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MONEY BOX

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LEWIS: Hello. In today's programme, new plans to pay for care in old age. But will a compulsory tax be fairer than the present system? A new code of conduct is launched by comparison websites. Can you trust the answers they give? Bob Howard's been looking at Child Trust Funds.

HOWARD: If a child is severely disabled, could topping up their fund lead to problems when they reach 18?

ELSAESSER: You might find that they're using this money to pay for their own care when they turn 18, and I don't think that's what the relatives or grandparents put this money aside for.

LEWIS: And the government promises a review of compulsory retirement at 65, but defends the rule in court.

First, though, those new plans for paying for care. It was 12 years ago that Tony Blair put it high on the New Labour agenda. He didn't want to lead a country, he said, where elderly people had to sell their homes to pay for long-term care. Well this week, the government publishes another consultation paper on how to achieve that aim. It wants us all to join in what it calls "a big debate" on the options. Option one is that the government pays a share of the cost for everyone - as indeed it does now. On top of that, options two and three add insurance to pay for the rest, and it could be

voluntary or compulsory at, say, 65, which would cost at least £17,000 each. Care Services Minister, Phil Hope, explains.

HOPE: The important thing at the moment is that most people who enter into a care home and have these very high costs have no way of knowing what those costs might be. And by entering into a social insurance scheme either voluntarily (the second option) or they're required to do so (the comprehensive option), they can cover those costs, so they can protect their assets that they can hand onto their children after they're dead.

LEWIS: And do you think that the possibility of a compulsory tax on everyone once they reach 65 is a vote winner for the election that's coming up?

HOPE: Well that's why we're having a big care debate. That's exactly the question that we're putting to the public.

LEWIS: One of your options is that the cost will be borne by a voluntary insurance system.

HOPE: Yuh.

LEWIS: We have had insurance systems. Every single one has closed bar one, which doesn't guarantee to pay all the costs; it just pays a contribution. Why should it work in future given that it's failed in the past?

HOPE: There are two possibilities. One, that the insurance system could be provided by private insurance schemes.

LEWIS: Well they were private insurance schemes. They've all stopped.

HOPE: I agree, and in our impact assessment you'll see that our estimate of the numbers of people who would contribute voluntarily to a private insurance scheme,

we think is about 10%. The numbers that would possibly contribute to a state backed insurance scheme to cover the cost of their care, around 20%. So we know that the second option will help people who choose to go into those schemes, but it's not the complete solution that the third option (the comprehensive system) has. The second option (the voluntary scheme) would leave 80% of people without the care covered. Although the average cost of a 65 year old's care is £30,000 and the cost of this third option would be £17,000, some people would get *less* than that because they didn't need the care; many people would get a lot *more* than that because their cost could be *hundreds* of thousands of pounds. That's the choice that the nation needs to make.

LEWIS: Yes. And remarks like that, the way you draw that contrast, has led a lot of people to think that you actually prefer as a government the compulsory tax. Is that right?

HOPE: We want to hear people's views. We're not saying which option we prefer because we think this is a debate that the country needs to have.

LEWIS: Phil Hope. Live now to Caroline Bielanska, a lawyer and chair of Solicitors for the Elderly. Caroline Bielanska, is this green paper a useful set of options?

BIELANSKA: Broadly, yes I would say so. I mean it's very clear that there are very hard choices to be made and we know that care has to be funded somehow - so whatever the options are, they're not going to be popular.

LEWIS: I mean it is funded somehow at the moment, isn't it? Will these changes make that better?

BIELANSKA: I think in some ways, yes. I mean I'm quite for the comprehensive insurance, the compulsory insurance, although I'm not quite keen on the loaded purely towards the older retired generation.

LEWIS: I'm not sure people of 65 will agree when there's going to be a bill for

£17,000 or £20,000.

BIELANSKA: No. I tell you why I would say that it *is* good, and that is that it creates a new option. And that is that at the moment if you start to struggle in your own home and you've got a house and a few assets, often you're forced almost to go into a care home setting because of the cost of care in your own home, and although you might get some help from the local authority, you've got to be in a pretty bad way before they will step in and assist you. So I think under this proposal, there's the chance that more people will be able to stay in their own home for longer.

