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MONEY BOX

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TRANSMISSION: 30th OCTOBER 2010 12.00-12.30 RADIO 4

LEWIS: Hello. In today's programme, starting in October 2012 every working taxpayer will have to pay into a workplace pension, and so will their employers. Bob Howard's here with more news on the Help Loan fraud.

HOWARD: The firm that's been pursuing thousands of innocent people says it's had a change of heart.

LEBREU: We have decided to stop all reminder action on MCO cases until further information.

LEWIS: Gas prices begin to rise, just in time for winter. The new kid on the savings block is Junior ISA. Is it a good replacement for Child Trust Funds? And Lloyds shareholders are asked to band together to sue the Treasury and Lloyds Banking Group directors.

But we start with pensions. It's been a week for the future of pensions in the UK. News leaked out or was leaked about plans for a new flat rate state pension of £140 a week from some time between 2015 and 2020. It would sweep away the whole complexity of means tested benefits, SERPS and national insurance, saving administrative costs and hundreds of millions of pounds. At least that's what was reported. By coincidence, hundreds of members of the National Pensioners Convention descended on parliament this week to demand a better state pension.

Money Box's Charlotte McDonald went to see what they thought of the plans.

AVRIL: I'm Avril. I've been a widow for 30 years and I've had to live on widow's pension. It forced me out to work and now I've got a state pension but I'm on the poverty line.

McDONALD: If the £140 a week pension came in …

AVRIL: *(over)* That's not enough. And it's not for us anyway. It's going to happen after 2015.

COOPER: My name's Les Cooper. I come from Cannock in Staffordshire. I certainly welcome the idea of a basic state pension flat rate. The thing is of course the headlines of the £140 has a lot more to it I think than meets the eye.

YEATS: I'm Eileen Yeats. I think in principle it's a good idea to have a flat rate pension like that rather than having it means tested. I think claiming's terrible really. There are a lot of old people don't know how to go about it and they won't bother. So I think a flat rate pension on the whole is a good idea if it's done right.

LEWIS: Well some early views there. The reality will almost certainly be very different from what's been reported. Money Box understands the pension won't be paid to anyone who reaches pension age before the change is made. The full rate of £140 would still depend on 30 years national insurance, and those with company pensions may get less. Pension credit, housing benefit and council tax benefit would all stay as means tested top ups. More details are expected later in the year. The government though did set out more information this week of a new plan for pensions at work. When it's fully in place all employers will have to enrol all their staff who pay tax into a pension scheme. The employer will also have to pay into the pension themselves. There'll be no exemptions even for the smallest employers. Jason Choy runs a security business in London and employs eight staff. He was hoping to expand.

CHOY: If there are any additional costs that a small business like us needs to allow for, we have to build it in somewhere along the line. We either are forced to reduce the salaries or we're forced to increase the costs to our clients. It's an extra overhead, and in the competitive environment that we're in every penny counts.

LEWIS: Well live now to talk to the government's Pensions Minister, Steve Webb. Steve Webb, extra costs there will be taken back by putting up prices or cutting wages.

WEBB: We're certainly very aware of the risk of a burden on business and that's why in the changes we've announced this week all of the changes are designed to make things easier for firms. So the original plan was as soon as you earn just over £5,000 your employer had to auto-enrol, and we said well people aren't even paying tax until nearly £7,500, so we'll move the starting point to there. We're also saying that employers can wait for 3 months after a new worker has started because there was worry people would work for a few months, leave, and there was all the hassle. So we're dealing with that. And if firms have already got schemes, we're making it much easier for them to carry on. So we are aware of the issue of the impact on firms.

LEWIS: Employers will be auto-enrolling staff from 1st October 2012, but that doesn't apply to all employers, does it? There's a long staging in process.

WEBB: That's right and that's one of the things I think will help. I mean it starts in 2012 with the very biggest firms in the land, and that means that the smallest firms again won't have to do this for some years and anyone who sets up a new business after April 2012 won't have to do any of this right until the end of this phasing in period. So again there's a lot of thought gone into making this easier for small firms. And specifically if I can mention the scheme that you auto-enrol people into, we've created this new thing - the National Employment Savings Trust, NEST.

LEWIS: *(over)* Well that was created by the last government.

WEBB: Well we're going ahead with it because there was some speculation we might not. And the idea of NEST is it's basically simple for people who've never done pensions before, never had to run them; and the idea is that a firm won't really have to make difficult choices, there's an easy scheme ready there for them.

