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MONEY BOX

Presenter: PAUL LEWIS

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LEWIS: Hello. In today's programme, more of us are complaining about financial services and more of our complaints are being upheld. Samantha Washington's here today trying to pay someone quickly.

WASHINGTON: Yes, a year since faster payments began, nearly half of bank payments that should be going through on the same day are not, leaving bank customers frustrated.

SIMON It's unbelievable that they haven't been able to deliver a service almost a year since supposedly this was introduced.

LEWIS: There's new hope for 12,000 people whose money has been frozen since the Icelandic banks went bust. And clothes off! Strangers, company pensioners strip off outside Parliament to demand what they say they were promised.

But, first, a year ago Britain's major banks promised us instant clearing, so when we made a phone or electronic payment it would arrive at once, not take 3 days meandering round the clearing system. But one year on, Money Box can reveal that faster payments are in disarray. Some banks have made very little progress with nearly half of payments still stuck in the slow lane. Sam Washington's been surveying the banks this week. Sam?

WASHINGTON: Yes, well we've been following the progress - or lack of - since faster

payments was first mentioned. We've done a lot of work with the numbers and today we can reveal that in the 12 months since the system was launched in May last year, only around half of payments that should be going through it are. We've calculated that that equals about £45 billion that's taking 3 days or more to clear instead of same day since the system started. We found of the 13 founders, 7 of them are offering virtually nothing or partial services. That includes Citibank, Clydesdale, Northern Bank and Northern Rock. But crucially some of the big players haven't been pulling their weight either. Abbey, now owned by Santander, does not allow the sending of same day payments yet. This has caused frustration from some of our listeners, including Chris.

CHRIS: I am somewhat annoyed that 12 months since the scheme, Abbey are not involved in the scheme at present. I keep being told that they will be operating the service at some stage in the future, but have no immediate plans to give customers a date when they will be able to offer the service.

WASHINGTON: Well Abbey says it's been wrapped up in the merger with Santander and hopes to get going in June this year. But it told us back in January, the service would be up and running "in the very near future". Now Lloyds has also annoyed a lot of you. It had offered faster payments online, but has since withdrawn the service. It told us back in January the system would be back up in the spring, but now says December this year - so promise broken. Simon, who banked for 40 years with Lloyds, has now moved to another bank.

SIMON: Sometimes the service wasn't available at all, even using phone banking. It was just getting worse and worse. I just think it's unbelievable that they haven't been able to deliver a service almost a year since this was introduced.

WASHINGTON: Now Lloyds says it is still working on getting that online service back up. But, finally, the nation's biggest building society Nationwide is amongst the worst here with less than 1% of its payments going through the system. And those that do are limited to £10 or less, so a bank as useful as a chocolate teapot. No other bank has such a low limit, but there are others that are much lower than the industry limit for a faster payment of £10,000. Lloyds, when it does manage to make same day transfers, says it has a £500 limit. Alliance & Leicester has a £250 limit and Halifax £1,000. Now for David who regularly wants to make

larger payments from his Halifax account, this has been a nightmare.

DAVID: There's no indication of this when you're using the online service. It's caused me actually to make a decision to move my current account, and I've been with the Halifax for over 20 years.

WASHINGTON: Well the thing with faster payments, Paul, is that if you can't rely on it, it doesn't work; and from what we've been hearing there, lots of people can't depend on it.

LEWIS: Yes. But Sam, even if banks offer faster one-off payments, they don't all offer same day payments for paying things like credit cards and for standard orders.

WASHINGTON: That's right. Standing orders make up a large chunk of payments and we've worked out nearly half of the founders don't allow these to go same day. And for credit cards, which most of us want to settle monthly and is the top reason to make a payment, we've discovered the majority don't offer this, including some big players like HBOS, HSBC and Lloyds. (Editor's note: Subsequent to broadcast HSBC has now informed the programme that it does in fact allow credit card payments to go through the Faster Payments System.)

LEWIS: Well you mentioned a number of banks there, Sam. A year on, a long way to go. But are there any good guys here?

WASHINGTON: Yes, credit where it's due. There's a very good service we hear and understand at NatWest and RBS. Barclays has made a lot of improvements, although we've heard it doesn't allow its customers to pay Woolwich mortgages, owned by Barclays, on the same day. And, finally, the Co-op is also running a pretty good service from what we can see.

LEWIS: Well thanks for that, Sam. With us is Sandra Quinn who speaks for APACS, the company that runs the plumbing our money flows through, however slowly. Sandra, how frustrating is it for you? Half the banks aren't signed up to what they said they'd do a year ago. You built this system at huge expense, it is there.

