

**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: 21<sup>st</sup> APRIL 2007 12.00-12.30  
RADIO 4**

LEWIS: Hello. In today's programme inflation hits a 16 year high. How far will interest rates have to rise to bring it down? The banks that like to say no to online accounts for some disabled customers. Bob Howard's been online looking at do it yourself house sales.

HOWARD: How easy is it to cut out the estate agent and keep their commission for yourself?

MORROW: I know exactly what I've got in my house, so I feel as though I can give a better selling of it than probably an estate agent.

LEWIS: And the council which lost the financial details of all its staff - twice!

But first, inflation. It hit a 16 year high this week and for the first time in nearly 10 years the Governor of the Bank of England has had to write to the Chancellor of the Exchequer to explain why he failed to control it. The letter was triggered when the bank let inflation rise more than 1% above its target. The Consumer Prices Index rose to 3.1%, the target 2%. But the more familiar Retail Prices Index is now 4.8%, the highest it's been since July 1991. So is inflation back? The bank of course controls inflation by raising interest rates. The general view is another rate is now inevitable in May. With me is independent economist Rosemary Radcliffe.

Rosemary, inflation has been rising now for 2about a year to these early 90s levels. How worried should we be?

RADCLIFFE: Well I think that on this particular one, I'm rather with Mervyn King, which is that probably modest sort of action needs to be taken but it's far too soon to say we've got a huge inflation problem. There's two reasons for that really. One is to do with the way the index is constructed. We had some quite significant increases in domestic energy prices last year. They will drop out of the index later in the year. There are some complicated issues around food prices, which went down last March and up this March.

LEWIS: So with the energy prices, because they went up less than a year ago they're still affecting it, but once they've sort of levelled out for more than a year then they *won't* affect it?

RADCLIFFE: Absolutely right, yes, so that's quite an important consideration. And the other of course is that we've had three interest rate rises since last August - 25 basis points each time. There are some quite complicated lags with the effect that that has on the economy and it may well be that as we sit here inflationary pressures are already beginning to respond.

LEWIS: But reading the letter from the Governor, he was fairly upbeat I suppose about the prospects, but listeners are worried. I mean we've had e-mails this morning already. Stephen says inflation's been out of control for some time and Adam points out it's things we can't avoid - it's gas, it's council tax, it's petrol, it's some food items as you said that are going up. People are getting worried.

RADCLIFFE: I appreciate that people will be concerned and you're quite right to comment on the old RPI measure, which now stands at 4.8%, because that tends to be used in wage bargaining negotiations. But I think it's also important to recognise that thus far at any rate increases in inflation haven't fed through to increased wage demand, so we seem to be avoiding that wage price spiral that bedevilled us in the 70s and 80s.

LEWIS: Well let's hope we do. But we do have a sort of inflation interest rate spiral, don't we, because interest rates are used to control inflation by the bank. Are you in the camp that says a rise is inevitable at the meeting on 10<sup>th</sup> May?

RADCLIFFE: I think pretty much everybody now agrees that we'll see an increase. I wouldn't rule out that it may be a full half percentage point. Given where we now are with regard to the inflation series, the bank may take the view that a rather harder one off knock may ...

LEWIS: (*over*) So a psychological shock really.

RADCLIFFE: I think that is certainly a possibility. But if you look at the underlying economic considerations, certainly a quarter or half a point at most is really all we should need.

LEWIS: Yes, I mean you are generally a bit more cautious than many on these things, aren't you? Things are a bit worse than you were expecting when we talked in November. What's your worst case scenario for what might happen say by the end of the year?

RADCLIFFE: I still think that the most likely out-turn is a further increase of a quarter to half a point in rates by the end of the year. I think the people who are saying that we could be seeing as much as 6% are probably a little bit top end whack.

LEWIS: Rosemary Radcliffe, thanks. Now I mentioned savings and with RPI at 4.8% it's very hard to get enough interest to stop your savings falling in value. Justin Modray of financial advisers Best Invest is also here. Justin, what do you need to get *before* tax to have 4.8% left *after* tax?

