

**THIS TRANSCRIPT IS ISSUED ON THE UNDERSTANDING THAT IT IS TAKEN FROM A LIVE PROGRAMME AS IT WAS BROADCAST. THE NATURE OF LIVE BROADCASTING MEANS THAT NEITHER THE BBC NOR THE PARTICIPANTS IN THE PROGRAMME CAN GUARANTEE THE ACCURACY OF THE INFORMATION HERE.**

## **MONEY BOX**

**Presenter: PAUL LEWIS**

**TRANSMISSION: 5<sup>th</sup> MAY 2012 12.00-12.30 RADIO 4**

**LEWIS:** Hello. In today's programme, as 650,000 people clock up £10 a day fines for not filing their tax return, we ask how they can get out of self-assessment and the fines. One listener takes on her energy company over direct debit increases.

**KILALLY:** My account had never gone into debit. It was always in credit, so I couldn't understand why they were taking more money as a direct debit at all.

**LEWIS:** Thousands of people are being sent a letter by the Government warning their benefits will be cut next year. And the finance watchdog announces a £100 million compensation scheme for investors in a fund called Arch Cru. But who will pay for it?

First though, since Tuesday this week 650,000 people have been clocking up a £10 a day fine capped at £900. They've all committed the heinous offence of not filing their 2010-11 self-assessment tax return. Fines don't stop there; altogether it can cost £1600 for this administrative omission. But if they can prove to the Revenue they shouldn't be in self-assessment, they can escape these fines even now. More than 100,000 have rung the helpline and done just that, but others have tried and given up.

**HMRC ANSWER MESSAGE:** *(ring tone)* Thanks for waiting. One of our advisers will be with you as soon as possible.

**TWEET 1:** I've been trying to get through to HMRC for days to tell them I shouldn't do self-assessment. It's a nightmare.

**TWEET 2:** 71 minutes on hold with HMRC the other day. Keeping the phone to my ear was a feat of endurance.

**HMRC ANSWER MESSAGE:** One of our advisers will be with you as soon as possible.

**TWEET 3:** They just never answered the phone and I got fed up waiting.

**HMRC ANSWER MESSAGE:** Thanks for waiting.

**TWEET 4:** Failed on the no self-assessment phone line. Engaged, then cut off. Why not online?

**TWEET 5:** I've tried to ring on a number of occasions but never had my call answered and wrote to them but have had no reply.

**HMRC ANSWER MESSAGE:** Thanks for waiting.

**TWEET 6:** Tried for 80 minutes cumulatively and two or three terminated calls. No human reply. I gave up a couple of weeks ago.

**LEWIS:** Well those were tweets from Dan, Jess, Alison, Dave, Vikash and Robert, spoken by members of the Money Box team. With me is Stephen Hardwick, Corporate Communications Director from Her Majesty's Revenue & Customs. Stephen Hardwick, I'm tempted to say thanks for waiting. We heard those people who'd given up because it was too difficult to get through. What do you say to them?

**HARDWICK:** Well I'd say first of all that I'm very sorry to anyone who's been

either holding on very, very long and having to wait for ages to get through to one of our call advisers, and to those who've tried and haven't been able to get on at all. And there's a very clear and simple explanation for this: we've just got an awful lot more calls at the moment than we expect at this time of year.

**LEWIS:** Though that's partly because you sent a letter to 10 million on self-assessment saying they might be able to leave it and then you just didn't put enough people on the phones, did you?

**HARDWICK:** Well we normally have about 2,000 people on the phones to deal with tax inquiries, but we've had in April about a million more call attempts than we did in April last year.

**LEWIS:** Well that's because you sent this letter to people.

**HARDWICK:** It's partly because we sent that letter. It actually was the right thing to do because we know that there are people who aren't filling in their self-assessment forms who probably shouldn't be in self-assessment, and the only way we can get them out is if they fill the forms in. So this year we invented this brand new way of actually getting people to call us and we've taken 130,000 people out of self-assessment, so it's actually to some extent been quite a success.