LEWIS: You mention small firms. Does this include people with say one employee - a family with a nanny, for example?

WEBB: It will include them if they're paid above PAYE. So if you're already having to run PAYE, then it would include those people.

LEWIS: And how much will the contributions be into the scheme because they're still going to be quite low, aren't they?

WEBB: Once the whole thing's up and running, the way it will work is that an employee will put in 4% minimum of their salary. The taxpayer adds 1% in tax relief and then the firm, the employer adds 3%. So that adds up to 8%. And you're quite right, you can't live comfortably on 8%. But it's one of these things where if you start too high people complain about the burden, people may just opt straight out. So it's a trade off really.

LEWIS: Yes, but they are fairly tiny amounts and they're aimed at low income people. We got an estimate that someone on a minimum wage for 30 years paying in the full amount once it's fully in place by 2017, they'd get a pension of just £1100 a year, £21 a week. Now that would be a lot of contributions from both sides. It will barely take them above the level of means testing, will it?

WEBB: Well one of the things is that people at different points in their lives earn different amounts, so it's relatively unusual to earn at a low level consistently over a 40 or 50 year working life. And also one of the things we want to do is once people are in pensions, we think it will be much easier for them to make their own contributions on top. Now all of this is voluntary.

LEWIS: There'll be a limit though, won't there?

WEBB: Quite a high limit relative to someone certainly on the minimum wage. Won't come anywhere these limits. But the idea is if you've got a simple pension fund, that you understand it, that it's easy to make extra contributions. This will help more than 10 million people who don't have any pension at all at the moment.

LEWIS: And I know that you have said in the past you want to end means testing, so the state pension is a flaw. There were plans that you didn't announce this week, but were leaked. Will they end means testing?

WEBB: Well, as you say, we're going to bring forward details of this in due course. But certainly when looking at the state pension, one of the things we will do is try and make sure it fits with this automatic enrolment into workplace pensions, so that when people do save through the workplace then they can be more confident of getting a decent return than they would at the moment.

LEWIS: Steve Webb, Pensions Minister, thanks. And the department told us those plans would be published by the end of the year. We'll see.

The debt collection agency working for the payday lenders Help Loan has stopped pursuing customers for not paying their debts. Money Box revealed last week that thousands of people being chased for debt hadn't borrowed the money in the first place. Help Loan makes small short-term loans at very high rates of interest, but criminals have taken out thousands of its £300 loans using stolen identities. The first the victims knew about it was a demand for payment from the debt collectors. Money Box has also learned that Help Loan is breaking advertising rules after the Office of Fair Trading confirmed the interest rates on Help Loan's website massively underestimate the APRs actually being charged. Bob Howard's been investigating.

HOWARD: Paul, the police say now that more than 9,000 innocent people have been inadvertently caught up in this alleged fraud, and since we first reported this story last Saturday we've had a big response from listeners. Almost a hundred have contacted us to say they too have received threatening letters asking for repayment of loans they never took out. Many are angry that despite already having contacted Help Loan and its debt collection company Intrum Justitia they're still receiving letters demanding payment. Kim from Hertfordshire got a crime reference number from the police and wrote to Help Loan's parent company MCO Capital to say the firm had made a mistake the day after receiving her first letter in August. But last week she got another repayment demand from Intrum Justitia.

KIM: I have tried to phone them. I did get through and was told I'd be put through to someone, and I got cut off and I haven't been able to successfully get through to speak to them. I just find it unbelievable that after two months of MCO Capital being supposedly defrauded of millions of pounds that the website's still up. In theory people can still apply for these loans. It seems amazing that this is still allowed to go on and the letters are still going out to people without anything that infers that there may be a fraud going on.

HOWARD: Now last week I tried many times to get comments from Intrum Justitia's UK office to no avail. So this week I tried its regional office in the Netherlands and finally its head office in Sweden. Eventually on Wednesday, I spoke to Pascal Lebreu who's responsible for its UK operations, to ask him about his firm's dealings with Help Loan's parent company MCO Capital.

LEBREU: We have decided to stop all reminder action on MCO cases until further information. The level of fraud seems to be very high.

HOWARD: Should you have not reacted a bit quicker? If you'd have acted a bit more quickly, there would be a lot less people who got very upsetting letters.