MODRAY: There's no doubt savers are facing an increasing battle. To get 4.8% net, you need to earn 6% as a basic rate taxpayer and a whopping 8% as a higher rate taxpayer. And obviously 8% is a really tough order, it doesn't exist at the moment, and even 6% is quite tough to achieve.

LEWIS: Yes. How can you get something that begins to approach the 4.8% then?

MODRAY: Well the best route for taxpayers is actually to look for tax free accounts and that may be a cash ISA, for example, or what are called National Savings Index Linked Certificates. Obviously because they're tax free, as long as you can get over 4.8% then you're quids in, you're ahead of inflation.

LEWIS: Yes and there are quite a lot of cash ISAs out there at that rate, but of course that's only on up to £3,000 a year that you can put into one of those.

MODRAY: That's right. You can get about 6% or 6.05%, for example, with Egg at the moment. If you go into National Savings Index Linked Certificates, you can actually put up to £15,000 in each issue - there's a 3 year issue, 5 year - so you can be assured of about £33,000 as of now if you want to.

LEWIS: Right and how do *they* work?

MODRAY: They're a 3 or 5 year term and they're guaranteed to beat RPI, which obviously is a good thing. That's the higher of the two figures at the moment. And they give an additional amount as well. For the 3 year, you get 1.15% in addition and for the 5 year you get 1.1% in addition.

LEWIS: And those are tax free. So that's quite a good gain, isn't it?

MODRAY: It is. I mean it works out to the equivalent of about 7½% for a basic rate taxpayer and nearly 10% for a higher rate taxpayer, so they're well in excess of what you might get in a bank account.

LEWIS: Now in a way you have to put all that money back in to make sure your savings retain their value. If you live off the income, the value of your savings will be going down and at 4.8% it halves every 14 years. That's a pretty bleak prospect for people who've retired.

MODRAY: It is. It's really tough because even if income does keep pace, if the capital's reducing that's a really big problem long-term. The danger is that the only way you can actually protect against that is to take a risk and maybe look at stock markets, for example.

LEWIS: Yes, but of course risk means you may not achieve and in fact it may do even worse, mightn't it ...

MODRAY: Exactly.

LEWIS: ... and inflation's just the same.

MODRAY: It's a challenge. You may do well long-term, but obviously short-term you could lose money and that just compounds the problem.

LEWIS: Justin Modray, thanks. Well savings are one thing, but of course if you have a mortgage another interest rate rise in May, the fourth in 10 months that would be, would be very bad news, especially if it is ½% as Rosemary Radcliffe said it might be. Live now to David Hollingworth of mortgage brokers L&C. David, just hours after that inflation figure was published on Tuesday lenders started withdrawing fixed rate mortgages, presumably anticipating a rate rise. What's happened in the last few days?

HOLLINGWORTH: Yeah, absolutely. I mean we'll see variable rates knock up once the base rate does move, but initially what we're seeing are fixed rates going. And these are funded from the money market, so as soon as the inflation figures came out bad news in the city saw the swap rates, as they're called, they spiked upward, so lenders have had to withdraw and think about re-pricing their products. We saw a lot of the major lenders - Alliance & Leicester very quick to withdraw their fixed rate. We've seen Nationwide also talk about re-pricing next week, Portman. Woolwich, C&G are on withdrawal notice along with Northern Rock. So unfortunately they're not going to get any cheaper.

LEWIS: No, absolutely, and there was a sort of mad scramble for some of these, wasn't there, during the week? But fixed rates, although they'll be higher when they come back on the market next week - if a fixed rate was right for you last week, is it still right for you next week, just a bit more expensive?

HOLLINGWORTH: Yeah, that's an important point really. I think there's a tendency somehow to think that maybe if fixed rates get higher, they're no longer good value. Why fixed rates have been so popular this year - and we've seen figures showing you know 90% of first time buyers for example opting for fixed rates - is they do give you that shelter and that certainty and protect you basically from a rising rate environment.

LEWIS: Yes and of course at a time of greater uncertainty that we have now, then fixing seems to make more sense. But of course a lot of people are still not on fixed rates, they're on variable rates, and we hear of people borrowing five times their pay. If rates go up, they're really going to be hit. I had an e-mail from Jenny who said, 'Another interest rate rise will take my monthly expenses to slightly more than I'm earning'. People like that are in a pretty desperate position come May.

