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MONEY BOX

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LEWIS: Hello. In today's programme promises to cut inheritance tax and stamp duty prove popular, but do the Conservatives' tax calculations add up? Another laptop containing personal data goes missing, putting hundreds at risk of ID theft. This time it's the Revenue who's lost it. Up to half a million women in their 60s could be due a state pension payout worth thousands of pounds. We explain who they are and how to claim. Bob Howard's with me today.

HOWARD: Looking at the effects of the credit crunch on people who've already borrowed money.

NICOLA: We're paying £31 a month. That is a lot of money for a lot of people, and if these loans are secured you can lose your home.

LEWIS: More on that later. But first, a row broke out this week over the Conservative plans to scrap inheritance tax for almost everyone and scrap stamp duty for almost all first time buyers. It's a popular policy, but how would it be paid for? It started of course on Monday with this dramatic moment in Shadow Chancellor George Osborne's speech to his party conference.

OSBORNE: The next Conservative government will raise the inheritance tax

threshold to £1 million. *(Applause)*

LEWIS: Mr Osborne went on to say he'd pay for the change by taxing foreigners who live and work in Britain but are not what's called domiciled here. Their main connection is with another country and these non-domiciled foreigners only pay tax here on income they earn here. They pay no UK tax on income that's kept abroad. The Treasury has spent several years studying how it might tax the worldwide income of non-domiciled residents - or non-doms as they're called - but Mr Osborne had a simple solution.

OSBORNE: We will charge a flat annual levy of around £25,000 for those who register for non-domiciled status. It is easy to administer, difficult to avoid, and I think it strikes the right balance between a fair tax system and a competitive economy. *(Applause)*

LEWIS: Well in order to raise enough to pay for the tax changes, Mr Osborne has to find at least £140,000 non-doms to tax. But Chancellor Alistair Darling says there aren't that many and they're not that rich.

DARLING: He needs to raise three and a half billion pounds. He would raise nothing like that, partly because he's inflated the number of people who are actually non-domiciled; and also, unless you are actually earning over £62,000 extra abroad over and above what you are earning in this country, it's not actually worth your while paying the charge, so you wouldn't actually get the money in.

LEWIS: As the row developed, George Osborne pointed out that the Chancellor was relying on figures which Treasury officials said should be treated with a great deal of caution. For an impartial view, I asked the Deputy Director at the Institute of Fiscal Studies, Carl Emmerson, to look at the two sides of the balance sheet.

EMMERSON: On the tax side, the Conservatives want to cut stamp duty for first time buyers and cut inheritance tax for most people. Those policies are costed by the Conservatives at £3.5 billion. There's always uncertainty around those costings, but they look broadly right. To pay for that, they want to increase the tax paid by non-doms placed in the UK and they believe that their measure there will raise the three and a half billion pounds that they need. Now we don't know how many non-doms there are in the UK, we don't know crucially what

the distribution of their foreign income is - the element at which they don't have to pay tax at the moment - and we do not know how the numbers here and their foreign incomes might change if you introduced a £25,000 a year charge. Now you can make a set of assumptions and you can get to a number (like the Conservatives did) - three and a half billion pounds; you can make a different set of assumptions (like the Treasury did) and get to a much, much lower answer.

LEWIS: So figures on both sides are unreliable?

EMMERSON: We can't be certain on either of these figures. It's basically a known unknown.

LEWIS: Carl Emmerson. So I suggested to Philip Hammond, the Conservative's Shadow Chief Secretary to the Treasury, that neither side had reliable figures.

HAMMOND: Well first of all the Treasury has said different things at different times. Ed Balls indeed told us that they didn't collect data on the offshore earnings of these people. Alistair Darling has subsequently claimed that they do have a figure and now they've had to admit that that's not true. The data on the actual numbers is of course collected by the Treasury because those who claim non-dom status have to do so on a tax return.

LEWIS: But only if they pay some tax and we've got the figure of £114,000 for 2005-06, but that's the only hard figure we have and we do not know the circumstances of those people. We don't know if they have large incomes from overseas or not.