LEBREU: You're right, we should maybe did that earlier.

HOWARD: So are you going to continue this relationship with MCO Capital?

LEBREU: We are planning a meeting with them to have a better understanding about their fraud process. You can be sure that if we don't have clear information, we will not continue anymore with them.

HOWARD: So since Wednesday nobody should have been contacted about any alleged Help Loan debt. If you have been, please let Money Box know. And I spoke again to Mr LeBreu from Instrum Justitia and he said he was still reviewing his company's relationship with MCO Capital and he would take a decision on whether to end it next week. Now we've also discovered that the annual percentage rates or APRs quoted on the Help Loan website are wildly inaccurate. For example, if you borrowed £50 over 14 days, Help Loan's website says that's an APR of 1,877%. In fact the correct APR should be over 132 million. The Office of Fair Trading's confirmed this and says this will be part of its wider investigation into the company.

LEWIS: Thanks, Bob. Well live now to Birmingham. Adrian Kibbler speaks on behalf of Help Loan and its parent company MCO Capital. Adrian Kibbler, can you explain how fraudsters were able to take out so many loans from this company - 9,000, we believe?

KIBBLER: Yeah, well let me first of all say I'm glad to have the opportunity to put some of the record straight. No-one other than MCO has lost or will lose any money as a result of the crime.

LEWIS: No, but people have had very frightening letters.

KIBBLER: Yes, exactly. There is a process in place whereby that if people believe they have been the victim of identity fraud, they can contact the company. There will be an investigation and the case will be closed. Now quite clearly we are very, very sorry that people have received distressing letters that have caused them inconvenience.

LEWIS: But this fraud began some weeks ago, but you were actually chasing people up for debt only a few days ago after it was long obvious that this had been going on.

KIBBLER: Well, first of all, yes we've been a victim of crime and what we've done is we've put in place a process whereby people write to the address on the letter that they receive. That will mean that we will investigate and then we will take action to close the file. Unfortunately a large number of people have ignored letters, not responded to those letters …

LEWIS: *(over)* Well perfectly properly. They didn't owe any money, did they? If I got a letter saying I owed money and I didn't, why shouldn't I just throw it away?

KIBBLER: Well I think this programme could provide a valuable service by telling people that if they have any reason to believe that they are victims of identity fraud - and this crime has been committed by sophisticated criminals and we are fully cooperating both with the police and with the Trading Standards Authority - if they let us know that they believe they've been victims of this crime, then we will investigate and we will withdraw any action and we apologise profusely for what's happened.

LEWIS: Are you also going to apologise over the APRs on your site, which are completely wrong? I mean Bob gave one example. Another one is £300 over 28 days says 926%. In fact it should be 106,793% APR.

KIBBLER: I think the only answer is if there are errors, then they shouldn't be there and they will be corrected.

LEWIS: Well they've not been and we pointed this out to you earlier this week.

KIBBLER: My understanding, Paul, is that you're talking about the percentage rates which are incorrect. The site, as I understand it, does quite properly say the amount of money that people would be repaying.

LEWIS: It does. But to put the wrong APR breaches advertising rules. Do you accept you're doing that and why haven't you taken that information down?

KIBBLER: Well that is being looked at at the moment. I just want to say that the implication of this whole thing is that somehow MCO is to blame for this crime. We are not. We are victims of this crime. The logic of your argument, Paul, is to suggest that if a bank robber steals your car and then commits the crime, you're somehow responsible for the bank robbery. That's a fairly perverted view of justice and fairness, I think.

LEWIS: Adrian Kibbler of Helploan and MCO Capital, thanks for making those points.

A new savings scheme for children was announced by the government this week. It'll replace the Child Trust Fund which ends for babies born from 1st January. Instead parents and relatives will be able to pay into a new Junior ISA, a tax free way for children to save until the child reaches 18. Unlike Child Trust Fund though, there's no state payment into it and joining it will be voluntary, not automatic. John Reeve is Chief Executive of Family Investments, who's been discussing the new scheme with the government. I asked how much could be put into a Junior ISA.

REEVE: We don't know what the limit's going to be. Discussions have taken place and the industry has put forward various ideas about what the levels should be. It's been suggested it might be as high as £5,100, which would be equivalent to the cash savings limit within ISAs at the moment; or £3,600, which is the equivalent to the limit for pension saving for children.

