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MONEY BOX

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LEWIS: Hello. In today's programme, commission on sales of financial products will be banned at the end of 2012. But will it just be a Christmas present for the banks? In an exclusive interview with the Ministry of Justice, we're told a substantial number of claims management companies will be closed down in the next few months. The cheque guarantee system will end in June next year, but what are the alternatives?

QUINN: They could use faster payments. They could accept cash.

LEWIS: Well, yes, you can always accept cash - until the banks decide to phase that out. Me being rather cynical in that interview. More of that later. The stamp duty holiday for first time buyers. Will it help and how will it affect house prices? And with the end of the tax year just four working days away, what should you do before it ends?

But, first, a week after the Ministry of Justice effectively shut down one of the UK's biggest claims management companies, its Head of Claims Management Regulation has given an exclusive interview to Money Box. A month ago, we exclusively revealed that the company in question - Cartel Client Review - and its solicitors were under investigation. Cartel is just one of hundreds of companies which say they can help you escape repaying loans and credit card debt by checking the contracts for errors, but hundreds of Cartel customers have contacted Money Box saying they paid hundreds, in some cases thousands of pounds in upfront fees, and received no service, nor a refund. I began my interview with Kevin Rousell

from the Ministry of Justice by asking why it had taken so long to suspend Cartel's licence given that many people had been complaining about the company for many months.

ROUSELL: When we do our investigations, there's serious efforts. We have to prove very clearly that a business has been involved in malpractice and it's not serving the interests of consumers. To suspend a business or cancel its authorisation is a serious matter, which they can appeal against. There has to be a pretty watertight case. We've cancelled the authorisation of a number of businesses over the last few months. Obviously the bigger they are, the more complex the investigation may be, and we have to bear in mind the interests of consumers who've got claims with the business already.

LEWIS: But the people who've been losing money have said things like this to us. One listener emailed us this week: 'I feel the law is not on our side when things like this happen.' They think you should have done something earlier.

ROUSELL: We have been doing something earlier with a number of businesses. I think in relation to the ones where there's a lot of complexity, we have to take account of if it's possible for someone to get a refund through a complaints process, which we can help them with, and try and do that. But at some point you have to draw the line. You have to take action against a business and say that's no good anymore, we have to stop you; and when that happens, to give appropriate advice to consumers with claims about where they go from here.

LEWIS: And what is your advice to customers of, for example, Cartel who you suspended a week or so ago?

ROUSELL: In a situation like this, they should certainly make sure that the business is aware that they want a refund.

LEWIS: Well I think most of them have been making the business aware of that for some time and have got nowhere.

ROUSELL: They certainly have. And then the follow-up options are how have you paid for

this actual service? Did you pay by credit card? If you did and the service hasn't been provided or it's been misrepresented, there's a statutory right to make a claim via the company or you can go to the bank concerned to try and get a charge back. Or you may have a claim you want to take forward with another business.

LEWIS: Yes, but I mean people think that's pretty ironic, isn't it, because you're actually trying to get money back using the very agreement that you were trying to prove was unenforceable?

ROUSELL: Yes, I understand that. The law is there to help though consumers in situations where they've paid for a service and they don't get it.

LEWIS: You say go to another company, but surely there's a danger of throwing good money after bad? I know there are a number of companies springing up trying to take the customers of Cartel.

ROUSELL: Yes.

LEWIS: So there is a danger, isn't there, that people will go to another similar company that you haven't yet closed down and lose yet more money?

ROUSELL: There's always a danger, certainly in a situation where you're feeling vulnerable, and you need to get independent advice from a non-commercial organisation.

LEWIS: And when people do pay upfront fees, they obviously think they've paid their fee and if the company gets into difficulty, they'll get their fee back. But that money in this particular case seems to have disappeared. Is there a way that in the licence, you can make sure that upfront money is ring fenced, so if there *is* a problem with the company in the future, it's in a separate account, that they can always get it back, and it's not been used to pay one of the directors nearly £800,000 as Carl Wright was paid by Cartel?