HOLLINGWORTH: Yeah and this does go to show you've got to be looking at you know when you are borrowing, if you're highly geared like that you are really open to these rate rises. I mean just on £100,000 interest only mortgage, if we do see another half point increase you're talking more than £100 since last summer on the monthly payment, so you know these are not inconsiderable amounts.

LEWIS: No indeed. Well David Hollingworth at L&C, thanks. Also thanks to Justin Modray of Best Invest and Independent economist Rosemary Radcliffe. And you can have your say, as many of you already are, on inflation on our website, which is [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox).

Some banks are still discriminating against disabled people who can't manage their own financial affairs by not letting them open online bank accounts. Five years ago Money Box highlighted the problems facing people who hold what's called an

Enduring Power of Attorney or EPA. That gives them the legal right to act on behalf of a disabled relative or friend. But we reported then that many banks wouldn't let them open certain savings accounts even though the Disability Discrimination Act made it unlawful to discriminate in this way. Well following that programme new official guidance was issued to banks, but 5 years on we've found discrimination is still happening. Julia Hickman from Bedford looks after the affairs of her aunt Nora who relies on interest to help with nursing home fees, but Julia found she was denied access to Internet accounts paying high rates.

HICKMAN: I've spoken to Icesave. They're saying to me it's not possible at the moment because their software is not in place and they couldn't tell me when it was likely to be in place. Birmingham Midshires told me that it was only a sole account even though I did explain it would be my aunt's money but I would be operating it online for her, and they said that fraud would be involved. And Bradford & Bingley gave me almost the same reasons as Birmingham Midshires and just said that there were a lot of complications, but they couldn't really expand on what the complications were or where the fraud would be involved. I think it's appalling because why should you be disadvantaged on the grounds of disability?

LEWIS: Well one listener's experience there. Well Money Box's Jennifer Clarke's been looking at this. Jen, what do the banks have to say for themselves about people with Enduring Powers of Attorney, EPAs?

CLARKE: Well we found exactly the same muddled picture as Julia did. Bradford & Bingley initially said it *couldn't* open Internet savings accounts for customers with EPAs because of those vague concerns about verifying customers' identity, but when Money Box persisted and the bank's legal department was consulted, we got a rather different answer. In fact we were told customers *can* open these accounts, especially if they mention the Disability Discrimination Act. The bank said staff will be reminded what the policy is - including the press office I think, - and that new staff will be properly briefed.

LEWIS: And what about Birmingham Midshires and Icesave?

CLARKE: Well at first both banks insisted they couldn't open Internet accounts for people in Julia's position - again worries about identity, potential fraud - but when Money Box suggested this could be in breach of the Disability Discrimination Act, there was a pretty quick turnaround. By Friday afternoon both banks told us they take their responsibilities under the Act very seriously and have now pledged to take steps to ensure that customers with EPA's *will* be able to open online savings accounts. No details yet about when, but as Julia and we have found out it's one thing to have the policy in place at head office; quite another to have it work in practice.

LEWIS: Indeed. Well thanks, Jen. And of course it shouldn't take Money Box to remind the banks about their obligations. I asked Sarfraz Khan, Senior Legal Officer at the Disability Rights Commission, whether their initial excuses of security or complexity had any validity.

KHAN: The Disability Discrimination Act is quite specific about when a service provider can justify less favourable treatment of a disabled person, and from the explanations that have been given I'm far from persuaded that those justification defences can be made out. And if they can't be made out, then the chances are that discrimination has occurred.

LEWIS: So what can you do to make banks change and obey the Disability and Discrimination Act?

KHAN: Well we do have powers to support legal test cases that will help to improve the rights of disabled people. We are considering complaints against Halifax Bank and against the Post Office, which are very similar to the issues that you've raised, and we're considering whether to support cases against those two. Potentially we could also use our wider legal powers. We have various regulatory powers as a statutory body as well.

LEWIS: Obviously that's a sort of last resort in a way, but, as our listener Julia found, there's still a lot of confusion on the part of bank staff. What should someone do if a bank says it can't open an account for someone with an

Enduring Power of Attorney?