LEWIS: Almost all the Child Trust Fund providers on the stakeholder charge 1.5%, and that is a very big charge for what is in effect a Tracker Fund. You can get one of those for 0.5% if you're an adult.

REEVE: Yes, I think you've got to take into account that the amounts of money quite often are very, very small. And you have to take into account, I think, also the idea of having a standard charge does allow providers to encourage saving amongst the less well-off, so there's an element of redistribution there.

LEWIS: Surely a lower charge would encourage people to invest who had lower income?

REEVE: Yes, but if you have a lower charge, then it becomes uneconomic.

LEWIS: Is it your understanding that these will only be open to children born from January 2011, or will they also be open to children who were born too early for the Child Trust Fund, before September 2002?

REEVE: Certainly that's been in conversations we've been having with government and we're very hopeful it'll be available to children born not only from January of next year but also children before.

LEWIS: Do you have any sense from your discussions when we'll get the final details on this?

REEVE: I don't anticipate till the spring.

LEWIS: John Reeve of Family Investments.

Millions of people will be paying more for their gas before Christmas as Scottish and Southern Energy is increasing gas prices by 9.4%. That'll cost households on average £50 to £70 a year if they're customers. It's the first of the big six energy companies to announce a price rise, which is the first since 2008. Live now to Mark Todd who's from the independent price comparison site The Energy Helpline. Mark Todd, why this price rise now? Do you know?

TODD: There's been increases in wholesale gas prices over the last year or so, and Scottish and Southern have said they need to increase the prices to offset that wholesale gas price rise. Their results are out in a week or two, so they're probably looking to make sure that shareholders are happy with their profits performance.

LEWIS: Yeah shareholders rather than customers, who are now going to be paying higher prices right through the winter.

TODD: It's quite a shocking move. We were expecting energy price rises in the New Year. I don't think anyone expects it done before Christmas.

LEWIS: So will the other companies follow suit now, do you think?

TODD: What we're hearing is that probably two or three of the other big six will follow suit during November. Then maybe one or two will hold out till the New Year. But, unfortunately, by February I'd expect every big energy company in the UK to put up their gas prices.

LEWIS: Well bad news then. What are the suggestions you've got for keeping your bills down?

TODD: Well the Scottish and Southern Energy tariff for standard currently costs £1,163 a year. Now the cheapest tariff in the country costs £867 a year. That's £296 saving. So if you switch, you can save a lot of money.

LEWIS: Sure. Who's that with?

TODD: That would be with EDF, their online saver.

LEWIS: Yeah, I suspected it was an online account. But of course a lot of people aren't online, are they? A lot of the people who suffer most from high bills are people without computer access. Without that, how do you get the cheapest deal?

TODD: There's a lot of phone services around, including ourselves at Energy Helpline. So if people call up ourselves or a competitor, they can also get a price comparison and they can still switch to good value tariffs generally saving £100 to £200.

LEWIS: Okay. Thank you very much, Mark Todd. And our tip from one of our members of staff is ring up your own energy company and say, “I’m going to move unless you put me on the cheapest deal” and often they’ll cut your bill.

Now letters have gone out to nearly 200,000 shareholders of Lloyds Banking Group asking them to join in with legal action against the Treasury and Lloyds directors. The letters are being sent by Lloyds Action Now. And a group of angry shareholders, they are. They want compensation for the dramatic fall in the value of their shares after Lloyds bought HBOS in Autumn 2008. They claim former Chancellor Alistair Darling, Lloyds Chief Executive Eric Daniels, and Chairman at the time Victor Blank withheld vital information about a £25 billion Bank of England loan to HBOS until after shareholders voted to buy it. When that loan was revealed, the share price plummeted, and its compensation for that loss they want. Money Box listener Graham in Croydon got a letter recently.

GRAHAM: I’ve got about 5,000 shares with Lloyds TSB. I’ve received a letter from Lloyds Action Now suggesting in which they’re suggesting that for an upfront payment there would be some possible compensation in the future. I’m really wondering about the prospects of success here; whether this is something that I as a shareholder should be signing up to in the prospect of getting some sort of reward at the end of the day?

LEWIS: Well should he join? Live now to talk to Adrian Lithgow who’s the spokesman for the campaign group Lloyds Action Now. Adrian, just explain again the grounds for this action against the Treasury and Lloyds executives.