LEWIS: Because this money would pay for that equally with the care home?

BIELANSKA: Exactly.

LEWIS: Is there any real new money though? It's always very hard to work out, isn't it, with government proposals like this?

BIELANSKA: Well I can't see it is, and I did a quick recce and they're talking about paying a proportion - either a third or a quarter of the basic care and support costs. Now we don't know what that means. What *is* basic care and support? Is it just sort of signposting or something like that? Is it someone actually coming in and providing care? And what we *do* know is that they're thinking of changing the attendance allowance that someone might get if they're in their own home and they need some help. That £70 odd that they're getting a week, that would be part of the money of this one third proportion. So it doesn't look like there's going to be new money coming in, just more people entitled.

LEWIS: And, briefly, the real fear people have now is that they will "have to sell their house to pay for their care". In many cases, that doesn't happen at all, does it? And in most cases, if you're really persistent you can avoid it? So it's the heirs who are losing out, not the person who goes into the home.

BIELANSKA: Well absolutely. I mean people can you know give away their assets during their lifetime if they choose to do so. It's not always the best option, of course - there's lots of complications in that.

LEWIS: Well also with us is Mervyn Kohler, who's Special Adviser with Age Concern and Help the Aged. Mervyn, do you think this compulsory tax is a runner?

KOHLER: Well what we all know, Paul, is that the care system we've got at the moment is absolutely falling to bits and the government has ruled out the idea of more tax to fund it, so they're going to get the extra money by persuading us all to pay more one way or another.

LEWIS: They've ruled out more income tax, but they're going to have this sort of either compulsory or voluntary tax when you're 65.

KOHLER: That's right. I mean at the moment, for example, if we do not need any care then obviously we pay nothing. Some of us needs shedloads of care. And if we're very poor, we get it all paid for; but if we're moderately well off, then we have to pay for the whole whack ourselves.

LEWIS: Yes, but in a sense you're replacing that lottery with another - that everyone pays £15,000, £20,000. Some of them, it will be wasted money; others, it will pay for everything.

KOHLER: Yeah. I mean we do all have to pay for Trident whether we like it or not. It's the same sort of debate.

LEWIS: Yes.

KOHLER: I think the way in which the tradeoffs have been put is interesting. I mean, for example, there will be a uniform assessment process, which will get rid of the much hated postcode lottery. But, on the other hand, is it more sensible for a local

authority in a sparsely populated area to invest in telecare rather than face-to-face services? So there are these interesting debates to be had as well.

LEWIS: And very briefly. Although this is complicated, it will only cover the care bit. It won't cover the accommodation bit, which can cost you £300 a week in a home anyway. Who's going to pay for that?

KOHLER: That's right. If you go into a care home, if you go into a nursing home, you'll probably be paying just about half the money for the accommodation, the board and lodging bit, and it's nearly three quarters in a residential care home.

LEWIS: And that will still have to be paid for by ...

KOHLER: That would still be a personal liability.

LEWIS: Yeah. Mervyn Kohler from Age Concern, Help the Aged, and Caroline Bielanska, thanks very much.

Now more than 5 million people a month go online to find the best savings rates, mortgages, gas prices or car insurance using a price comparison website. But how impartial is the service these websites provide? This week some of the major sites, which belong to the Comparison Consortium, have published a code of practice - code of conduct, I should say - designed to boost confidence in their services. We'll hear from the consortium in a moment, but earlier I talked to Professor Catherine Waddams from the Centre for Competition Policy at the University of East Anglia. I asked if her research showed people using comparison websites generally got the best deal?

WADDAMS: On the whole they will, but they should be careful that the offers that are being made to them really are both comprehensive and unbiased.

LEWIS: How do you check that though?

WADDAMS: It's quite difficult. I did a little research myself looking on the website of various comparison websites to see what they told us about how they make their money. And of the five I looked at, only three told us anything, and they have an obvious incentive to feature those companies that give them the best rewards and companies have an obvious incentive to give high rewards to be featured prominently.

LEWIS: And when you say "featured", these are the ones that come at the top of the list. But that's normally indicated, isn't it? They say 'these are sponsored links'.