QUINN: And our main target in the first year was to make sure that it worked - it's robust; it works every day. But we are getting frustrated. As Sam has just pointed out, there's two main large banks, one building society who are barely using the system, and it is now up to those customers to put their demand on those banks to make sure they deliver. Those customers who've walked away, actually they've done the right thing.

LEWIS: Yes. Well we did hear, one of our listeners has walked away. But some of them - Lloyds, for example - blames it on the failure of its Internet instant payment, blames technical problems. Nationwide again blames technology for limiting payments to only £10 when it manages to do one at all. Are there really technical issues?

QUINN: Well there's no technical issues with the system, but individual banks may be having technical issues in how they're doing their own activity. Our role in this is really akin to being a football manager: we're criticising them internally but we're not criticising them externally, to be fair to them, because they are all trying. We know that a lot of money has been spent on this system. It's in none of the banks' interest not to deliver that.

LEWIS: But of course customers do want it. We've heard in the past customers don't, but I'm sure your evidence is and our evidence from this is people really want this. And the frustrating thing is they just can't be sure. I mean we heard in Sam's report that you can't make a Woolwich mortgage payment from a Barclays account. It's the same bank! And HSBC, who's been very good on some payments, won't do standing orders until next year. Now one of the big things people pay with standing orders is charities, so they're delaying payments to charity! It's not good PR for the banks, is it?

QUINN: It isn't as good as it should be and we've been quite robust about saying that both openly to the banks and externally outside. I think the key for us though is that we want to build on the first year's experience. Let's find out what *did* go well in the first year. Let's listen to those customers very carefully and let's develop some best practice. That's what we're looking at. Let's see the things that customers want. They want clarity, they want consistency. If we can deliver that as an industry, then we'll be getting somewhere.

LEWIS: They also want to be able to pay their credit cards, don't they, quickly, and that's the biggest use of instant payments - is to pay that monthly bill if you don't do it by direct debit? Now cynics might say that's been delayed because if they miss the deadline, then they get charged a penalty.

QUINN: I think it's fair to say that for most banks their priority was to deliver faster payments to individual customers making payments to other accounts. And a lot of credit card companies aren't members of the Faster Payments Scheme. But you do have some main credit card companies out there, more than 50% of all credit card accounts can now be paid through faster payments.

LEWIS: Right. Okay, well we've heard of some that can't even make their own, but anyway we'll leave that because we haven't got all that evidence. And I've asked it before, Sandra. I'll ask it again. You won't be surprised. When, when, when will you be able to come on Money Box and say, "Paul, this is working for every payment, every bank throughout the UK"?

QUINN: Well you've just heard that Lloyds TSB are now saying the end of this year for their online banking service. I can't make that guarantee on their behalf; only they can do that. We're trying as much as we can to make as many payments through the system. We didn't spend £300 million not to use it.

LEWIS: No. I mean some of them are saying the end of this year, but they've told us that before in previous years and it hasn't happened. (*laughs*)

QUINN: Well at industry level there's a lot of work from those banks who are using the system and from the centre to make sure that those banks who aren't get their act together.

LEWIS: Well we and our listeners will keep our eye on it. Sandra Quinn of APACS, thanks very much.

12,000 people who lost money deposited in the Isle of Man when the Icelandic bank

Kaupthing went out of business last October may finally be about to get something back. Kaupthing Singer & Friedlander Isle of Man Bank was formally put into liquidation just this week after the Manx Government proposals to guarantee a payment of 70 pence in the pound to depositors were defeated on a vote by depositors. One man who voted against the plan was 64 year old Jim Fitt from Dover. Jim opened the account when he was an ex-pat and he explained why he had money on the Isle of Man in the first place.

FITT: I have been living abroad for well over 10 years now. If the high street banks had provided the same services for people like myself working overseas, I wouldn't be banking in the Isle of Man. My wife has been ill over the last few years and we decided we had to come back to the UK. Sold everything up where we were living and arrived back last September, and within two weeks the bank collapsed. It was £120,000 between my wife and I. Primarily it came from a current account and then accumulated savings over something like 15 to 20 years. So we had no money. It was devastating.

LEWIS: Well one listener with his own story, which is obviously pretty terrible for him and his wife. And with me is David Greene, the solicitor who represents the Isle of Man Depositors' Action Group, and who helped defeat those Isle of Man government plans. David Greene, what might depositors get back now?

GREENE: Well can I start by saying that there was never a guarantee from the Isle of Man Government that they would pay 70 pence. There were some complications about that, but there was never a guarantee, so there was never a guarantee of that amount. There's likely to be a dividend quite shortly now as a result of the liquidation. Uncertain about how much it is, but it's going to be quicker than the proposal from the Isle of Man Government.