ROUSELL: Well certainly advance fees, we've been looking at that issue recently in terms

of what else can be done to help make sure the business which has taken any kind of advance fee preserves that money, puts it to one side, so it, as you say, is in the business or is available to help with refunds. And I think that's something which is important to look at very closely.

LEWIS: But couldn't you make that a condition of giving these companies a licence in the future?

ROUSELL: Well that's exactly what I'm saying. There's a number of ways to get to that.

LEWIS: Do you think that your powers are so weak or you have to apply them in such a long-winded and particular way that clever people will always be able to take fees off the public with little or no hope of success for the public and making themselves a lot of money?

ROUSELL: I don't think so. I think the powers are sufficient there. It's a matter of using those powers as cleverly as possible to stop businesses trying to rip off consumers.

LEWIS: Can you tell us how many other companies like this you're investigating?

ROUSELL: We're investigating one company related to the company you referred to, as was mentioned in your programme last Saturday. We are monitoring closely many other businesses in this area.

LEWIS: How many have you shut down?

ROUSELL: Over the last year and a half, I think it's about 126 maybe over the range of different claims management companies, but I predict that will increase quite substantially over the next few months.

LEWIS: Kevin Roussel from the Ministry of Justice. Now recent court cases mean that if you're hoping to get out of your debt by finding mistakes in the small print of your agreement, the chances are you won't have much luck. A relatively small number of claims only can have any real basis. But if you were sold Payment Protection Insurance with a loan,

that may well have been mis-sold to you. More than 2 million people are owed around £4 billion in compensation. You can always make that claim though yourself free. You don't need the help of a company that will charge a big chunk of your compensation to do it for you.

Now the end of commission on financial product sales, or at least investment sales. The Financial Services Authority announced on Friday that it would ban financial advisers from receiving commission for selling investment products, including pensions, unit trusts, ISAs based on the stock market and so on. The decision comes after years of lobbying by consumer bodies, which see commission driven sales as a major cause of mis-selling scandals such as mortgage endowments and personal pensions. From 2012, firms will have to charge fees for advice and no commission will be paid by providers. There'll also be a clear distinction between independent advice and what will be called 'restricted advice', such as that given by banks, which only sell their own or a limited range of products. Live first to Guildford to talk to Adam Phillips. He's Chairman of the Financial Services Consumer Panel. Adam Phillips, is this change enough?

PHILLIPS: It's a very good start. The FSA has been discussing the changes it needs to make to this market for the last four years, and we were very concerned that with the pressure from the industry, they were not going to go ahead with what they have just announced. So we're extremely pleased that people will be clear from the end of 2012 about what they're paying for advice and that their adviser will not be given a backhander by the product provider.

LEWIS: A backhander being your word for commission, I suppose. It doesn't though control what the banks do as much, as it? Banks will still be able to give their staff bonuses or incentives if they sell us an investment product.

PHILLIPS: They will. And we were very reassured by Hector Sants, the Chief Executive of the FSA's speech two weeks ago where he talked about the need for the FSA to get more closely involved in the sales process in banks and financial services businesses. So we are expecting the FSA to be able to demonstrate that they're watching this extremely closely.

LEWIS: Well stay with us, Adam, but let's also go to Cambridge to bring in Chris Cummings. He's Director General of the Association of Independent Financial Advisers. Chris Cummings, you've been involved in negotiations over this change, but many of your members are saying they'll have to close down as a result of it; they can't survive just being paid fees and not getting commission.

CUMMINGS: Well I think like any new system that comes in, there is going to be a degree of change that's necessary. But there is some very good news here and you touched on it a moment or two ago. For the first time, it's going to be a great deal clearer about the role of firms - who's actually independent on the side of the client and who basically are salespeople, the restricted advisers who are out there. And not only are the FSA looking at how banks describe themselves, but we must also remember that in the Budget the Chancellor announced that the Treasury would also be looking at how banks hold themselves out and how they go about selling products as well. So I think the tide is turning in favour of helping consumers understand who's on their side and who's just trying to sell them a product.