HAMMOND: Well we do know that if they didn't have incomes and capital gains overseas, there wouldn't be any point in them claiming non-domiciled status. I mean we've taken the baseline of £114,000 and talking to people who are involved in this business, they are telling us that there's been a surge of registrations for non-domiciled status over the last year or so because of HMRC's clampdown on offshore accounts. So we've taken the estimate of £200,000 and we haven't run with that. We've scaled that back to £150,000 as a cautious

approach. We haven't taken any account in our numbers of the large number of people who are not making any income tax return in this country at all because they're living on capital. So we think this is a very cautious approach that we've taken here.

LEWIS: But of course it could be less, couldn't it; and if you can't pay for it this way other taxes will have to rise? I mean if you didn't raise anything, you'd have to put a penny on income tax.

HAMMOND: We haven't set absolutely in stone the rate at which we would charge this levy. We've said it would be around £25,000, so there's some flexibility there. But look, we remain absolutely confident of the position that we've put forward and the calculations that we've done.

LEWIS: Looking at the proposals themselves to raise the threshold for inheritance tax, who will gain the most from that?

HAMMOND: Well the people who will gain will be families who happen to live in a family home in a part of the country where the inexorable rise in house prices has dragged them into the net of a tax that was really always intended to be a tax on the super rich and it will mean that only millionaires will remain paying inheritance tax.

LEWIS: You say it's only millionaires and they of course will gain the most, won't they? People with an estate of a million pounds or more will gain £280,000 from these proposals. Somebody with a house worth £350,000 will gain just £20,000.

HAMMOND: But the reality is people who have wealth in excess of £1 million almost invariably plan their affairs to avoid inheritance tax.

LEWIS: You're going to let them carry on doing that, are you?

HAMMOND: It's well understood that for people who have the resource to pay for the advice to plan, inheritance tax is almost a voluntary tax. The problem is with people who simply don't have the free income to go and engage expensive accountants and lawyers, people who frankly perhaps don't even realise that they will have been dragged into the net of this tax.

LEWIS: Stamp duty is something you're also going to change. Who's going to benefit from that?

HAMMOND: What we have said is that we will exempt first time buyers buying a house up to £250,000 in value from stamp duty altogether. 90% of first time buyers will be taken out of stamp duty ...

LEWIS: But half of them don't pay stamp duty anyway.

HAMMOND: Some of them won't at the moment if they're buying property below £125,000.

LEWIS: It's about half.

HAMMOND: But this will save about 200,000 additional first time buyers an average of about £2,000 each.

LEWIS: And again that's the wealthier half, isn't it? That's the half buying the more expensive houses.

HAMMOND: It's the half who live in the parts of the country where even buying a first time buyer property puts you above the £125,000 threshold, which is why the current threshold is so unfair in the way it works.

LEWIS: And we've also heard hints of other tax cuts - changes for married couples, for example. What are your plans there?

HAMMOND: Well I'm not going to announce our plans at this point. George Osborne will do that in due course. David Cameron has made it very clear that he believes there should be a reflection of marriage in the tax system and that we should remove the

couple penalty within the benefit system.

LEWIS: So we can expect more announcements over the next few months or indeed maybe days?

HAMMOND: Well it will depend on the timing of the general election. If the general election is called next week, then we will make our announcements during the course of the general election campaign so that the electorate has set out before it very clearly what the Conservative party is offering.

LEWIS: Philip Hammond. And you can have your say about the Conservatives' tax plans and how to pay for them on our website, bbc.co.uk/moneybox.

A serious breach of security at Her Majesty's Revenue & Customs has put some people at risk of identity fraud. A laptop computer and a printout of names and financial details was stolen from a car being used by someone carrying out a tax audit on behalf of the Revenue. Money Box's Jennifer Clarke has more on this.

CLARKE: Paul, Money Box has learned that the laptop and printout were stolen just over a fortnight ago after being left in a car overnight - another high profile example of the dangers of taking highly sensitive personal details out of the office.

LEWIS: Who's been affected?

CLARKE: Well, as is often the case when there's been a data breach of this sort, it's been very difficult to get a clear sense of what's actually happened, but what we *can* say is that the people in question had large sums of money in investment ISA accounts with five different firms. These include Liontrust and, Money Box has learnt, Standard Life. The Revenue won't name the other three on, it says, "concerns about security."

LEWIS: And why was this data on the laptop in the first place?

CLARKE: Well the person doing the audit had information on around 400

customer accounts from each of the firms in order to check that tax rules were being followed. We believe details of several hundred people were on the laptop. Now HMRC insists that the data remained safe because it was protected by “powerful encryption software and a complex password.” But a small number of people from each firm are even more seriously at risk because their names, addresses, financial details, even Paul (in some cases) passport numbers were on a paper printout that was also stolen along with the laptop and one of those people contacted the BBC to express her concern.

