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MONEY BOX

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LEWIS: Hello. In today's programme, after five and a half years the Government finally gives in on compensation for 140,000 people whose pensions were threatened. A major insurer is fined more than one and a quarter million pounds for security lapses. A battle looms in Parliament over married women who want to boost their state pension. There's further frustration for Bangladeshis who lost the cash they tried to send home. And do money secrets threaten your relationship this Christmas?

But first, it's been a five and a half year campaign taking pensioners from proceedings at the High Court to stripping naked at party conferences, but at last the 140,000 workers who lost their pensions when their employers went out of business have a compensation deal they can accept. Secretary of State for Work and Pensions, Peter Hain, announced this week what he called "a just and final settlement". All of them will get 90% of their expected pension at their original date of retirement. Andrew Parr speaks for the Stripped of our Pensions campaign group and lost much of his own pension, but after discussions with the minister Mike O'Brien he says he and others can at last look forward to the future.

PARR: I should have retired just over a year ago in September 2006 and I've had to keep on working because I haven't got enough money to live on. I will now get the back pension back to September 2006 and I'll be able to really positively retire then.

LEWIS: When will you get the money though because one of the practical problems of the existing scheme has been the payouts have been delayed?

PARR: The DWP have promised that they're going to work on this very quickly and we had a meeting with Mike O'Brien earlier in the week and he indicated that the legislation would be drawn up in January and he's hoping to get payments somewhere around about the middle of the year. We'll be keeping a very careful eye on them to see that they do actually stick with that.

LEWIS: I bet you will. And is this the end now of the naked pensioner protest?

PARR: Providing they come up with the payments in the summer, like Mike O'Brien indicated they will. If they don't, we may well be out at the next Labour party conference.

LEWIS: Andrew Parr who also paid tribute to the work of pensions consultant Dr Ros Altmann whose tireless and unpaid campaigning has helped achieve this victory. How did she react to the news?

ALTMANN: I am really delighted that finally we have a deal that I think is a good deal. It's a fair compromise. We haven't got 100%, we haven't got everything perhaps that they deserve, but you also have to know when to stop fighting and I think they need to *enjoy* their lives from now on.

LEWIS: And what are the criticisms you had of the scheme that have now been changed?

ALTMANN: Everyone who lost out after 1997 is now included whether their employer is solvent or not. They have suffered exactly the same and the problem is the government didn't put in the kind of protections it said it had. Secondly, the financial assistance will start paying from the person's pension age rather than telling people who had paid to retire at 60 and were expecting to retire at 60 that they can't get anything till age 65. There's a bit of inflation linking and of

course the amount of the pension that will be replaced is going up to the 90% level that the Pension Protection Fund pays rather than this 80% of core pension, and I think that the government is doing away with this concept of core pensions.

LEWIS: Yes and it's important to make clear this is 90% of something that you recognize as the pension rather than 80% of something much smaller, which I think you said would be about 60 or 65% of the pension.

ALTMANN: Exactly. And there is also going to be provision for a tax free lump sum, so again with that the amount becomes much more on a par.

LEWIS: That's obviously good for the people concerned. Is it going to cost a great deal more money to taxpayers?

ALTMANN: I don't think so. I have never actually thought that this was about the money. There was some political road block whereby the government didn't want to admit it had any responsibility, but finally you've had DWP ministers who have decided they have to *take* responsibility for this instead of *denying* responsibility and the Treasury will be taking in 1.7 billion pounds worth of assets.

LEWIS: This is from the schemes that have been wound up?

ALTMANN: From the schemes that are being wound up, but haven't yet bought or committed to buying annuities. So there actually will be a net inflow of money to the government at this point in time and then over the years the Department for Work and Pensions will be paying out.

LEWIS: What has caused the change of heart?

ALTMANN: There has been a combination of circumstances that have come together this year which have caused this breakthrough. The first one is that the ministers in charge of the Department for Work and Pensions have really seriously wanted to sort this out and have understood how wrong it is and that the government has not behaved properly.

LEWIS: These are the new ministers, Peter Hain and Mike O'Brien, who started in July when Gordon Brown became Prime Minister?

ALTMANN: Yes, Peter Hain and Mike O'Brien have been very different to deal with than their predecessors and have been willing and eager to engage and find a way to sort this out. Another factor was Northern Rock. As soon as we saw the government bailing out 100% savers who had never been told to put their money into Northern Rock and had never been told that the money in there was completely safe, it seemed impossible to try to justify not properly compensating the people who had always been told they should put their money into their company scheme and who had been assured by the government that their money was completely safe and protected.

LEWIS: You've been campaigning on this for several years. Unlike the other campaigners, there's no personal gain to you from it. Has there been a moment when you've thought I might as well give up?

ALTMANN: There have been odd moments along the way when I guess I got very low and I just thought I'm bashing my head against a brick wall. How many times can you keep bashing your head against a brick wall? And I must admit there were one or two occasions when I said to my family, "I'm not sure I should keep going anymore. It's not fair on everybody" - my children, for example.

