're going to be buying a new car or putting money down towards a mortgage. And if that's the case, you may be better putting that money into a savings account, so that when you do come to borrow you need to borrow less, if you see what I mean, because the loan rates and mortgage rates will be you know much higher than 1.5%. If you are looking for a savings account, then instant access-wise you can get 2.8% with the AA. For a 1 year bond, you can get 3%. But you know you've got to remember that tax and inflation will wipe out that rate.

**ALEXANDER:** So what is the key thing to be thinking about? If you're going to hang onto

your student loan for the moment, you've basically got to watch what's going on with the Bank of England base rate. Savings accounts might get you know a bit nicer.

**HAGGER:** Yeah, we might get to a stage where the situation improves. But as I say at the moment it's quite difficult to actually get a proper return on your cash after the inflation and tax is taken into account, I'm afraid.

**ALEXANDER:** And this does affect quite a few people, doesn't it? You know this is something that really ... you know something like savings rates people really need to keep a very close eye on, don't they, because you know some people's student loans really do amount to quite a lot of money, so this is quite a serious decision for people?

**HAGGER:** Yes, I mean the thing is to keep an eye on the best buy tables either online or in the newspapers, and I would say you know check once every couple of months just to see what's happening.

**ALEXANDER:** Okay. Andrew Hagger from the Money Net website, thank you very much. And Money Box Live on Wednesday 15<sup>th</sup> September will be on student finance, so a date for your diary.

That's it for today. You can listen again and get the Money Box podcast at our website, [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox), where you can also sign up to the weekly newsletter and have your say on the account transfer problems at Santander. Paul Lewis is back on Money Box next Saturday. Today the reporter was Charlotte McDonald, the producer Lesley McAlpine, and I'm Ruth Alexander.