WADDAMS: Yes. The sponsored links - and if those are separate, that's fine as long as it is indicated - but then even among the others, we need to be absolutely sure that they're not prone to any temptations to feature more highly those who give them bigger rewards for the switching.

LEWIS: People must understand there is a risk of commercial bias?

WADDAMS: Yes, I think it's getting that in perspective that's difficult because you want consumers to be active and use them and get the best deals and make the markets work well and so on, but you also need them to be fairly sceptical and make sure that they aren't being taken for a ride because of their incentives.

LEWIS: In your research, did you find with insurance, which is one of the big areas for these sites, that people might go right through the whole process, get what they think is a quote, but then when they finally end up paying they find it costs them more?

WADDAMS: Yes, there is some evidence of that - partly because the question on the website can't actually cover absolutely everything. But the temptation is that it's a little bit disingenuous and the consumer is not exactly misled, but is encouraged to go down a route that turns out not to be the best for them after all. I think that's inevitable.

LEWIS: Professor Catherine Waddams from the Centre for Competition Policy. Well live now to talk to Richard Mason. He's Managing Director of the comparison site Moneyextra.com, one of the founders of the comparison consortium. Richard, briefly, what will be in this code of conduct? How will it help?

MASON: The code of conduct is designed to deal with three concerns that we've had demonstrated to us by users of price comparison sites over the last year or so, and that is that they don't know whether the price comparison site is promoting just a selected few products or compares the whole of the market, whether the price that they'll get will be the same if they went direct to a product provider, and what will happen to their data. If a consumer gives their data to a price comparison site, will it be handed out willy-nilly to everybody, or will it be held just by that price comparison site for the purpose of delivering the product and no other? And the code is designed to deliver confidence to users of price comparison sites.

LEWIS: But none of them really do the *whole* of the market, do they? They try to, some of them, but all of you have a few gaps; and if you go on two or three sites, you often get different answers.

MASON: That's correct. Some products, it's possible to compare more of the market than others - for example, current accounts, savings accounts and so on. When it comes to insurance, it's almost impossible to get every single player in the market to quote at the same time, and that's usually because some of those insurance companies or brokers won't actually have a web-enabled product.

LEWIS: You didn't mention among the concerns the fact that when you go on a comparison website some of the people on the list are paid to be there. They've paid to be at the top. Now that might be indicated, it might be not clearly indicated, but the top few may just be there because they've paid you money, not because they're the best.

MASON: That is a concern that users have exhibited before, and I thought I was dealing with that by the mention that selected products or whole of market needs to be

clearly displayed. And you're quite right that most of us are very familiar with Google and Google make it very, very clear that on the left-hand side they've got a whole list of products that come up if you search for a particular key word; and on the right-hand side, there are sponsored links. And we believe that price comparison sites should do likewise.

LEWIS: Richard Mason of Moneyextra.com, thanks. And you can let us know of your experiences of comparison websites - good or bad - on our website: bbc.co.uk/moneybox.

Child Trust Funds are supposed to give every child a cash lump sum when they reach 18. Every child born since 1st September 2002 now has at least £250 paid into the fund and parents and relatives are encouraged to add to this basic sum. But for children who have a disability, the money in their Child Trust Fund could reduce the help they get from the state when they do reach 18. Bob Howard's been looking into this.

HOWARD: Dr Garth Lancaster from Northamptonshire is trying to plan financial support for his 6 year old granddaughter Tiegan who has severe cerebral palsy. Her year was the second to benefit from the setting up of Child Trust Funds. Dr Lancaster and his family were hoping that if they regularly contributed to Tiegan's, by the time she reaches 18 it could be worth tens of thousands of pounds. But he's worried that means-testing might mean that having too much money in the pot could exclude her from some government help, possibly for years.

LANCASTER: If her parents are no longer able to care for her and she is in the care of a local authority, will they take all the money? And if she *is* still at home, when she gets to the age of 18, she will get a large sum of money. Will the government then stop her getting Disabled Living Allowance until the money is used up?

HOWARD: Dr Lancaster is a member of Cerebra, a charity which supports children with brain injuries, so he asked staff there for clarification. Cerebra Adviser, Alex Elsaesser, said he didn't get much of that when he called the Child Trust Fund

helpline.