KHAN: I think they need to complain either to the branch manager or to customer services and I think they should ask for an explanation as to why they think discrimination such as that is permissible. Our helpline as well as the DRC can provide advice and assistance on what to do in relation to complaints.

LEWIS: So complain in the normal way and then if nothing happens come to the Disability Rights Commission and see what *you* can do to help?

KHAN: Yes, yes, that's right.

LEWIS: Now it's 5 years since Money Box first raised this issue. Clearly things have improved slightly, but there are still problems. 5 years from now, do you think the problem will be resolved for everybody with some sort of Power of Attorney?

KHAN: I hope so. A lot depends upon how constructive the banks are going to be in engaging with disability access issues and ensuring that disabled people aren't deprived of the same level of services that everybody expects, and we would be very, very keen to ensure that in the shortest period of time possible we achieve that change and we will use all means at our disposal to do that.

LEWIS: Sarfraz Khan from the Disability Rights Commission. The British Bankers' Association told Money Box its members do take this issue very seriously and banks shouldn't discriminate. If you have an EPA, we'd like to hear your experience. Details of the Commission's helpline and lots of other useful information on our website and with our Action Line.

Now many of us are happy to buy and sell things online, but when it comes to selling our home it seems we generally prefer to pay an estate agent. Bob Howard reports on whether private property sales over the Internet are ready to take off.

MORROW: This is the lounge, as you can see. I've had the walls all

plastered last year.

HOWARD: Pauline Morrow showing me round her four bedroom house in Ipswich. Whenever she's moved before, Pauline's used an estate agent, but this time she's decided to do it herself. She's paid around £100 to advertise her property on Mouse Sale, one of dozens of private sale websites which have sprung up in recent years.

MORROW: Out this way to the garden and, as you see, there's a shed there.

HOWARD: As well as having photos and the house details, the website's provided a 'For Sale' sign. Instead of estate agents details, it's got Pauline's personal mobile number on it. Since August she's shown around about 20 potential buyers and had the house under offer. The £100 she's paid is not refundable, but she can keep her ad on the site as long as she likes.

MORROW: I think anybody could benefit. I can't see any drawbacks unless you're the sort of person that doesn't want to negotiate. I know exactly what I've got in my house. I've been here for thirty years. I know the area, I know the schools, I know the amenities, I know how long it takes to walk into town, so I feel as though I can give a better selling of it than probably an estate agent.

HOWARD: Pauline still has to have a solicitor to handle the legal side, so she's not being left to do everything on her own.

HOWARD: Hello! Bob Howard from Money Box.

GARLAND: Hello, Bob. Richard Garland From Mouse Sale.

HOWARD: Richard Garland set up Mouse Sale last year. He's sold around 150 properties so far. I've asked him to show me houses within commuting distance of Colchester in Essex.

GARLAND: This is the future. The Internet has revolutionised the way that we do all sorts of things. Let's just put in CO postcode, four bedrooms. So that's produced 11 results in Colchester or in the CO postcode of four bedroom properties. This is a property in Clacton on Sea. You click on that, they've got particulars - the price, a description of it. You can contact the vendor directly.

HOWARD: Richard's site lists 350 properties for the whole of the UK, so he's not in the league of websites like Find a Property or Right Move, which boast of more than half a million. But his site's linked to much bigger portals like fish4homes and Hot Property. Together they've got hundreds of thousands and if you search through them for a four bedroom house in Ipswich, Pauline's house will pop up, along with other private sales and properties being marketed by estate agents. This sort of exposure makes Richard highly optimistic about the future, but others are more cautious. Martin Charlick set up The Little House Company 7 years ago. He has around 1200 homes on offer at the moment and charges up to £135. Like Mouse Sale, he estimates he sells half of his properties, but he'd like to be doing better.

CHARLICK: I think it's fair to say that after 7 years we thought we would be much better established now in the public's consciousness. We're kind of missing a very large slice of the public that are completely unaware that they have a choice other than using an estate agent, so they don't actually search for the service and tend to stumble across it once it's too late.