FEMALE: Why was highly sensitive personal data locked into a car boot? That is, I would have thought, a disciplinary offence. This is highly sensitive material and this shows a total disregard by HMRC for the sensitive nature with which they are entrusted by client customers.

LEWIS: So Jen, what’s the Revenue doing about this?

CLARKE: Well HMRC says it very much regrets what’s happened, but although it knows whose details are at risk, it’s not contacting any individuals directly. Instead it’s told the investment companies to contact their customers to explain what’s happened. And, Paul, as we’ve been hearing in the news, this latest breach has emerged just as a committee of MPs is calling for the appointment of an ID fraud tsar. The all party parliamentary group on ID fraud also wants police to be given more resources to combat the problem, and it says organisations which put people’s personal information in danger - as HMRC has - should face tougher sanctions.

LEWIS: Thanks, Jen. Well of course we did ask the Revenue for an interview, but no-one would come on Money Box because, we were told, police and internal investigations were underway. Well I’m joined now by Nigel Legge. He’s Chief Executive of Liontrust, one of the five firms whose customer data was lost. Liontrust has 22,000 investors and manages five and a half billion pounds of their money. Nigel Legge, what was your reaction when you heard that data on some of your customers had been compromised by the Revenue itself?

LEGGE: Uppermost in our mind was to get in touch with those investors

involved, to put their minds at rest that their interests are always uppermost in our minds and that their investments with us are completely secure.

LEWIS: But ... Sorry, go on.

LEGGE: They're secure for three reasons. One: our procedures are already stringent; we have now added to those stringent procedures such that it's extremely difficult for anyone to get into those investment accounts and steal money; and the third point - we do have identity fraud insurance, such that all those investments our clients have with us are completely safe because they're insured.

LEWIS: You've obviously gone to a lot of trouble to protect your investors in all those ways. How do you react to what the Revenue's done - borrowing the data to have it audited and then it loses it in a car boot?

LEGGE: Human error is something we have to live with all the time. We outsource a number of the functions that go into running a financial business and focus on clients and the relationship and the service and doing the best job we can with their money. When you outsource, you immediately take on a degree of risk because you outsource to people in good faith. Mistakes happen and it's not for me to judge what the Revenue should do, but just merely to put our investors minds at ease.

LEWIS: Sure, but we heard from Jennifer earlier that there's been a call for companies that lose data to have some sanctions against them, and indeed there have been sanctions against Marks and Spencer and Nationwide when they lost data. Do you think there should be some sanction against the Revenue over this?

LEGGE: Well I think sanctions for mistakes should be sanctions for mistakes whoever makes them, in my view, and I think when you make a mistake it's the duty of those that have made it to put right that mistake. That's certainly how we approach our day to day affairs and I think it's our view that that should apply to everybody.

LEWIS: Sure but in this case, as I understand it - correct me if I'm wrong - the

Revenue hasn't told these people their data's been compromised. They've left that up to you to do.

LEGG: Indeed. But who knows? Once the investigation is complete maybe the Revenue will write to these people. We know who they are. We've written to them once already. We are going to write to them again when the postal strike's out of the way, just putting their minds at rest and confirming that we have insurance in place. When the investigation is over, who knows, maybe the Revenue will write and apologise.

LEWIS: Yes because of course although the money with you is completely safe for the reasons you've explained, people who actually had a lot of personal details - passport numbers and other things stolen on a bit of paper - they could then be used for some kind of fraud *outside* your business.

LEGG: I think that's the point. Now we can't make observations about where and how that might happen, but by communicating with our investors I do hope - and it's 400 or so - we hope that they will be on high alert elsewhere to protect themselves.

LEWIS: Nigel Legge of Liontrust, thank you very much.

LEGG: Thank you.

LEWIS: Up to half a million women in their early 60s could be in line for a pension payout which they know nothing about. They're women who missed getting a state pension because they'd not paid quite enough national insurance contributions before they reached 60. New figures out this week show that three quarters of a million women are in this position and an estimated half million of them could get a small pension backdated to the age of 60 if they paid a few hundred pounds to make up the missing contributions. Well the man who dug out these figures by asking questions in Parliament is Liberal Democrat MP Steve Webb and he's in Bristol. Steve Webb, just describe precisely who these women are.