LEWIS: Right, so you went to all that trouble on behalf of the depositors to defeat those plans because you believe your depositors will now get more and get it more quickly?

GREENE: Well they won't get more and that was the point about the scheme - is the proposal from the Government was they didn't promise any more money. In fact they'll get money quicker under the liquidation than they would other the scheme.

LEWIS: Right. Well listening to that is John Spellman who's director of the financial services division of the Isle of Man Treasury. John Spellman, what was this scheme? David Greene says it wouldn't have been quicker, it would have been slower, and it wouldn't have been as much.

SPELLMAN: Yes. Good afternoon, Paul. Under the scheme of arrangement, the payment system would have provided a guaranteed schedule of payments to depositors, and those who were protected under the Depositors' Compensation Scheme would have received all their money within the first year.

LEWIS: So up to £50,000 was guaranteed - 100% of that - and then on top of that 70 pence in the pound. Is that right?

SPELLMAN: Absolutely. There was a safety margin proposed to depositors, which provided a safety margin of 70 pence in the pound to provide surety to those people so they could move on with their lives with confidence.

LEWIS: Right, so you're saying that *was* a guarantee?

SPELLMAN: No, it wasn't a guarantee, it was a safety margin. To the average depositor, that would be worth approximately 10 pence in the pound.

LEWIS: Right.

SPELLMAN: So in times of uncertain recovery, which unfortunately in bank liquidations is the case, it provides that safety margin against poor realisation of that.

LEWIS: Right. But the first £50,000, which would have covered most of the money for most of the people, *was* guaranteed?

SPELLMAN: Yes it was. 76% of people, of eligible depositors, will receive 100% of their money back.

LEWIS: Right. David Greene, not a deposit but will they get more now? How much will they get?

GREENE: No, they won't get *more*. I mean that's the point about the scheme. The proposals from the Isle of Man Government, why they were rejected was that they didn't offer any more to depositors than the liquidation. The liquidation actually offers a quicker return, and under the Depositors' Compensation Scheme that £50,000 should be guaranteed in any event. I mean that's the point for depositors. That's why they rejected it. And the thing about the depositors was they'd lost faith in the Isle of Man Government. There were significant losses here.

SPELLMAN: If I could ...

GREENE: There were significant losses here in relation to regulatory failure and they'd lost faith in the Government.

LEWIS: And John Spellman, one reason they might have lost faith is the long time. This has taken 8 months to bring the scheme to a vote and they're still going to face another wait, aren't they?

SPELLMAN: If I could make a point? Is 84% of depositors under £50,000 actually voted in favour of the scheme. And overall circa 70% of depositors, both in number and value, voted for the scheme.

LEWIS: Yes. It was a confusing vote though, wasn't it? At least it confused me. That even though most people and most money voted for it, it wasn't enough to get it through.

SPELLMAN: Yes, under the regulations and the law it requires a vote of 75%.

LEWIS: So how long will people have to wait now before they get the first slice of this money?

SPELLMAN: David's correct in as much that a dividend is due to be paid. My understanding of the dividend is it's approximately 14 pence in the pound, 15 pence in the pound. However the Depositors' Compensation Scheme has now been activated, a website has been created called www.dcs.im ...

LEWIS: Sure, well we'll have that link ... Just when might they get their £50,000?

SPELLMAN: The invitations to claim will be going out imminently and they'll receive their money in short order after that.

LEWIS: Short order. So, what - weeks, months, days?

SPELLMAN: I anticipate a few months after that.

LEWIS: A few months? So that could be almost a year after the bank went out of business?

SPELLMAN: What you will also remember in our last conversation is that the Isle of Man Government had an early payment scheme, so monies up to £10,000 have already gone out to depositors with an amount of money of approximately £70 million that's already gone out to depositors.

LEWIS: Right, well we'll have ... David, briefly?

GREENE: I'll just mention the Depositors' Compensation Scheme because I think the depositors are somewhat misled about Depositors' Compensation Schemes. They're not all they're portrayed. In fact people might think well I'll get a payment of £50,000 very quickly, and they don't get a payment of £50,000 quickly at all and in fact it could take years before they get that payment.

LEWIS: Right. Well John Spellman said it will be a matter of months, so let's hope it is. Thank you very much David Greene and John Spellman.

