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MONEY BOX

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LEWIS: Hello. In today's programme, more than a quarter of a million people have signed up to the Which? Big Switch, but it's turned off six energy suppliers. The Revenue admits letters were not as clear as they might have been. One woman tells us she nearly lost almost £4,000 as a result.

GINA: She said, "It's just as well you rang up" because if I hadn't, then come April 6th they would have took the working tax credit away from us.

LEWIS: More insurers jump on the confusion bandwagon over legal drinking and driving. The price of sending a letter will rise by more than 30%. Is ours really the cheapest post in Europe? And a small concession on lifelong pet insurance from Halifax.

But first, the Big Switch. Britain's biggest energy supplier, British Gas, has announced this week it will not take part in the Big Switch organised by the consumer group Which? It's the second big supplier to say it won't play. Which? plans to use collective bargaining power to negotiate the lowest possible energy prices for more than 250,000 customers who've signed up. But without British Gas and SSE and four smaller suppliers, where does this leave the Which? campaign? With me is Richard Lloyd who's Which's? Executive Director. Richard, 6 weeks ago you told me on Money Box that there's no guarantee the big six would play and now two have said

they won't. Where does this leave your idea?

LLOYD: Well of course nothing on this scale has ever been attempted in this country before and we always knew that some of the suppliers would be very threatened by this. British Gas - their best deal's online direct debit, not very competitive. It would cost them a lot of money to be the winning supplier. I'm not surprised they've thrown some mud at this and walked away, but we're still talking to the majority of big suppliers and a good number of small suppliers. We don't need them all in the room to make this work. But you know the first time you try something, you have to see what happens, and we will see on the day who's in the room and who's offering the best deal.

LEWIS: Yes. Though of course with an auction, the more people bidding, the better price you get - or the lower price in your case. One criticism from British Gas and a number of other suppliers is that you are going to charge the energy company that wins £40 for each person who transfers. Now if 100,000 move, that's £4 million. How much have you spent already?

LLOYD: Well we've already spent nearly £600,000 on setting up the IT and the support for this.

LEWIS: Really? On what? That sounds an awful lot.

LLOYD: Well it's a very complicated market, so we've got a really big job to make sure that all those people get the very best deal in the market, that all the suppliers on the day can do their bidding. And the other thing we're doing to make sure that everyone that takes part - every individual that takes part gets the best deal is checking their details against the whole of the market, so we will show them if there's a better deal than the collective deal on the day. Now that's not cheap. We're also processing 26,000 applications by post. Now this isn't cheap, but we want to do it properly. We want to prove that this can be done. That's why we've got to charge a

fee to cover our costs. We're a charity and we have to do that.

LEWIS: So when British Gas says you should be fully transparent about the fees, you think you are?

LLOYD: We've been really transparent. This was reported on page two of the Sun and in numerous other papers. And you know lectures from British Gas about transparency. This is the dinosaur of the energy industry who's been happy to let people sit on its most expensive tariff for years and years. I think it would have been better if they were in the room, but frankly others will be.

LEWIS: Listening to us in Derby is Mike Shamesh, Director of the People's Power. That's another much smaller collective switching scheme and it's a not for profit one. So far, Mike, I think you've signed up 2,000 customers. How do you feel now that two of the big and four of the small suppliers say they won't play with Which? Are they going to play with you?

SHAMESH: Well we hope so. We're really excited this week in that one of the things that we've just announced is that we've got two very large housing associations to collaborate with us to try and get collective switching beyond the switching classes, which was one of the objections that British Gas came up with, so they won't be able to object to us not trying to associate with a wider group of consumers. We're also charging £2 referral fees and that's again for two really important reasons. One is it's so that we can pass on the savings that are potentially there to the consumers that sign up with us. And, secondly, for energy companies - because they'll be paying the People's Power such a low referral fee, they've got a chance to make more money by working with us and again we can try and pass that saving onto consumers.

LEWIS: Yes, I mean we've heard from Richard Lloyd it's going to cost his organisation or he's going to charge £40. You're saying you can do it for £2?

SHAMESH: Well it's ... we're a not for profit.

LEWIS: (*over*) This is because you have no staff really. You're all volunteers, aren't you?