ELSAESSER: Even though they assured me that the money when the child turns 18 would be tax free, they really couldn't tell me how it would affect for example means-tested benefits. Or the child might have to have care and I was thinking well maybe they'll wind up paying for their own care. The sort of number one question that parents of a severely disabled child think of: what happens when I die or what happens when I grow older and won't be able to care for my child anymore?

HOWARD: At the moment Disability Living Allowance and other disability benefits aren't means-tested. If that doesn't change, Dr Lancaster's granddaughter would still be able to claim them even if she has a large amount of savings when she reaches 18. But some residential care *is* means-tested and so are benefits that many people with other disabilities claim like income support and housing benefit. At the moment, if you have more than £16,000, you can't claim these benefits at all. Aarti Puri, the in-house lawyer for the charity Mencap, says losing out on that cash could have significant repercussions for many.

PURI: Nowadays more and more young adults are encouraged to live independently from the age of 18 onwards, so something like housing benefit, especially income support if they're not able to work but may be in education or may be in daycare, effectively contribute quite a lot to their monthly and their weekly income.

HOWARD: We spoke to Revenue & Customs, which administers Child Trust Funds, to see if we could get any reassurance for people like Dr Lancaster. It wouldn't offer anybody for interview, but it said this in a statement: 'The first Child Trust Funds will not pay out until 2020. It's not helpful to guess as to what rules will apply over a decade from now to possible benefit claims'. Mencap's Aarti Puri's disappointed by that response.

PURI: I think that's very short-sighted. I mean obviously we deal with parents day in, day out, and they are their concerns. When parents are putting money into the Child Trust Funds, they're not being given advice about how it's going to affect their

children in the future.

HOWARD: So should relatives of children with disabilities and other vulnerable children avoid topping up their Child Trust Funds altogether? Aarti Puri says this type of saving does still have many advantages. But another option parents can consider, which would keep their cash safe from means-testing, is something called a discretionary trust.

PURI: There are obviously initial set-up costs, so you'd need to go to a solicitor to create the actual trust, but it is something that they can add money every single year and in that respect over 10 years could build up a quite sizeable amount that would be protected.

HOWARD: One simple solution would be for the government to consider ring fencing Child Trust Funds for children with severe disabilities, so they're not taken into account for means-tested benefits or residential care. But the Department for Work and Pensions told me on Friday there are no plans to do this. If nothing changes, thousands of children reaching 18 from the year 2020 and their parents could be in for a nasty shock.

LEWIS: Thanks, Bob.

More than 6,000 staff at the UK office of the card company American Express have been told the company will stop making any contributions to their pensions probably for the next 18 months. It's part of a cost-cutting package to help the firm cope with the effects of the recession. The Amex Pension Scheme makes no promises to its staff. It just provides a stakeholder pension for employees who join; they put in between 3 and 9% of pay for all of them. It's thought to be the first big employer with such a scheme to stop making any contributions. And it's even more surprising given that the Government will force all employers to provide a pension scheme from 2012. I asked Rash Bhabra, Head of Corporate Consulting at Watson Wyatt, whether it was legal now for American Express to stop making these payments?

BHABRA: It is at the moment. It won't be come 2012. From 2012, as a minimum employers will have to offer contributions of up to 3% - although that would be introduced gradually, the minimum would be introduced gradually, so it would be 1% stepping up to 2%, stepping up to 3%. So at the moment, it is very legal.

LEWIS: Do you think Amex is really the start of a new trend in pensions of cutting back on contributions even into these very basic schemes where the employee takes all the risk?

BHABRA: I will be very surprised. I mean, first of all, for Amex to do what they're doing in normal economic circumstances would probably be much more difficult. Doing what Amex have done is akin to cutting people's pay and generally speaking it is pretty difficult for employers to cut people's pay.

LEWIS: When 2012 come along and this very low minimum is set by the government, do you think we might see other companies cutting back on their contributions into these pensions to level down to the government compulsory level.

BHABRA: There is a very real risk of that. There are some companies where a lot of employees don't actually receive any pension at all and companies aren't making any pension contributions towards those. A number of those are going to be facing some pretty big increases in their pension costs when they start having to contribute to pretty much everyone in the workforce, so they may feel that they need to pair down on the pension contributions elsewhere where they're paying higher amounts for some people. And other employers will simply say the government's introduced this as a minimum but it's kind of become the standard and we will treat this as being the standard and we'll just pay the standard contribution.