Now more of us are complaining back in the UK about financial services, and more of those complaints are being upheld. The annual report of the Financial Ombudsman is out this week and it doesn't make happy reading for banks, insurers, and indeed financial advisers. More than three quarters of a million enquiries, more than 125,000 cases considered, and almost 6 out of 10 of those were resolved in the customers' favour - far higher than the 30 to 40% upheld in the past. With me is Walter Merricks who's the Chief Financial Ombudsman. Walter Merricks, why the increase in complaints and why the increase in those upheld?

MERRICKS: Well I don't think anybody would really be surprised by the fact that we've had an increasing number of complaints. People are looking to their finances. The credit squeeze I think has made everybody aware of their finances. A lot of people are finding their finances squeezed, so it's not entirely surprising.

LEWIS: *(over)* Well you were a bit surprised because you were expecting it to go down.

MERRICKS: Well 12 months ago, the world was a very different place, and you know people told us at that point that our complaint numbers should be expected to go down and we consulted the industry and we consulted consumers and everybody said yes, yes, well the complaint numbers really ought to be going down. Well unfortunately the world changed very rapidly.

LEWIS: Indeed. But more are being upheld. That perhaps is more of a surprise to you?

MERRICKS: That's a great disappointment. It is a surprise and I think we do have to look to the industry there. Obviously the industry's been hit with a large number of complaints because we don't deal with complaints until they have had a good look at them first. And I suppose one can say that the industry has been concentrating on other things. The banks, in particular, have had other things on their minds about whether or not their bank is actually going to survive as an independent institution and some of them haven't.

LEWIS: Sure. And you've also said in your report that you think complaints about one product - like Payment Protection Insurance is the big one at the moment - they should be

dealt with somehow outside the individual complaints system and all resolved at once.

MERRICKS: Well I think that's absolutely right. Over the last 7 or 8 years, we've had a whole series of one-off single issue type complaints - mortgage endowments, split capital investment trusts, bank charges, things like that - and now Payment Protection Insurance. We had 30,000 complaints about Payment Protection Insurance last year. And clearly our system, the Ombudsman Service was not designed for mass dispute resolution. It was designed for one-off payments and I think we've all got to look imaginatively at how a new system and a better system could be devised for dealing with cases where there's widespread consumer detriment and widespread redresses required.

LEWIS: And listening to that is Eric Leenders who's Executive Director of Retail Banking at the British Bankers' Association. Eric, almost 6 out of 10 complaints to the Ombudsman are about banks. That's a pretty bad record, isn't it?

LEENDERS: Well I think to start with, Paul, you know we have to keep our context here, don't we? I mean the banks provide services to virtually the entire population; and of course whilst the numbers are very high, the volume of transactions runs into the billions, and of course the number of accountancies - hundreds of millions as well.

LEWIS: Well ...

LEENDERS: So let's keep that perspective in our conversation.

LEWIS: Alright, well that's a fair point. But of the complaints that *are* made, 69%, more than 2 out of 3, are upheld against the banks. Why aren't they being dealt with by your own procedures, as Walter Merricks suggested?

LEENDERS: Well there's been a shift. There's been a big shift since last year and I think Walter and I would both agree that that has been caused primarily by PPI, Payment Protection Insurance claims and complaints, which is why the FSA has decided the time is now right for it to step in to develop published guidance that will determine the way that these complaints

are handled. Hopefully that will have a bearing on the volume of complaints and that will perhaps bring the volumes of those complaints down to where we had anticipated they would be. And the FOS were with us in thinking that those complaints would come down.

LEWIS: And it's also banned your members from Friday, I think, from yesterday, from selling single premium payment protection at all.

LEENDERS: Yuh. And I think the point I would make to that - and I always make this point and I think it's very important - let's distinguish the principle from the product. The principle of having a Plan B is very important, particularly in an economic climate where more people are becoming unemployed. The product itself - that's right, single premium is no longer available from the major high street banks - but it's always worth thinking about what alternative repayment plans you might have if you lose that income stream, typically your salary.

LEWIS: And is there any sense in saying that you're rejecting claims, hoping customers won't bother to go to the Ombudsman?

LEENDERS: No, I really don't think that's fair. You know I've spent an awful lot of time working particularly around PPI complaints and you know universally across the industry the view is we want closure, we want consistency, we want all these complaints dealt in the same way. That's what the FSA I think is very much keen to deliver as well.

LEWIS: And Eric, while you're here I have to ask you about the story we did earlier, which I hope you heard on so-called faster payments. A decade after it was promised, a year after it began, some of your members have barely started - Nationwide, which is a BBA member, Citibank, Abbey. Why is it so frustrating for everybody?

LEENDERS: Nationwide, I beg to differ, is a building society. Actually it's a subscriber to our peer group, the Building Societies Association.