**LEWIS:** It's been a success for those people. Though of course you then wrote to 12,000 of those, didn't you, and said they were going to be fined, but we'll leave that to one side. What's the average wait when people try to get through?

**HARDWICK:** I don't really want to play statistics because actually the average rate is not something that you'll believe because the average is about 4 or 5 minutes, but ...

**LEWIS:** Well I tried on Wednesday afternoon. It was 25 minutes at 3.30 in the

afternoon.

**HARDWICK:** Yeah, that average includes people who get almost straight through on some lines where there isn't much demand and some people who are holding on (as one of your tweeters said) 71 minutes. And that's simply unacceptable. We know it's unacceptable.

**LEWIS:** And why is there no information about where you are in the queue? I mean even knowing you're 657<sup>th</sup> is better than not knowing where you are, isn't it?

**HARDWICK:** Yeah, I understand that. Technically we're just not able to do that at the moment. Our kit doesn't allow us to do that. And the reason people are on queues for an awful lot longer now than they used to be is in the old days we used to just give people an engaged tone. They didn't get into the queue at all. Then we decided we'll expand the queue, let more and more people in, so at least when they got into the queue they would eventually be answered.

**LEWIS:** Eventually, yes. Is the problem that HMRC is cutting staff? I mean I read you were losing 10,000 out of 64,000.

**HARDWICK:** That isn't the problem actually. Because we're a modern organisation moving with the times, we have budget pressures like everybody else, and we think we can deliver the service that we do deliver more efficiently than we have done in the past.

**LEWIS:** Okay. Stay with us, Stephen, but let's go live now to Belfast to talk to Adrian Huston who's a former tax inspector, now an accountant. Just tell us first, Adrian, who can come out of self-assessment briefly? A lot of people I'm sure listening think they'd like to do it.

**HUSTON:** Yes, Paul. Well it's very important that people that got the letter read it

carefully because there's no point them ringing HMRC asking to come out of self-assessment if they are clearly in a category of someone who still has to file a return. You can get out if you're not a company director, you're not self-employed, you're not a landlord, you're not earning a fortune of a six-figure income. There's a good chance you'll get out. Unfortunately some pensioners are caught in terrible income reins that their allowances are dictated by their exact income and, therefore, HMRC wants to know every year what they earn.

**LEWIS:** And what's your criticism, if you have one, of these helplines? Have your clients had similar problems?

**HUSTON:** My clients have massive problems. I mean I see that HMRC was trying to say on their web contact that they had a problem over Easter, but just the end of last week, last Friday, a client of mine rang HMRC. He didn't even get into the queue. He got a message - I'm sorry, we can't take your call. Please call again later - and that's just unacceptable.

**LEWIS:** So what should HMRC do?

**HUSTON:** Well I think the first thing they should do is make this a free phone telephone number, so that it's HMRC that's paying for the delays and not the poor customer who at home has to sit with the frustration of holding onto the phone. If they were on an 0800 number, at least they wouldn't be thinking what's this doing to my phone bill?

**LEWIS:** And what about alternatives? I mean do you advise your clients to write or email? Is there any other way of doing it?

**HUSTON:** Yes, well the fortunate thing for my client - and we've clients across the UK - is I have a dedicated accountants phone line. I can get through within two minutes. So for people who are fortunate to have someone like me, they can just get

me to make the call. I'll get through. For other people, the best thing they can do is phone at a slightly off peak time - maybe at half-past six in the evening, the phone lines are open till 8 o'clock.

**LEWIS:** (*over*) Hard to know when that it is.

**HUSTON:** Avoid the middle of the afternoon.

**LEWIS:** Okay. Stephen Hardwick - a special line, better trained people for professionals. Why not for everyone?

**HARDWICK:** Actually all of our call advisers are very professional and dedicated staff, and one of the things that when people finally do get through to one of the call advisers is they do appreciate the advice they get.