LEWIS: But if I go to an independent financial adviser and it's part of a big chain - as many of them are and probably more of them will be - will those individual members of staff who are IFAs but part of that company, will they be able to be incentivised, given money for selling things?

CUMMINGS: It's going to be a completely different structure as we move towards the new adviser based charging. It's going to be so much more transparent for customers. It will be immediately obvious how much the charge will be for advice, and that's really what people are interested in. They want to know who's taking what out of my investment.

LEWIS: But what about people who say, "We can't pay that. We can't pay you £100 or £200 an hour, thank you very much. We just won't come." Business is going to drop, isn't it?

CUMMINGS: Well unfortunately the work that the FSA has done - and I do think this is a tragedy - hasn't done anything to help those people who aren't already investing, aren't already saving for the long-term. And I think as we look back, one of the things that we'll

regret as an industry is that yet another opportunity's been passed to help those people who haven't even started yet. So I think the FSA missed a trick on this. They should have made it easier for people to start saving rather than just concentrating on getting a better deal for those people who'd already decided it was a good thing.

LEWIS: And Adam Phillips, your concern is consumers. Won't this restrict advice for people who need it most but can't afford it?

PHILLIPS: We think that what this will do is make for a much more straightforward market. Chris is absolutely correct that people who have not got a lot of money to save and who are not already saving in the market will find that the market is rather different, that they have to have a negotiation about price. What we will now be pressing the FSA and the trade bodies to do is to work much harder at making straightforward products, which can be sold in a much more straightforward way, available to people who want to save but who have a limited amount of money and a limited amount of time to put into deciding what to do.

LEWIS: And looking beyond investment, this doesn't extend to insurance, does it, and yet the biggest mis-selling scandal we've had recently has been Payment Protection Insurance?

PHILLIPS: Yes, well we've been talking to the FSA about the evidence they have that commission doesn't produce bias in sales of insurance, and so far they haven't come up with anything particularly convincing. However they have made the point that an awful lot of people sell insurance and that they need to be very careful to make sure that by restricting the market, they don't make it difficult for people to buy insurance.

LEWIS: And Chris Cummings, your members also say to us that banks are the ones who really are guilty of mis-selling - in the recent past anyway. Is there a danger that the banks are being let off the hook by this and your members are the ones bearing the brunt of it?

CUMMINGS: Well I think that's always going to be a concern. Looking at the complaints statistics, the Ombudsman gets fewer than 3% of all their complaints from IFAs. The vast majority come from banks. And this is another opportunity for the FSA to prove they're

serious about taking the banks to task and making sure that the things that they insisted IFAs do, banks have to do as well.

LEWIS: Chris Cummings ...

PHILLIPS: And we're very concerned to make sure that the IFA sector remains strong.

LEWIS: Adam Phillips from the Financial Services Consumer Panel and Chris Cummings from the AIFA, thank you very much.

Now talking of banks, are they trying to hasten the end of cheques? As we've reported before, they intend to phase them out by October 2018. But stage one is being seen as the end of the cheque guarantee card, and that happens on 30th June next year. The guarantee began in 1969 and listeners have told us recently that new debit cards are already being issued by banks and building societies without the cheque guarantee symbol - that £100 in a hologram - and that means traders who accept cheques are now bearing the risk. Trefor Owen is a clog maker in North Wales.

OWEN: If I took up a terminal, I would have to (due to the nature of my business because I trade at shows all over the UK), I would need a mobile terminal. Unfortunately they are the more expensive type and HSBC quoted me a rental of £26 plus VAT a month for the terminal. They would then take 2% for any credit card transactions and then a flat fee of 25 pence for any debit card transaction. But there was also a set up fee, and the set up fee could be anything from £150 to £250, and I resent the fact that I am being forced to go down that route.