SHAMESH: Yes. None of us have been paid as yet. And also I think there's one other thing about the smaller size. We're working on a much smaller scale. If we were working on a 250,000 scale like Which? is, we wouldn't be able to do this.

LEWIS: No, but ...

SHAMESH: But because we're looking at about 10,000 to 20,000, we think that all of the companies big and small will be able to participate with us.

LEWIS: Okay, let me put to you, Richard Lloyd, about engaging people who've never switched - what I think I called the "switching classes" when we last talked about this. Really you're just serving wealthier middle class Which? readers, aren't you?

LLOYD: Well we've started analysing the details of the people that are involved and it's looking really interesting. More than half of the people that are involved aren't currently managing their energy bills online. More than 75% are on variable tariffs, not fixed price deals. Now we're starting to get a picture of who has signed up and who's got involved. It doesn't look like the people that routinely switch. And that was part of the thing we wanted to do here - was to reach as many people in a new way as possible - and I think that's what we're doing.

LEWIS: And Mike Shamesh, what about prepayment customers because they're hard to reach, aren't they, in this kind of deal?

SHAMESH: Yes, well this is ...

LEWIS: Are you managing that? Briefly.

SHAMESH: Well we haven't done yet. This is why we're so excited by the collaboration with the housing associations - is that so that we can actually try and reach those people and try and put that together - but that won't be ready for the next few weeks at least.

LEWIS: Okay, Mike Shamesh of the People's Power and Richard Lloyd of Which?, thanks very much. And thanks to both those organisations on our website: bbc.co.uk/moneybox.

One and a half million people will lose their tax credits from next Friday. HM Revenue and Customs has written to all of them saying their money will stop, but there are claims this week that those letters are misleading and some people will lose tax credits when they should be keeping them. Victoria Todd is a Technical Specialist at the Low Incomes Tax Reform Group. I asked her what the mistakes were.

TODD: The letter states that the cut-off figure for child tax credit is £26,000 for single and joint households. The statement leaves no room for doubt, but it's wrong for the majority of claimants. The cut-off figure is different for everybody. If you have more than one child, if you pay childcare costs, if you qualify for the disability element, you can get tax credits up to a much higher figure than £26,000. Now although the people who receive the letter will probably not get any payments from April based on their current circumstances, if they have a change of circumstances or they know they're going to have one in the next few months, their cut-off figure could be much higher and, therefore, they need to stay in the system.

LEWIS: Roughly what are the limits if you've got two, three or more children?

TODD: If you've got two children, it's roughly £32,200. Three children, about £38,800, and it goes up from there. But I do stress those limits do not take into

account childcare costs, disability element. You could still get tax credits up to £50,000, £60,000 if you've got children with disabilities and you claim maximum childcare.

LEWIS: And what if someone gets one of these letters, looks at it and thinks oh well, my income's £30,000, I'm not going to get them anymore, lets the claim lapse. Given that they've been sent misleading advice by Revenue & Customs, can they restore the claim?

TODD: If the person doesn't contact HMRC by today, the claim can't be restored. They can make a fresh claim, but it can be only backdated by 31 days.

LEWIS: Now we've also heard from people who are getting working tax credit and just have a listen to Gina. Gina has a disabled son. She's his carer. And she rang the Revenue after getting one of these letters to see if her benefit really was going to stop. Here she is.

GINA: I rang them up myself because I was a bit concerned that the staff hadn't been notified of the change in policy. And the lady I spoke to had no idea of anything of what I was telling her. As far as she was concerned, we were still going to lose out come April 6th this year. So she went away, was gone for a couple of minutes, and come back and said, "Oh yes, we have been notified today. However, it's just as well you rang up" because if I hadn't then come April 6th they would have took the working tax credit away from us. For me to work and to look after Harry, it would be absolutely impossible really.