LEWIS: Rash Bhabra of Watson Wyatt.

Now should employers be able to make people retire at 65? Despite laws to prevent age discrimination at work, they still can. On Monday, the government said it would bring forward a review of that law next year and it dropped broad hints to journalists

that it would then be scrapped. But on Thursday, government barristers were in the High Court telling judges that employers should have the right to force their staff to retire at 65. Mixed messages might be the kindest description of the week. Well Sandra Pike worked as a hospital receptionist until she was told she had to retire.

PIKE: I was working 3 days a week very happily. I believe I did a good job. And the letter came to say I had to retire at 65. I was perfectly able to carry on. I didn't see any reason why I should have to go. And quite a few of us that are in this situation feel very strongly the discrimination of being 65.

LEWIS: Sandra was then offered the same work but for fewer days and on worse terms. Well Mervyn Kohler from Age Concern and Help the Aged is still with me. Mervyn, how typical is Sandra's case?

KOHLER: I suspect there's quite a lot of it going on. We don't know a great deal in detail because the legal case, which resumed in the High Court this week, started about 3 years ago.

LEWIS: Brought by your organisation.

KOHLER: It was a judicial review to see whether the government had implemented correctly the European directive on employment and data discrimination. The High Court found it hard to take a view and sent it over to the European Court of Justice who advised on what the European directive should be interpreted as meaning, and now it's come back to the High Court. The wheels grind quite finely here.

LEWIS: Many people have reached 65, retired, and they're not worried about it by the time it's finished.

KOHLER: And the point is, Paul, that in the interim there have been about 300 individual cases brought to employment tribunals which have been frozen.

LEWIS: So they're all waiting for the judges?

KOHLER: Yes.

LEWIS: And that of course was heard this week, but not yet finished and no result.

KOHLER: It's going to be heard on Monday as well, hopefully concluded then, and then there'll be a judgely huddle.

LEWIS: And why did the government give businesses this exemption when it introduced general age discrimination laws that meant you couldn't discriminate?

KOHLER: There was an anxiety expressed by a lot of employers that they would lose a useful tool in managing their workforce and that it was a dignified way of saying goodbye to somebody if you had a fixed age.

LEWIS: Without saying you're a bit past it?

KOHLER: Indeed. But of course the practice since we've had these discussions over the last 5 or 6 years shows that if people do want to work longer, they tend to work longer for a year or two or have a sensible negotiation with their employer about downsizing on the work they're doing. It's not as if we are seeing workforces absolutely clogged up with older people hanging on grimly to their jobs.

LEWIS: No. Of course it's not just *wanting* to work, is it? We know that many people at that age *have* to work. They still have a mortgage, they still have dependent older children.

KOHLER: And the world of work has changed too. I mean as we move into a knowledge based economy, the opportunity for people to work in much more flexible packages is with us as never before.

LEWIS: And briefly, the government said on Monday that it was going to bring forward the review of this to 2010. Dropped hints it would then scrap it. Does that encourage you?

KOHLER: It *is* encouraging. It seems to us that the experience that we've had over the last 5 or 6 years is pointing in the right direction and the noise that's coming from ministers and from the Select Committee are pointing in the same direction, and what we want now is action this day.

LEWIS: Well let's see if we get it. Mervyn Kohler of Age Concern and Help the Aged, thanks.

Well that's it for today. There's just time to remind the 6 million people who get tax credits that you must get your renewal form in by the end of this month. More information on that and everything else from the BBC Action Line - 0800 044 044 - and of course our website, bbc.co.uk/moneybox where you can watch videos, download a podcasts, listen again, and of course have your say on comparison websites. Some of you already are. I'm back on Wednesday with Money Box Live, this week taking your questions on divorce. And next weekend we have the first of a series of Money Box summer specials. I'm here with the first on saving and investing, asking is there a decent return anywhere out there? That's next Saturday. Today the reporter was Bob Howard, the producer Caroline Bayley, and I'm Paul Lewis.