LEWIS: Well that's one trader's experience, and many others have said similar things. The decision was taken by the UK Payments Council, which is in fact run by the banks. I asked Sandra Quinn from the council what the alternatives really were.

QUINN: If you're a business that accepts cheque guarantee and you like to use it, then more than half of those businesses who accept cheque guarantee already accept card payments. So that's the clear alternative. And one of the reasons for setting this deadline early enough is to

make sure those businesses know they should speak to their banks about what alternatives. They could use faster payments. They could accept cash.

LEWIS: But the problem with using a card and a card machine is the cost, isn't it? We were talking to Trevor Owen earlier and he said it would cost him £500 a year to have a card machine. He wants to continue to take cheques which he can trust.

QUINN: Well of course you can as a business still continue to accept cheques and that's one very clear thing.

LEWIS: Yes, but then you take the risk. The risk is being moved from institutions that can bear the risk to small businesses who can't.

QUINN: You've also got certainty on a cheque now, which you didn't have up till 2, 3 years ago.

LEWIS: Well no certainty of payment.

QUINN: If you've accepted a cheque, you can be sure that after the sixth day of paying that in, the money is yours and it's not going anywhere. Now that didn't exist up to 3 years ago, so that's a level of protection that customers, businesses who accept cheques didn't have before.

LEWIS: Yes, that means they have to be bounced more quickly if they're going to be bounced. But just to come back to the cost. If you're a small business, £500 a year is a big chunk out of your profits.

QUINN: It is a big chunk, but I think one of the things that we're seeing from lots of businesses who offer cards to companies is there are going to be more attractive deals around because of an acceptance that a whole range of different, small companies are going to want to accept cards and may only be accepting cards occasionally. So I think there are going to be more attractive pricing mechanisms out there.

LEWIS: There aren't though, are there, and you did say this when you issued your press release announcing this in June last year - that there would be alternatives? There aren't any *new* alternatives. It's the *old* ones of accepting cards, which many small businesses don't want to do. And indeed, just to put another point on that, Trevor Owen sells a lot at country sales. There are many places in the country where you do not get a signal for a card machine, so they wouldn't work.

QUINN: Well there's certainly that to be considered. But one of the options ...

LEWIS: But what's the answer to it?

QUINN: Well one of the options that can be considered by small businesses is something like faster payments. If you're a small business, you can accept faster payments straight into your account.

LEWIS: Yeah, but if somebody's at your stall at a country fair, they are not going to get their laptop out and make a faster payment into your bank account, are they?

QUINN: I think for those businesses, you can still accept cheques. We're not taking away ...

LEWIS: But then they're taking the risk.

QUINN: They're going to have to accept that level of risk.

LEWIS: Let me ask you about a practical point. People are telling us they're being sent debit cards now. Their debit cards are coming up for renewal, they're being sent a debit card. It has no cheque guarantee symbol more than a year before the scheme ends. Does that mean they can't use it to guarantee a cheque?

QUINN: If you're getting a new card now through the post, which doesn't have a cheque guarantee facility on it, then that's because your bank is starting its reissue cycle early.

LEWIS: But why are they withdrawing this service more than a year before the announcement when you said we'll give people 2 years; everyone will understand it? They're now being withdrawn barely 9 months after your press release and people are being very surprised.

QUINN: Well one of the clear things the Payments Council said at the time is that if you're a customer who values the cheque guarantee facility and your bank offers you a new card without it, go back to your bank and ask them for that to be renewed.

LEWIS: And they'll do that?

QUINN: That was discussed at Payments Council Board and we'd expect members to abide by that.

LEWIS: You'd expect them to do that. And what if I get a debit card or have a debit card which is valid to 2012 or 2013 and has the symbol on it?

QUINN: After 30th June 2011, your card cannot guarantee a cheque.

LEWIS: Sandra Quinn. Well let us know your experience of the phase out:
moneybox@bbc.co.uk.