HOWARD: Martin's site may not have a big promotions budget, but already people who've sold successfully with him are returning to sell again. Sue Allen from Yeovil has listed her current home 5 years after selling her last property through the site. She says she's saved thousands of pounds.

ALLEN: My first house was on there for about 6 months. The estate agents valued it between £475,000 and £485,000. We had about 16 or 18 serious enquiries and we actually sold it for £540,000. So, as you can see, we saved 2% on that, which is quite a considerable sum.

HOWARD: So why isn't everybody doing it? Martin Charlick believes

it's a combination of sellers not knowing it's possible and worrying about doing it without professional help. That means around 9 out of 10 people still sell through an estate agent. Peter Bolton King, Chief Executive of the National Association of Estate Agents, says his members offer a service it's hard for private sellers to match.

**BOLTON KING:** If somebody is an expert salesman, they know what they're doing, they've got all the contacts, then it is possible and you can save money, but it is a stressful business. The good agent will be able to proactively push things forward for you. They will know the applicant, they will know whether the applicant can go ahead, they will do the viewing. With the greatest of respect to private individuals, you have not got the knowledge and the contacts to be able to do that.

**LEWIS:** Peter Bolton King ending that report by Bob Howard.

People affected by a council blunder that has exposed them to a risk of identity theft claim not enough is being done to help them. The names, addresses, dates of birth and bank account numbers of 6,500 employees of Torbay Council were put on a CD and sent to the Audit Commission, but it never arrived. A second copy was also lost. The Audit Commission monitors how councils spend their money and it has strict rules that data should be sent by courier or special delivery. These disks weren't and may have fallen into the hands of identity fraudsters. But it was several months before the Chief Executive of Torbay Council was even told. She immediately wrote to her staff and offered a small payment for credit agency checks. But Sally for one, a teacher in Torbay, doesn't think this is enough.

**SALLY:** I feel very let down and very disillusioned with my local authority that is also my employer. They are in a position of trust and they have let 6,500 people down by letting this data go astray. They're offering us £2 to do a credit reference check, but you would need to do credit reference checks fairly regularly and there are I believe three companies involved, so that doesn't cover the cost. Also as a ratepayer, I'm very aware of the cost of this blunder to everybody that lives here.

**LEWIS:** Torbay Council has set aside £90,000 to pay for credit checks

and a year's credit protection. Elizabeth Raikes is the Chief Executive of Torbay Council and I asked her if she knew what had happened to these disks.

RAIKES: We have to await the determination of the external review to actually be absolutely certain about what has happened.

LEWIS: But you wouldn't have written to all your staff on 20<sup>th</sup> March telling them it had gone missing if you didn't really think it had.

RAIKES: I told them that it was a potential breach of the Data Protection Act and I believed it was my duty to be open and transparent with them as soon as I found out what was actually happening.

LEWIS: All the details fraudsters need were on that disk. It was a holy grail for identity fraud.

RAIKES: Yes it was. I think that it needs to be set in the context. I think that it's very unfortunate that this has happened and indeed I'm absolutely devastated it's happened and I'm very, very sorry about this. At the moment we don't know whether it's been lost in the post, we don't know whether it's been lost within the council's systems. I can only reassure staff that I think the risk remains low. However, people do have a different personal reaction to risk, so one of the things I wanted to do was offer them some form of recompense as to how they can make their personal security stronger. And I must say most of them have been absolutely marvellous and handled this very calmly and very professionally.

LEWIS: But the point that Sally made is a fair one, isn't it - that you shouldn't just be paying for one credit check to one of the credit reference agencies; you should perhaps be giving people access to their credit record for a year or more, so they can keep on checking?

RAIKES: We have actually said that we will review this situation and we have said that we will consider any reasonable claims. I think that as the year goes on and if it's established that there's no misuse of the data, then the risk of any

further misuse will be low. The first thing that I did when I found out about this was to ring my bank and I must say my bank was incredibly helpful and they put on my account what's called a protection notice. But I have to say that some of the other banks have I think unfortunately used this as an opportunity to try and sell staff accounts that attract a much higher cost.