LITHGOW: Well I think you summed it up very well, Paul. In the circular and prospectus outlining the merger put forward by the directors of Lloyds TSB at the time, no mention was made of emergency liquidity assistance amounting to £25.4 billion, although there were references to other forms of funding that all banks at that time had access to. We say that the failure to make this loan public - it was finally revealed officially a year later - denied shareholders the opportunity to be fully informed when taking the decision about going ahead with the merger. And had it been revealed, we would say that the merger would not have gone ahead. We also say …

LEWIS: Right, so you really think it was that material. And what's the loss in the sense of how much your shares are now and what you think they'd have been if you'd voted against the HBOS deal?

LITHGOW: Well if the deal hadn't gone through, our lawyers and counsel are working on this still with also retired bankers from Lloyds TSB itself and we estimate with all the dilutions that have subsequently taken place, the loss of dividend, the crash in the price, that shareholders' portfolios have been reduced by seven eighths of what it was before the merger. I mean for hundreds of thousands of people, this is a huge and damaging loss.

LEWIS: So that is a lot of money. You have though heard the phrase shares can go down as well as up, haven't you?

LITHGOW: Well they can, of course they can. But you know if one's making a comparison with gambling, if you're playing on a rigged roulette wheel then that is not a question of chance; that is a question of something more serious. And we're saying that in this case there was something that was more serious and it was the withholding of vital information. Shareholders are protected by law from things which are not a matter of chance.

LEWIS: Stay with us, Adrian. But with me is David Greene. He's a partner in the law firm Edwin Coe, which specialises in group actions like this one. David Greene, first why do people need to join these groups to take action?

GREENE: Well they need to join them because we don't have a US style class action. Of course US style class action, we refer to that as an opt out action in that you're in the class once the class is certified whether you like it or not, but you can opt out. Here we have an opt in process and you have to opt in in order to take part in the proceedings, and indeed to gain the benefit of the judgement.

LEWIS: So even if this group wins, if it's formed and wins, people who didn't join but who did still suffer the same won't get any compensation?

GREENE: In essence, yes. At the end of the day if there's a trial and there's a judgement, then only those who are parties to the claim will benefit from the judgement. It may have a knock-on effect, but that's in essence.

LEWIS: And I know you're not involved in this case, but I'm sure you're familiar with some of the details of it. How strong a case do you think they've got?

GREENE: Well there's no doubt that a company has obligations under European law and in English law about giving information to its shareholders. So there's no doubt there's a case to answer. I think from an outside point of view, I'd say look the case is probably stronger against the company rather than the directors.

LEWIS: Then they'd be suing themselves, wouldn't they, the shareholder?

GREENE: Well they are. That's often the problem with these claims, is you are suing yourself. But remember that the shareholder's suffered such a substantial loss here that it's quite a substantial claim. And, yes, it has an effect on the company, but that's the only way it'll go further - is suing the company.

LEWIS: Right. And Adrian Lithgow, you want people to join. The fees are £300. People who've got this letter from you, which I've got in front of me, it's a pretty dramatic thing. Some people have thought they're even you know being asked for money that they shouldn't be paying. Why does it look like that? Why are you asking for so much money to join?

LITHGOW: Well I'm not quite sure what you're referring to there. We haven't had any complaints directly about that to the organisation.

LEWIS: We've had some. It's in bright red. You've got this 23-1 cost to reward ratio. You suggest people might get back £10,000, which is a fairly tendentious figure.

LITHGOW: Well that's on the basis of a certain shareholding and it's only a representative model. No we're asking for £225 plus VAT as a registration fee. The rest of the fee is a three pence per share contribution. Broadly speaking, the £325 enables us to get this campaign going in the first place. Unfortunately in this world nobody is prepared to work for free. Even charities pay the people who work for them. We've spent …

LEWIS: Indeed. Adrian Lithgow …

LITHGOW: … a considerable sum of money on getting the campaign up and running and now it is working and paying off.

LERWIS: I must stop you there. Adrian Lithgow thanks, and thanks to David Greene. That's it for today. Find out more from our website: bbc.co.uk/moneybox. All sorts of exciting things there. And have your say on is Junior ISA the answer? Vincent Duggleby's here on Wednesday with Money Box Live taking questions on wills and estate planning. Back with Money Box next weekend. Today reporter Bob Howard, producer Monica Soriano. I'm Paul Lewis.