**LEWIS:** But professionals get through a lot quicker?

**HARDWICK:** They do. There is a line that they get through on. But let me just give you a couple of facts. We've put 240 more people on the lines in the last couple of weeks to deal with the call demand. They're answering 12,000 more calls a day than they were before. But we get 60 million calls a year and 60% of those calls are what we would call assurance calls - people have had a letter from us and they phone to check have you received our letter back and those sorts of things. We need to get rid of those calls.

**LEWIS:** And what about the free number, so that you're paying for the delays and not your hard pressed customers?

**HARDWICK:** I'm afraid that in current economic circumstances and budget constraints, that's not something we can afford to do within our budget. And, like pretty much every other organisation with call centres - whether it's a bank or a utility

company or a phone company - we have 0845 numbers and that's a standard.

**LEWIS:** Alright. And you wouldn't have a geographic number because that would be cheaper for many people?

**HARDWICK:** It wouldn't allow us to filter the calls through in the way that we can do through a central number.

**LEWIS:** So no hope there. Stephen Hardwick, thanks for coming in. And also thanks to Adrian Huston in Belfast.

Energy bills are a big part of any household's budget. And of course much more energy is used in winter than summer, so many people agree to pay by monthly direct debit to spread their annual bill over 12 fairly equal payments. But some customers are seeing their direct debits increase by large amounts despite the fact that their monthly payments are more than covering the fuel they use. Money Box listener Emma Kilally went overdrawn at her bank after energy supplier EDF unexpectedly increased her monthly payments.

**KILALLY:** I switched to them in September last year and we agreed that they would take £60 per month to cover my electricity and gas (it was a dual fuel deal) so that's a total of £60 per month and I'd budgeted for that. But they'd been taking far more. They'd been taking £75, £108, another £108, and I was really annoyed by that. That wasn't the only reason I went overdrawn - I had taken my eye off the ball - but it was part of the reason. And my account had never gone into debit. It was always in credit, so I couldn't understand why they were taking more money as a direct debit at all. They'd never written to me, said that I needed more, but they were professing in their defence that they had it printed on the front of every bill. But I don't look at every bill. All I look at when the bill comes in is whether I'm in credit or debit. And I thought that if I agreed £60 was going to come out of my account, that £60 would come out and absolutely no more, and that was my expectation. And I think that's the

expectation of most households in the UK. They don't expect a company to willy-nilly be able to go into their personal bank account and take out however much that they like.

**LEWIS:** Emma Kilally. Well reporter Ben Carter's with me. And, Ben, we've had a lot of emails this morning with similar complaints.

**CARTER:** Yes Paul, we have, and there are two main issues: people checking their bills finding they're hundreds of pounds in credit and having difficulty in getting that money refunded; and direct debit amounts going up despite the account constantly being in credit.

**LEWIS:** And our listener Emma was having problems there with EDF. What's it had to say about it?

**CARTER:** Well they say they calculate monthly payments using a customer's current balance and what they will expect them to use. That's then divided into equal payments. With a new customer, they need to build up a profile of usage in order to set payments at the correct level; and if a customer is using more or less than first forecast, then their payments may go up and down.

**LEWIS:** But Emma never found herself in debit, yet her payments more than doubled from £53 a month to £108 in just 6 months or so.

**CARTER:** Yes. And After pressing EDF further on this, they sent an additional statement saying that in this instance the direct debit payments will have been based on the average consumption which they would have expected to see based on the size of the property, and they've recognised that in this case the direct debit payments were set too high in March and they've agreed to lower them and they'd like to apologise to Emma for the problems that she's experienced.



**LEWIS:** So good news for Emma after she contacted Money Box, but there are plenty of other similar examples, aren't there?

**CARTER:** Yes, another EDF customer was complaining that their direct debit was increased by £23 a month to £58 despite the fact the account was £182 in credit. The customer complained and EDF agreed to keep the direct debit at £35. And another customer has said that she was advised by one energy provider that direct debit reviews are done every time she submitted a reading and that to get around that she should just submit fewer readings.