One of the Chancellor's announcements on Wednesday, which sparked a flurry of activity in our email inbox, was the news that first time buyers would not have to pay stamp duty on homes up to £250,000. By scrapping the 1% tax on homes up to that price, it will mean a saving of between £1255 and £2,500 for first time buyers. But what will it do to the price of homes just above a quarter of a million? A previous budget introduced a temporary rise in the threshold up to £175,000, and Money Box listener Mike Devenport said that cost him money.

DEVENPORT: In 2008, I had a property which I put on the market. And when the stamp duty was changed to 175, we were above that figure. The prices in the area were about 185,000 to 189,000 for the property which I was selling. But when that stamp duty was

changed, basically the 175 to the 185 price band went overnight. We were basically forced to drop the price by £10,000 in order to get people through the door and look at it.

LEWIS: So will the new first time buyer concession which lasts 2 years make it even harder to sell a home just above £250,000? Richard Donnell is Director of Research for Hometrack, which analyses the housing market. Richard Donnell, do stamp duty bands distort the market in this way?

DONNELL: They certainly do. There are some noticeable drop offs in transactions around the sort of stamp duty band, so in say 2007 there were sort of 35,000 homes sold for £250,000, but at £255,000 it was less than 5,000. So you do get these big, big sort of cliffs around stamp duty.

LEWIS: And this is because of the way the tax works. You pay the higher rate on the whole price even if you just creep over the band, don't you?

DONNELL: That's right.

LEWIS: And would a graduated tax be better - one that just charged you the 3, 4 or 5% on the amount above the band?

DONNELL: That would certainly be a way. I mean obviously stamp duty is a hot topic for debate about the sort of benefits and impacts that it has on the market, but a graduated tax would certainly provide you know when these changes happen. But the number of people affected are relatively few, but obviously for those affected it can be quite financially expensive.

LEWIS: Yes. And what impact do you think this stamp duty holiday for first time buyers will have? It's going to save them, as I said, a maximum of £2,500. Is that going to be significant in making that decision to buy?

DONNELL: I think what we're missing here really is the issue about mortgage availability

for first time buyers. I mean despite house prices falling, the average deposit required has gone up. So for the average flat around the UK, the average deposit's gone up by about £20,000, which is you know set against a potential saving of £2,500. I mean it helps the financial equation, but actually the mortgage availability piece is really a much bigger impact.

LEWIS: Yes, it's finding these big deposits that people always complain about, isn't it?

DONNELL: That's right.

LEWIS: And how much does the health of the housing market as a whole depend on getting more first time buyers in? We're often told without first time buyers, we're all just selling homes to each other.

DONNELL: I think we're in danger of overstating the impact of first time buyers. I mean the level of owner occupation in this country has plateaued now for the last 5 years. So you know first time buyers are sort of less than a fifth of all transactions, and the recovery we've seen in the last 12 months has really been driven by people who don't need big mortgages and people who own outright.

LEWIS: And, briefly, the new rate on million pound plus properties, that doesn't start till April next year - going up from 4 to 5%. That's going to mean another £10,000 minimum on a home of that sort of price. How's that going to affect the upper end of the market?

DONNELL: Well I certainly think you'll see an increase in the number of people looking to sell property at that level, but the overall number of transactions at that level are relatively small and it's just going to be another tax on transacting.

LEWIS: Okay, thank you very much Richard Donnell from Hometrack. And you can have your say on these new rules about first time buyers: bbc.co.uk/moneybox.

Now the end is nigh. The end of the tax year, that is, and it's closer than you might think. The last day of course is April 5th, as ever, but that is Easter Monday and in fact there are just four

working days before the new tax year arrives on Tuesday April 6th. So what should you be doing before that day arrives? And once the tax year is over, what should you be checking? With me is Justin Modray of Candidmoney.com. Justin, what are the things you have to think about at this time of year?