WEBB: The main people who are affected are women in their 60s, typically married women or indeed some widows. They are women who are not drawing a full pension - or at least didn't when they turned 60 - and women who perhaps in the late 90s or early

2000s had at least one year when they could have paid national insurance but they didn't, perhaps because they'd retired early, and now could go back and fill that gap.

LEWIS: So they've got a gap in their record, sometimes a very big gap presumably, because they may not have been much in touch with the work market for many years?

WEBB: That's right. The typical scenario is a woman who left school, paid a few years national insurance, maybe got married, spent time at home with children, maybe even paid the married woman's stamp for some years, perhaps came back to work and did a bit of full national insurance paying but still doesn't have quite the 25% of her working life that she needs to get any pension at all, so they've put some money in but not enough to get any pension at all.

LEWIS: No because those contributions in that sense are completely wasted if you haven't paid enough, aren't they? How much might these women get?

WEBB: Well I've been helping some women in my own constituency to get several thousand pounds. And the way it works is take a woman who's 65. It's 5 years since she turned 60. If she can just get past the 25% threshold, she gets a 25% pension which is roughly £1,000 a year. You backdate that for 5 years, so that's £5,000. And the beauty of the scheme is whilst it might cost you a few hundred to fill these gaps, you don't even have to hand the money over. The Government just says well you owe us a few hundred, we owe you several thousand, we'll just write you a cheque for the difference.

LEWIS: It all sounds very easy, Steve, doesn't it? You and I have talked many times on this programme about the complexities of the benefit system. Are there women who might be able to get this money, but then would lose it elsewhere?

WEBB: There are complexities, so for example if you get a pension but you also get a means tested benefit, then what you gain in pension might be partly clawed back in pension or in tax, so you need to look at everybody's individual circumstances. And the other

group of women who wouldn't be able to benefit are those whose husbands are perhaps 5 years older than they are, so as soon as they turned 60 their husband was already 65, so they immediately drew a pension based on his record, in which case this wouldn't affect them.

LEWIS: And what should women who are listening, who might think they're in this position do?

WEBB: It's always worth asking. There's helpline details I think that you've put on your website and it's always worth making a call to the national insurance people or the pensions people simply asking them in your particular case could I benefit from this? Actually do you owe *me* several thousand pounds? Could I get a boost to my pension?

LEWIS: The Revenue though does write to people, doesn't it, when they have a gap in their record? Will some of these women already have been told and perhaps ignored or not understood the letter?

WEBB: Some of the women will have had a letter about 2 or 3 years ago, but I've seen these letters and although they try to make them clear they run to several pages. They're pretty baffling even if you understand the system. So some will have had a letter and just ignored it. But actually others, because it's so long since they put any money into the system, won't have heard for decades and just won't have a clue that there's actually this money. I call it buried treasure with their name on it just waiting to claim.

LEWIS: And briefly, Steve, what do you think the Government could be doing? You've got this campaign. What could the Government do to help?

WEBB: Well the Government whenever I ring them up about an individual lady, they look at her record, go through all the facts and figures and then work out whether she's entitled. Well I think rather than just when I ring up for one person, they should do that systematically and contact the people who are most likely to benefit.

LEWIS: Steve Webb, thanks very much. And there is a Revenue helpline, as Steve said. You can call that. It's open until 4 pm today. Details on our website, bbc.co.uk/moneybox, and with our helpline . I'll give you that number later.

There's more firm evidence this week of how the credit crunch is making things more difficult for people seeking loans and those who already have them. After the financial market turmoil of the summer, banks have become much more cautious about how they're prepared to lend and to whom. This week in particular has seen the interest rates on many new loans rising sharply. Money Box's Bob Howard's been looking into it.

HOWARD: Paul, gone are the days when it was easy to borrow at rates of less than 6%. Now people who need an unsecured loan to buy a car, for example, are going to have to get used to paying around 10% or more. That's according to the rates comparison specialists who've been watching closely what the lenders have been doing. Here's Andrew Hagger from Moneyfacts.