**LEWIS:** Oh that's ingenious, thanks Ben. Well earlier I spoke to Archna Luthra from Money Saving Expert and asked her what unhappy customers could do.

**LUTHRA:** Suppliers have to make sure that they are setting fair direct debits. They have to take reasonable steps to make sure that direct debit levels are matching up with usage, so she should go back to the company and dispute it.

**LEWIS:** The other complaint we get a lot of, of course, is the direct debit is fixed so that the company will have a considerable credit on your account for most (if not all) of the year. What can you do about a credit that's built up over the year?

**LUTHRA:** Well how it works is that normally over the summer months you will be in credit a little bit because that will compensate for winter when you're using a bit more energy. But what you can do is go to your company and if you're excessively in credit is ask them to refund that, and they should look at your account and if you're you know £100 in credit, they should look at refunding you that money. The best thing to do is for you to go back and have a look at your bills from the last 12 months and to work out what you think is a fair amount, and to go back to them and make sure you kind of fight for that amount.

**LEWIS:** You say fight for it, but what rights do people have? If the company turns

round, as I think EDF have in this and other cases, and says well, look, this is how it works, you know this is what we're going to do - once you sign that direct debit, do you have any rights to do anything else?

**LUTHRA:** You do. Well you know this is under Ofgem's licence conditions that they have to set you fair direct debit amounts. So first of all complain to your provider. If they don't budge, then you can take it to the Energy Ombudsman after 8 weeks and get them to have a look at it.

**LEWIS:** That was Archna Luthra. And the Energy Ombudsman deals with more than 75,000 complaints. Nearly 9 out of 10 are about billing. And of course tariffs if you do go for monthly direct debits are 5% to 10% cheaper, though it can lead to these problems. And finally I'll just mention a small supplier - Ovo Energy. It pays the equivalent of 3% interest on any credit balance you have on your account every month. Of course it may not be right for you, but it's certainly an interesting idea for the big six to think about. You can let us know your experiences of paying for energy through direct debits. Have your say on our website: [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox).

The Department for Work and Pensions is writing to 80,000 people warning them that from next April their benefits will be cut. Couples or single parents with children will get no more than £500 a week. Single people without children will get no more than £350. That's under the benefits cap. Most of those affected will be private tenants where rents are high. On average people will lose £83 a week. With me is Gary Vaux who's Head of Money Advice Unit at Hertfordshire County Council and he's been involved in discussions with the DWP about how this cap is being implemented. Gary Vaux, first the reaction of most people to a benefits cap of £500 a week - £26,000 a year - is how lucky are these people to get that much and not working.

**VAUX:** It does sound a lot, I know, but if you think rents (particularly in London) - and about half the people who are getting this letter are in London and the South East - rents of a 3/4 bedroom property in the private sector, easily £350/£400 a week. That takes up most of that £500 a week income. It leaves a family with three or four with

maybe £100 a week to live on.

**LEWIS:** So most of this money is going to landlords, not the families you're saying. And I understand the average cut will be £83, so if they've only got 100 quid now they'll have a lot less after this. What can people do? How are they going to manage?

**VAUX:** It's going to be exceptionally difficult for people. And there are some exceptions to the cap, which I think is very important, and this is where we have had some difficulty, shall we say, with the Department for Work and Pensions. We're very pleased that they've given people a year's warning, notice, because it does give people a chance to maybe consider their housing options, consider employment options, change where they're living or negotiate a lower rent. Unfortunately the letters that have gone out seem to have missed the target a little bit. About a quarter of the people getting the letter are not going to be affected by the cap. In particular a lot of families with disabled children who are exempt from the cap have had the letter, and that's a very worrying sign that the DWP haven't got the mechanics of this right.