LEWIS: (*over*) No, no ... Well it is a member. I've checked on the website. (Editor's note: Nationwide was a member of the BBA but resigned on 31 March 2009. At the time of the broadcast its

name still appeared on the BBA membership list on the BBA website.) But, anyway, why is it so late?

LEENDERS: Paul, I don't want to pick you up on this, but actually they're not members of ours. I think the point though that you make is a valid one. I think that the likes of Abbey, Santander and others would say you know you can't get payments wrong, so you need to make sure that you've got absolute integrity - not just in the external ... the plumbing, but also internally. And that's what they're working on. They've given you the timelines to deliver.

LEWIS: Well they've given us several. Let's hope they keep these. Eric Leenders, thanks. And earlier we heard from Chief Ombudsman Walter Merricks.

Now hundreds of pensioners will get naked - or nearly - in Parliament Square on Wednesday, claiming once more they've been stripped of their pensions. The campaign has achieved a great deal over the 5 years or more it's been running. People who've lost their company pension after their employer went bust used to get nothing. Now they'll normally get 90% of the pension they were expecting. But more than a year after that surprisingly good deal was finally agreed, the campaigners are still not happy. Hence the protest. Well live now to Kent to talk to Andrew Parr of the Pensions Action Group. Andrew, when this deal went through, you told Money Box how good it was, probably the best you could get, and said you would now slip quietly into retirement. What's gone wrong?

PARR: Well the main thing is that the 90% is turning out *not* to be 90%. As always with announcements from the Government, the devil is in the detail, and we've been working on the civil servants over the past year and found that what we're going to get is nothing remotely like 90%. In fact in a few cases, it's going to be more like 40%.

LEWIS: Right. But in many cases it *is* 90%, isn't it?

PARR: It's 90% ...

LEWIS: It's up to a cap of £26,000.

PARR: That's right. It's 90% of your pension earned at the point that the scheme went into retirement. But that only happens at the instant that you retire. Thereafter the value of the pension is going down and down.

LEWIS: Because it's not protected against inflation in every case?

PARR: Not protected against inflation.

LEWIS: Now we couldn't get a minister on the programme, but the Department for Work and Pensions has told us through the creation of the FAS - this is the Financial Assistance Scheme - the Government has put in place a system which ensures people still receive significant pension income when their employer goes bust, and without it they'd have got nothing. That's true, isn't it?

PARR: Yes, but compare that with the way that the employees of the Royal Bank of Scotland have been treated. And I'm not talking about Sir Fred Goodwin here. I'm talking about the normal people in the bank. Technically the Royal Bank of Scotland was insolvent and the Pension Scheme should have gone into the PPF. Instead, at a cost of about £1 billion, the Government propped up the Royal Bank of Scotland Pension Scheme. Their employees are getting 100%. Their employees' pension will be protected against inflation. And also the ill health benefits that they get, which is another of our complaints, are protected.

LEWIS: And just tell me briefly. You're protesting on Wednesday. What are you now asking for?

PARR: The main thing that we think needs attention is the ill health. The way that the Civil Service are applying the retirement through ill health is very unfair. You have to have what they call a progressive illness, which effectively means you've got cancer. It doesn't cover people from high risk of strokes or heart attacks. And the issue of inflation, protection against inflation for the future.

LEWIS: Andrew Parr, thanks very much, and we'll all be watching, I'm sure, on Wednesday.

And Sam's still with me with news about Equitable Life policyholders.

WASHINGTON: Yes, Paul, they've won the right to challenge the Government in the High Court over its failure to fully compensate more than a million members who lost money when the mutual almost collapsed in 2000. The Treasury, which is planning limited discretionary payments, says it has to be fair to policyholders and taxpayers. However, when the Parliamentary Ombudsman investigated the troubles at Equitable Life, she called for the establishment of a compensation scheme rather than those limited payouts favoured by the Government.

LEWIS: Thanks for that, Sam. And that's it for today. You can find out more from the BBC Action Line, which is 0800 044 044, and of course our website - bbc.co.uk/moneybox - where you can do all sorts of exciting things: watch videos, sign up to my weekly newsletter (apologies it didn't arrive this week, for technical reasons), download a podcast, listen again, or contact us by email: moneybox@bbc.co.uk. Vincent Duggleby's here on Wednesday with Money Box Live, this week taking your questions on small businesses and self-employment. There are personal finance stories on Working Lunch, BBC2 weekday lunchtimes. I'm back with Money Box next weekend. Today the reporter was Samantha Washington, the producer Lesley McAlpine, and I'm Paul Lewis.