HAGGER: In the space of a week, we've seen nine lenders increase rates by up to as much as 4%, which is quite a sizeable movement in one fell swoop. If you're looking for a loan at the moment say from Bradford & Bingley, this time last week it would have been 3.2% cheaper if you were borrowing £5,000. The rate is 9.9%. In pounds and pence, it means in a month you'd be paying an extra £8.07, over the term of the 36 months £290.52, so you know not an inconsiderable amount.

HOWARD: Bradford & Bingley defends its rate increases by saying its rates are now on a par with its main competitors. But, as Andrew said, Bradford & Bingley isn't the only one to put rates up this week.

HAGGER: We've got the Cheshire and the Derbyshire. Both have moved theirs by 3%. We've then seen Eskimo Loans, which is part of Northern Rock, by 1%; Northern Rock by .5%. This is all in the space of one week. I mean at the beginning of the year it was possible to get loans of below 6%. Now you're very lucky if you can get anything below 7%. There are one or two exceptions to that - Yourpersonalloan.co.uk and Moneybackbank from Alliance & Leicester both offering 6.3%. But again it's going to depend on your credit record whether you get that. Lenders are tightening up. You know market conditions have changed. You know to get the best rates that are advertised, you need an A1 spotless credit record. But

the majority of pricing in the market is now above 7% and higher. The market has changed and unfortunately people are now going to have to pay more to borrow on an unsecured basis.

HOWARD: Now rates and unsecured loans are usually fixed at the time you take the loan, but problems are building for people who already have secured loans where the rate can change. These are like a second mortgage commonly held by people who've combined all their debts into just one loan called a consolidation loan. Picture Financial is one company which offers such deals. Last Monday existing Picture customers saw their monthly loan payments go up a full half of one percent. This increase isn't connected with any Bank of England rate rise, but the cost of borrowing from other banks - known as the libor rate. Customers like Nicola from Plymouth with a £50,000 loan to pay off are struggling to understand and cope with the increase.

NICOLA: We've got a variable rate. We signed up for that, we agreed to that, so when the Bank of England puts up the base rate, repayments go up. But having another unrelated increase due to what they call an "unstable financial market" for quite a whopping £31 a month, that is a lot of money for a lot of people. And if these loans are secured, you can lose your home.

HOWARD: Picture says it's hiked its rate for all existing loan customers because the rates it has to pay to borrow from other banks went up in the summer; and although the interbank rate has since fallen, it's still having to borrow money at a higher rate than usual. Another problem for Nicola and others on these loans is they can't easily move to a better deal. There are exit fees to pay if they switch to a different loan company and the credit crunch makes it even less likely anybody else would now offer them a better deal anyway. They're effectively stuck and have no choice but to dig deeper to pay.

HOWARD: Thanks, Bob. And if you're struggling with debts or need a loan, our phone in Money Box Live on Monday afternoon is all about credit and debt. And Bob, the compensation scheme which protects our cash savings was extended this week.

HOWARD: That's right. The Government said that since 1st October 100% of up to £35,000 held in a savings account would be protected should the bank or building society

go bust. For joint accounts, the new limit is £70,000, but it's only the compensation for cash which has increased. The rules about money invested in the stock market remain the same. The Chancellor Alistair Darling said this was the first stage of a wider reform to the system that protects customers.

LEWIS: And you can hear an interview with Martin Lewis from MoneySavingExpert.com about that new limit and exactly what it means on our website. Bob, finally calls to scrap a tax break for buy to let landlords?

HOWARD: That's right, Paul. The Institute of Directors wants buy to let investors to be no longer able to deduct interest costs from rental income for tax purposes, which it estimates to be a tax break worth £1.9 billion. The IOD says this would level the playing field between property investors and those who put their money into financial assets.

LEWIS: Controversial stuff from the IOD there. That's it for today. You can find out more from the BBC Action Line - 0800 044 044 - and of course our website, bbc.co.uk/moneybox, where you can now download the programme onto your computer or indeed sign up to get it sent to you every week for your MP3 player, so you never need miss Money Box again. You can also contact us there and have your say on those Conservative plans to cut taxes and how that will be paid for. Many of you already are. As I said, you can listen to Martin Lewis from MoneySavingExpert.com about that new limit on savings protection. There are personal finance stories on Working Lunch, BBC2 weekday lunchtimes. Money Box Live on Monday, as I said, takes your questions on credit and debt. I'm back next weekend with Money Box. Today the reporter was Bob Howard, the producer Jennifer Clarke and I'm Paul Lewis.