**LEWIS:** Yes, I mean the department said to us that first of all, as you say, the letters encourage people to go into work - which is the idea behind this cap in the first place, I think - and also that they want to make sure they include everybody, so they have included more than will actually be subject to the cap. But that's going to worry those people unnecessarily, presumably?

**VAUX:** Yeah and particularly those groups - you know adults with a disability, families with a disabled child - it's not intended that the cap should apply to them, so for the DWP to inadvertently incorporate them. The other problem we've got is the DWP aren't saying in the letter by how much you're going to be over the cap. You could be £5 a week, you could be £150 a week. It's like your bank writing to tell you you're going to be overdrawn, but not telling how much you're going to be overdrawn by.

**LEWIS:** When I looked at the letter, it did encourage people to go into work, as I said. The other alternative you said - perhaps moving to cheaper accommodation, if you can find it of course. But also what about benefits because we know - we've had this discussion before - millions of people don't even claim all the benefits they can get.

**VAUX:** That's right. I mean we would say anybody who gets the letter, one of the things they should do - apart from looking at their housing options and looking at their employment options - is to go to an advice agency, get some advice to ensure that they're not missing out on one of the benefits that would make them exempt from the cap in the first place.

**LEWIS:** Gary Vaux from the Money Advice Unit at Hertfordshire, thanks very much indeed.

**VAUX:** Thank you.

**LEWIS:** Now up to 20,000 people who lost money in a risky investment fund called Arch Cru could be set to get more compensation. This week the Financial Services Authority published a consultation paper on plans to implement a £110 million redress scheme. The FSA suspended Arch Cru funds in 2009 over concerns that the company couldn't raise enough money to repay investors if they wanted to take their money out. Now the FSA says nearly 800 financial advisers who sold the product must compensate their customers and it says even a third of those may go bust as a result. One Money Box listener who took her IFA's advice about Arch Cru was Emma.

**EMMA:** We were fortunate enough to have an unexpected £250,000 windfall and we didn't really know how to invest it, so we sought the advice of an independent financial adviser. He advised us to put 40% of our investment (£100,000) into Arch Cru, which we did. So we trusted the IFA, that he had given us good advice, but he had also

forgotten to tell us that he was getting a £10,000 lump sum commission (I found that out by reading the small print later on) and was also going to get another £10,000 over the next few years.

**LEWIS:** Well that was one listener's experience. With me is Daniel Grote, Editor of New Model Adviser. You've been investigating Arch Cru for a long time, Daniel; you've talked to us about it before. Just remind listeners what went wrong there - what it was doing and why it went bad?

**GROTE:** Well these were a series of funds that were marketed as low risk or medium risk, cautious type investments; but despite the way they were marketed, they were actually investing in a fairly risky private equity and private finance ventures. One of the funds was even marketed as an alternative to a bank deposit account, and it was the nature of these investments that caused problems for Arch Cru. One of the substantial investments that it made was into shipping assets - a very large portion of the fund - and those assets plunged in value, so it incurred substantial losses.

**LEWIS:** And to what extent were the IFAs to blame? They were just passing on what the big firms who manufactured these products were telling them.

**GROTE:** Well in its consultation on this scheme, the FSA has acknowledged that there were difficulties over the way the funds were marketed. It said that they shouldn't have been marketed as low to medium risk and it's pointed to the disparity in the way the funds were marketed compared to the way the funds were run. But it's saying that advisers should have seen through that marketing. They should have realised. They should have looked at the underlying investments that made up these funds and determined them as high risk.

**LEWIS:** And so how will this new compensation scheme work because £54 million has been obtained from the manufacturers, the big guys involved, hasn't it? There's another 100 odd million now from IFAs.

**GROTE:** Well this scheme plays a part in helping investors who have been misadvised getting back all of their money, all of their investment into the funds, and the way it does it is there will be 54 million coming from a previous scheme that the FSA has announced. Investors have already received around 92 million from the funds. There's a further 80 million or so to come from the funds, and any funds that they get from this new scheme will top that up.