TODD: Currently Tom and Gina qualify for working tax credit because they have a child and Tom works at least 16 hours a week. From 6th April, the new rule is that couples with children must work at least 24 hours between them with one person working at least 16. So obviously because Tom is working less than 24 and Gina obviously can't increase her hours, they would have lost working tax credit from 6th

April. However there are some exceptions to that 24 hour rule. The three exceptions that existed are for people whose partners are incapacitated, in hospital, or in prison. Now we are very aware of a situation like Tom and Gina where there is a carer and they can't increase their hours, and it was for that reason that we led a coalition of charities and wrote to the minister and asked for an exception for people entitled to carer's allowance. And that exception has now been brought in, as Gina mentioned. The problem is it was only done very recently, in the last few weeks, and the guidance for the tax credit helpline has only just gone live in the last couple of days. Now if the exceptions apply to anybody, not just the carer's exception, they must contact HMRC by 6th April, otherwise their working tax credit will stop.

LEWIS: And how much would that have been? How much is working tax credit?

TODD: If you're on a minimum wage, it could be as much as about £3,870 a year.

LEWIS: Well that's obviously crucial for someone with a disabled son to care for.

TODD: Absolutely. And that's why this carer's exception is very, very important.

LEWIS: Victoria Todd of the Low Incomes Tax Reform Group. The Revenue told me the child tax credit letter was "not incorrect", but "not worded as well as it could be" and it says it will look "sympathetically" on people who feel they've been misled. I've written an article about all this on the BBC news website and that has the HMRC helpline numbers in. You can let us know your views - and many of you are already - on our website: bbc.co.uk/moneybox.

We had a big response last week to our story about whether motor insurance cover could be invalid if a driver involved in an accident had drunk alcohol but was below the legal limit. Many insurers seemed confused and that was reflected in their call centres, as Bob Howard discovered.

HOWARD: Paul, last week we reported on how two big insurers have had to rewrite their policy wording around drinking and driving after complaints from brokers. Since we broadcast the story, listeners have been checking the wording of their policies and phoning their insurers to try and clarify their own liabilities. Ian from Hertfordshire who's insured with Admiral is one.

IAN: I spoke to a customer services representative on the Saturday afternoon straight after the programme and explained the scenario that I understood it to mean, which was that if I passed a breathalyser test and was under the limit but I still had any trace of alcohol in my system, that the policy wouldn't be effective and I could even be pursued for legal costs in relation to any accident that I was involved with. The representative looked into the matter - he went away twice to seek confirmation from the line manager, I believe - and at the end of that process, which took some time, he said that yes a policy clause meant that I would be excluded from cover. My wife and I were very angry that this clause appeared to have been sneaked in under the wire, so to speak, and that we could already have been breaching the clause inadvertently.

HOWARD: Ian wrote to the Chief Executive of Admiral to complain. He also contacted Money Box. We asked Admiral to listen back to the call and say if the advice Ian was given was in fact accurate. Admiral would not be interviewed, but after listening, they sent this statement.

ADMIRAL STATEMENT: We have listened to the call Mr Drury made and, unfortunately, the call centre representative Mr Drury spoke to was rather overzealous in what he said. In fact he was wholly inaccurate. As a result, we will contact Mr Drury to apologise and explain the correct situation. We will also be reminding all of our staff of the meaning of this clause.

HOWARD: And to be clear, Admiral now says this clause does not relate to somebody who has an accident but is under the blood alcohol limit. Ian wasn't the only Money Box listener to phone his insurer after last Saturday's Money Box. Steve from Glasgow phoned his insurer Esure.

STEVE: There was a lot of bland reassurance about, “No, no, no, you really don’t need to worry. It’ll all be okay.” And what bothered me was that every time I challenged them about the specific wording in the clause, they gave no reliable answer at all. It was impossible to get a straight answer.

LEWIS: That was Steve from Glasgow ending Bob Howard’s report. I asked Adrian Webb from Esure what the call centre should have said to him.

WEBB: Complex questions over those things should not just be answered by the first person on the phone. They should refer you to the technical expert and they will say, yes, if you’re under the legal limit, you are covered. What the policy says is ‘if a claim occurs whilst you or any person named on your certificate of motor insurance is driving under the influence of drink or drugs’. Now our definition of ‘under the influence of drink or drugs’ is that you are outside the legal limit.

LEWIS: But it would be a lot simpler if it said that. It uses the phrase ‘under the influence of drink or drugs’, and Steve quite naturally - and I think I would if I read that - would think well if I’ve had a drink maybe they’ll think I am because quite separately it says if I’ve broken the law, I’m not covered. Well fair enough, but what if I haven’t broken the law? You’re saying that I am always covered?