MODRAY: Sure, well there's a few things. I mean the first thing to look at, if you want to cut your tax bill for this year, you can put money into a pension. Now if you put £100 in and you're a basic rate taxpayer, that costs you £80; and if you're a higher rate taxpayer, then it costs you £60. That's a way to cut the bill for this year. The other option is you can give money to charity. If you're a higher rate taxpayer, for every £100 you give, you can claim £25 back. Then going forwards, if you want to cut your tax bills in future years, you can use an Individual Savings Account, an ISA - either cash or stocks and shares - and basically anything you put in there will grow tax free in future. You may not save much at the moment, but it will obviously tot up over the years.

LEWIS: Now if you haven't used this year's allowance, you've got to do it before April 6th. There's not much time left, is there? Is there really time to get that money in there by that Easter Monday deadline?

MODRAY: There is time, but you've got to get a move on really. And the good thing is most of these products, you can now buy online very simply. So actually provided you get your act together, you can apply online really up until April 5th, although I'd advise probably doing it you know a day or two before then at least, just to play safe in case you know the connection goes down perhaps.

LEWIS: Yes. Or they write back and say please send your birth certificate, which isn't very helpful at that time of year, is it?

MODRAY: *(laughs)* Exactly. And obviously if you pay online, you need to have money in your current account, on your debit card to be able to pay.

LEWIS: Yes, don't go overdrawn or that might cost you more than the ISA will make you.

MODRAY: Exactly.

LEWIS: And if you're self-employed. There's a lot of people whose self-employed accounting year ends at the end of the tax year.

MODRAY: That's right.

LEWIS: What can they do?

MODRAY: Well the good thing is when you spend money for your business, provided it's to wholly build your business and support your business, you can generally claim that against tax. So if you need to spend something on the business - maybe buy a new computer or buy some office furniture - do that before April 5th and you can claim it back. And, again, if it's under £50,000, you can actually claim it all back in the current year rather than having to spread it over several years.

LEWIS: Yes. And that's supposed to go up to £100,000 next year.

MODRAY: It is, yes.

LEWIS: That was announced in the Budget. And, finally, what about people who aren't self-employed who pay through PAYE, as the vast majority of people do?

MODRAY: Sure.

LEWIS: We know the Revenue makes hundreds, thousands, maybe millions of mistakes on that. How can you check that and when should you check it? What should you do?

MODRAY: Sure. Well come the new tax year, you should speak to your employer and ask them basically to give you your tax code if you don't already have it, and just make sure basically that it's correct. And the simplest way to do that: if you go to the Revenue website, they have a fairly clear guide on there showing you what you need to do to check the code.

Basically it revolves around how large your personal allowance is, which will be dependent on your age and how much you earn potentially and whether you have company cars and so forth.

LEWIS: And worth doing a quick calculation because your tax allowance is the amount you get tax free.

MODRAY: Definitely.

LEWIS: Take that off your income. Multiply it by 20% if you're a lower rate taxpayer. That should give you an answer.

MODRAY: If you don't check it, you could pay too much tax and it's then obviously a hassle to claim it back.

LEWIS: Okay, so always check everything. Justin Modray from Candidmoney.com, thanks very much.

Well that is all we have time for today. You can find out more from the BBC Action Line - 0800 044 044; our website, bbc.co.uk/moneybox, where you can do all sorts of exciting things: watch videos, sign up to my weekly newsletter, download a podcast, listen again to the programme, and of course have your say on that stamp duty change or let us know about the end of the cheque guarantee scheme. Vincent Duggleby's here on Wednesday with Money Box Live taking questions on holiday finance. Now next weekend Money Box is looking at the trillion pounds of public debt. Next year, the government plans to spend £163 billion more than its income. Where did this debt come from? How quickly can it be got rid of? Does it matter anyway? You can let us have your thoughts and comments, emailing moneybox@bbc.co.uk. Put 'deficit' in the subject line and ask us any question you want on that. Today the producer was Lesley McAlpine. I'm Paul Lewis.