LEWIS: You've talked about the things you *have* done and I have to say this is more than many other organisations that have lost data have done. Have you been in a sense consciously trying to set a standard to make sure that at least Torbay can't be criticised for not reacting properly?

RAIKES: I wasn't aware I was setting a standard. What I was doing is what I thought was good for my colleagues and our employees, but also balancing what was the cost to the ratepayer as well. And of course many of our employees are our ratepayers. We could have covered this up, we could have said well it's been 5 months now, nothing's happened, nothing's likely to happen; but having been told, I really did feel that employees had the right to know, we have a duty to care for our employees and I put in place what I think is a fair system for people to have the best possible comfort that they can.

LEWIS: Elizabeth Raikes of Torbay Council. The Office of the Information Commissioner told Money Box it's still looking into what's happened at Torbay, but it is talking to the Audit Commission about changing its security guidance.

Well that's it for today, well nearly. If you've tried to open a Barclays Tax Beater cash ISA in the last few weeks and you're still waiting to hear anything, there's a special web only piece for you. That's on our website, [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox), where you can also contact us of course and listen to the items on the programme again and in a couple of days read a transcript. You can also have your say about inflation and, goodness, are you doing that already. So join in the debate. There's information on the BBC Action Line - 0800 044 044. Don't forget our phone-in Money Box Live on Monday afternoon. This week I'm here to take your calls on older people releasing money from the value of their homes, so-called equity release. Money Box

is back next weekend. Today the reporter was Bob Howard, the producer Jennifer Clarke, and I'm Paul Lewis.

\*\*\*\*

## **TRANSCRIPT OF WEB ONLY ITEM ABOUT BARCLAYS ISA**

LEWIS: As we've heard this week, retail prices are now rising by 4.8% a year. Earning more than that on your savings is difficult. But four weeks ago Barclays came out with new cash ISA that would certainly achieve that.

ADVERT MAN: Yeah, I've done the maths Jeff, and I'm pretty sure we can offer an ISA with a great rate of 6.5%.

ADVERT WOMAN: The tax beater cash ISA, now available from Barclays

LEWIS: At 6.5% with no strings attached, this ISA is the market leader. The rate does include a 1% bonus for 12 months but it was bound to be a popular offer. So popular in fact that many customers who opened an account before the end of the tax year have still heard nothing. Fiona is just one Money Box listener who's been left in the dark

FIONA: It's more than three weeks since my husband and I applied for these ISAs, and we've absolutely heard nothing in that period. And in fact when we asked for receipts for the money we were handing over, to say that our applications had been handed in, we were told they weren't giving out receipts. We've attempted to get through to them on their helpline on many, many occasions but we consistently get a message telling us that we should ring again because they've got so many people ringing they can't take the calls. One of the cheques has now gone through our current account in the last couple of days, but we've been quite worried, because we have no proof that we actually did apply for these ISAs.

LEWIS: We asked Barclays to come on Money Box to tell us what was going on but the bank refused because the savings spokesperson's diary was full. But it did give us several email statements. Chris A'Court's been reading them, Chris what reassurances can Barclays give people like Fiona?

A'COURT: Paul, Barclays says there has been an unprecedented level of customer interest from customers in the tax-beater ISA, and assures us that the 2006/07 applications have now been processed. Anyone who sent in the completed application form by April 5th will have 2006/07 ISA account opened, and will not lose their allowance for that year.

LEWIS: And when will interest start?

A'COURT: Barclays assures us it will start from the date the form was received in the branch or by post, whenever the cheque was actually cashed. Everyone should hear from Barclays by the end of this month.

LEWIS: Now I'm sure some people will have wanted to open the account for last year and then put more money in on April 6<sup>th</sup> for this year. But without the account open they will not have been able to do that - will their interest be backdated?

A'COURT: Well, here we're in more complicated territory Paul. Barclays says that if customers contacted them to ask if they could add to the account - what they call an "additional deposit request" - then interest will be backdated to the date of that request. But if they made no enquiry then there can be no backdating.

LEWIS: Thanks Chris. So make sure Barclays knows if you want to put more into your ISA even if you haven't been told it's open yet. And remember, the 1% bonus only lasts for a year.