WEBB: Sometimes there can be a long delay before a conviction of drink driving. We will take police evidence and if the police report says that that person was over the legal limit, this would apply. If the police report says that they weren’t, they were under the legal limit, the claim will process absolutely as normally.

LEWIS: Adrian Webb of Esure.

The price of posting a letter is to rise by around a third from April 30th. The cheapest stamp then, a standard second class, will go up by 14p to 50p - the start of the 10 shilling letter. The price of a first class small letter will rise by the same amount - 46p

up to 60p. Businesses who frank their mail will see smaller rises. One of the claims the Royal Mail makes about the increases is that for a 51 gram letter, our second class price will still be the lowest in Europe. Is that right? Money Box's Fiona Woods has been trawling through international postal tariffs. Fiona?

WOODS: Well if you look only at the cost of sending a heavier letter (so we're not talking about a couple of A4 sheets in an envelope here) and that letter is sent second class, and then you adjust the cost for relative purchasing power in each country - then, yes, if you do all that, it's true. Mind you, the Royal Mail does say that less than half the EU even has a second class service.

LEWIS: Right, Fiona. So what about something perhaps more typical. The price for a normal letter sent first class, where do we rank then?

WOODS: Well as of April, we'll be the fifth most expensive country according to figures we've obtained from a 2010 Deutsche Post survey. That's more than big countries like Germany, Italy, France. We're going to be up there with the notoriously expensive Nordic countries. Now the Post Office say that once you factor in the UK's relative purchasing power, then things look a lot better. By that measurement, we're ninth most expensive for first class normal letters.

LEWIS: Okay but in pure terms, using the exchange rate, only a handful are more expensive. Which are they?

WOODS: Well perhaps unsurprisingly Norway is the most expensive. It costs a rather steep 93p to send a letter there. Hot on its heels are Denmark, Finland and Switzerland.

LEWIS: So why is Norway so expensive?

WOODS: Well we asked Norwegian Post Office just that. It says it's down to having

a dispersed population, so having to travel long distances between houses. It also blames the fact that there's been a sharp drop in the amount of mail being sent pushing up the unit cost.

LEWIS: Yeah, though of course the sharp drop could be because of the high cost.

WOODS: Well that's certainly the sentiment expressed by one Norwegian I spoke to. He told me it would soon be cheaper for him to drive over and deliver the mail himself. And that's despite having the highest petrol prices in Europe.

LEWIS: Poor Norwegians. Well that could happen here I suppose too because the Royal Mail now has the freedom to set its own first class prices and it can raise second class letters by more than it already has. But do remember, go out today or Monday, buy first and second class standard and large letter stamps at the old prices until 29th April - some shops have discounts - and you can use them to make up a higher amount as well at their new values from the 30th. A guaranteed 30% increase in value over a month. That can't be bad.

Thousands of people whose pets were insured with Halifax are celebrating a minor victory this week. Halifax pulled out of the pet insurance market earlier this year and as policies lapsed many pet owners found it difficult or impossible to get their pet insured elsewhere if they had an ongoing medical condition. But this week the Financial Ombudsman said Halifax had made a "significant error" in marketing its policy as lifelong and said the bank should pay compensation. David Cresswell is from the Ombudsman.

CRESSWELL: In the individual cases, it's probably going to mean a little bit of compensation for the inconvenience and upset they've been put to. But more significantly it would also mean that the insurer will have to make top-up payments for a number of years for any medical conditions that used to be covered by their policy but won't be covered in future by a new insurer.

LEWIS: That's a bit complicated, isn't it, and I think it's only for 3 years. Why aren't you insisting that Halifax honours its adverts and keeps lifelong cover?

CRESSWELL: Well in the decision, we found a number of things, and the first importantly is that technically Halifax was acting within its rights to decide not to provide that kind of insurance any longer and that it was under no legal obligation to keep on renewing policies each year.

LEWIS: Now I can understand that, but surely for the people that bought it as lifelong cover, there is an obligation to continue to give them that protection?

CRESSWELL: There wasn't a legal obligation and that's the issue. So to that extent, we have to accept that Halifax pulled out of the pet insurance business. That was its decision and our solution is this practical suggestion about moving forward. And it's going to be tailored for each individual pet. So the 3 years we're proposing, that's for this particular dog (the dog's called Lucky) and we've looked at Lucky's circumstances and Lucky's age and things like that and come up with 3 years. That might change depending on different dogs and different medical conditions.