**LEWIS:** Yes, but some people will be exempted - including, I think, the lady we heard from earlier.

**GROTE:** Correct. If you've gone to the Financial Ombudsman Service or the Financial Services Compensation Scheme with a claim already and that's been upheld or it hasn't been upheld, you won't be eligible to get money from this scheme.

**LEWIS:** One of the people behind this scheme originally was called John McGuire. He was the Chairman of Cru Investment Management. What happened to him?

**GROTE:** He made a fleeting return to financial services in a marketing capacity. That didn't last very long and then he took quite a different direction - launched a fish and chip shop in Bristol - but now he's left that business.

**LEWIS:** Right, an interesting career. Thanks very much for that, Daniel.

**GROTE:** Thank you.

**LEWIS:** And live now to Guildford to talk to Nick Bamford who's a Director of financial planners Informed Choice. Nick, we heard from Emma earlier that she'd lost tens of thousands of pounds. Her IFA got £20,000 commission on her total investments in Arch Cru and others. Is that commission why IFAs sold this duff investment?

**BAMFORD:** Paul, good afternoon. It may well have been a motivator for some of them, but I think the key issue was probably less to do with the commissions that were payable on this product and more to do with the fact that so many got it badly wrong. This was never a low risk, cautious or even medium risk investment. A quick look at the brochure, just an analysis of the underlying assets, and really it's difficult to see how anybody could have described it as a low risk product.

**LEWIS:** And I understand you never sold it.

**BAMFORD:** Correct.

**LEWIS:** Other people did. Do you think they were then not doing their job? You say a quick look at the brochure could have put you off.

**BAMFORD:** Yeah, I've certainly spoken to at least one IFA who did a very thorough analysis and concluded for his particular clients - there were only two of them - that his analysis of this was that the product was suitable. But I think an awful lot probably were led up the garden path by the marketing material and some of the comments that were made by the fund managers.

**LEWIS:** Now they're going to have to pay the price. They're going to have to compensate customers who were mis-sold, which could very well be a great majority of them, I imagine. But a third of them, 30% the FSA says, might go bust. Who's going to compensate their customers?

**BAMFORD:** That's a good point. Well, Paul, it won't be the polluter who pays, and I think the FSA has probably badly got their numbers wrong. In my opinion, they've seriously underestimated the financial consequences of the redress scheme to those IFAs who didn't sell this high risk product to low risk customers. It's a kind of vicious circle. The IFA ...

**LEWIS:** But ...

**BAMFORD:** Sorry.

**LEWIS:** Aren't the IFAs who will go bust, aren't they insured? Isn't it going to come out of their insurance?

**BAMFORD:** The point I was going to come onto, which is their professional indemnity insurance may not be covering them for this particular type of investment. Even if it is, they may well have to pay quite substantial excesses on those professional indemnity insurances and I think it will drive a lot of the IFAs who did sell this product into liquidation. And the knock-on effect of that is claims will then fall on the Financial Services Compensation Scheme, and it will be the ongoing IFAs who didn't sell this product who end up paying to clean up the mess.

**LEWIS:** So people like you will have to pay more to the compensation scheme because you're an IFA and it was IFAs who did this. I mean I'm tempted to ask you, do you think that's fair? I suspect you'd give me a very short answer to that.

**BAMFORD:** Do I not sound bitter and twisted? If I don't, you know I'm not doing my job properly. Yes we will pay. It will be tens of thousands of pounds even for relatively modest sized firms like ours, and it will have I think quite a dramatic effect on the delivery of independent financial advice.

**LEWIS:** Nick Bamford from Informed Choice, thanks very much. Well that's it for today. More on our website: [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox). You can have your say on energy direct debits. I'm back on Wednesday with Money Box Live taking questions on the costs of childcare. Back with Money Box next weekend. Today the reporter was Ben Carter, the producer Emma Rippon, and I'm Paul Lewis.