LEWIS: David Cresswell from the Financial Ombudsman Service. And Halifax is writing to up to 4,000 people whose pet has developed a medical condition which makes insurance expensive or impossible to find. A spokesman told me: "We know we've done wrong and we're trying to fix it", though the bank still refused to come on Money Box to explain its policy. Let's talk now to Beverly Cuddy who's in Guildford. She's the Editor of Dogs Today magazine. Beverley Cuddy, Halifax has changed its mind. Has it gone far enough?

CUDDY: Not really. It's great to hear at last they are saying sorry, but they're still using terms like 'inconvenience'. Two of the members of our group who've been affected by this have had their dogs put to sleep, and that's hardly an inconvenience.

LEWIS: Because they couldn't afford the insurance?

CUDDY: Yuh.

LEWIS: And certainly we talked to Deborah Sugden when we did this before. Her Yorkshire terrier, Billy, she had to spend more than £700 a year on his treatment, and of course there's a limit to how long some people can spend that sort of money.

CUDDY: That's the thing. I mean this has been going on for so long as well. There's been many months where people have been out of insurance and some of these pets are very, very poorly and people couldn't go on. They'd already run up all the bad debt they could do and they had to make a decision.

LEWIS: And you've started the Pet Alliance Watchdog, which has the useful acronym PAWs. What does that want Halifax to do?

CUDDY: Well we want everyone treated fairly. And not just the people who are jumping up and down and shouting. All the little old ladies who were sold this by the bank that they've put their mortgages with. They bought peace of mind and cover for life not for the next 3 years. This was for every eventuality, so that they never had to have their pets put to sleep because they couldn't afford to pay the bill.

LEWIS: Yes because it was marketed as lifelong insurance initially. The Halifax couldn't tell us how many people bought it under those terms, but that's really the issue, isn't it? And I was a bit surprised that the Ombudsman had said well they've got to compensate them for 3 years. Really should it be for the rest of the life?

CUDDY: Definitely. And I think we should be looking at the mis-selling of cover for life here in the same way as other types of insurance. And we've got a group action - a no win, no fee group action. That's the point that we're going on - that people were sold a dream of cover for life and they didn't get it. It doesn't matter what the small

print said. The big print wasn't clear and fair.

LEWIS: Isn't there also though an issue with the cost of vet treatment? Their prices have been rising well above inflation for years. It can cost a fortune - medication, operations that you know a generation ago we wouldn't have considered. We would just have allowed the animal to die with dignity.

CUDDY: Well what is achievable these days is amazing and that's why people researched and wanted cover for life pet insurance. I think the thing is the quality of life afterwards is good for many of these dogs. They've got a good standard of living and it's a choice that these people made as responsible owners to buy insurance, because vet cover is expensive.

LEWIS: Beverley Cuddy, thanks very much. And if you're a Halifax pet insurance customer unhappy, then you can go to the Financial Ombudsman, and there's a helpline number on our website.

Holidays are set to get more expensive. From today, Sunday, air passenger duty will increase. Fiona Woods has the details.

WOODS: Yeah, as of today a family of four travelling to Europe will pay £52 in air passenger duty. That's up from £48. But it's those flying further afield that will be hardest hit. A family of four flying to the United States or Egypt, for example, will now pay £260 air passenger duty. That's up from £240. And the tax will increase again next April in line with inflation.

LEWIS: And what about people who've already bought tickets?

WOODS: Well if you've already booked your flights and you're flying from today, the chances are you've already paid the higher tax. That is unless your airline has decided to absorb the cost.

LEWIS: Big change tomorrow. Thanks very much Fiona. That is it now from us for today. More on our website: bbc.co.uk/moneybox. My newsletter, podcast, listen again. Send us your ideas, as many of you do, and have your say - as many of you are - on those tax credit changes. Vincent Duggleby's here on Wednesday with Money Box Live taking questions on small business finance. I'm back with Money Box next weekend. Today reporters Bob Howard, Fiona Woods; producer Emma Rippon. I'm Paul Lewis.