LEWIS: So there's been a personal cost to you in all this?

ALTMANN: And they have said to me, "Mummy, you can't stop. They need their pensions" and they kept me going. At one point ministers said to me, "You are being irresponsible by letting them believe that they will get more and you should just tell them they should get on with their lives and walk away" and that was a terribly depressing moment. However, I've always believed that we would get there in the end when I come back from the edge of exhaustion or whatever. And I just wanted to say that I think the way in which Money Box has continually highlighted the plight of the victims of this scandal and continually pointed out to government ministers and pressured government ministers into trying to defend the indefensible

has definitely played a part in reaching the point we've reached today and I would like to thank Money Box, all of you on the team, for having helped us get to this position.

LEWIS: Kind words from the indefatigable and ultimately triumphant Ros Altmann.

But there was bad news this week for hundreds of thousands of women, mainly married, who were born just before 6th April 1950. When they reach 60 many will get a reduced state pension or even none at all because they've spent much of their lives bringing up children or caring for others and so haven't paid enough national insurance contributions to qualify for a full state pension. In July, Baroness Patricia Hollis got the House of Lords to agree to change the rules to help this group. The government rejected her plan but said it would find a solution. However this week, it announced it couldn't do so. I asked Lady Hollis what commitment the government had made in the summer.

LADY HOLLIS: The commitment that I was given was that they would use their "best endeavours", I quote, to "deliver the principles of this". In other words, what we were concerned about was *how* it would work, not whether it should be introduced at all. And over the summer months, we were working on different ways to exclude those who shouldn't get it but to target on those who most needed it: the women who've been carers. Now I thought we had made good progress on that front. It's now suddenly been blown out of the water.

LEWIS: So these are women who... because you can pay a few years back, can't you?... these are women with a gap in their record in the distant past...

LADY HOLLIS: Yes.

LEWIS... which you were hoping they'd be able to fill and now the government says they can't?

LADY HOLLIS: Absolutely. At the moment you're allowed to buy back up to six previous years and 200,000 people a year do it. But many women have got years missing before those six years. They didn't know about it, they didn't know whether they'd need to buy back those years, they didn't have the money to buy back those years, and now it comes to the point of retirement and they want to make good those years just as they see other people doing it and they're told, "You're beyond the time limit. You can't make good your missing years." They're not asking for freebies. They're asking for the same rights as people currently have. And because they're refused it, they go into retirement with a very poor pension indeed.

LEWIS: The government does say of course that many of these women can claim pension credit and that will make up the gap between what they could have got and what they *are* getting.

LADY HOLLIS: Well yes, they may say that but you know as well as I do that those women who are facing pension credit will actually, if we're talking about the savings element, will actually lose 40% of the value of it.

LEWIS: What can you do now?

LADY HOLLIS: Well basically there are two bills now starting in the Commons - a National Insurance Bill and a Pensions Bill - and those bills will both come to the House of Lords in due course. If the House of Lords is of the same mind... And given how outraged the House was. I've never seen them angrier ever than when they got this news from government that they weren't going to go ahead with this. It was the angriest I've ever seen the Lords. Well if they feel the same way when those bills come up, we will be sending back amendments like this to the Commons and I am hoping that this time round the Commons will persuade the government to think again.

LEWIS: Baroness Hollis. So how did the government explain its apparent u-turn? Pensions Minister Lord McKenzie.

McKENZIE: I can understand the disappointment that my colleague

Patricia Hollis particularly has and others in the House, but we have done what we said we would do. We were very clear about the criteria we would adopt and we were keen to try and target this in an effective way. The reality is after quite a lot of analysis, quite a lot of hard work, it's been proved not possible to do it.

LEWIS: But you're still left with the problem, aren't you? Women who reach 60 on 5th April 2010 need 39 years contributions to get a full pension. Women born a day later, who retire *after* 5th April 2010, need 30 years. How are you going to explain to the women on the wrong side of that cliff edge that the entire brain power of the Department for Work and Pensions couldn't find an answer to that problem?

McKENZIE: Well it's always a challenge, isn't it, when you introduce new legislation which improves things for the future, how much focus you can reasonably put on dealing with disadvantage of the past? And there has been disadvantage in the past, particularly for women, but being able to unpick that in a practical way, a targeted way on a basis which is affordable has proved to be elusive.

LEWIS: This was announced on the same day the government announced the improvements to the Financial Assistance Scheme for another group of pensioners the government's been fighting a rearguard action not to pay. Is this the quid pro quo - you can spend it on one group, but you were firmly told "You spend it on them, nothing for these women"?

McKENZIE: No, not at all. It was announced ...

LEWIS: It was coincidence then, was it?

McKENZIE: The announcement took place on that day because my colleague Baroness Hollis had tabled a question.

LEWIS: There was a very angry reaction in the House of Lords. Baroness Hollis told me she'd never seen the Lords as angry. There are now two more bills going through the Lords which can be amended. Might you lose this time

round? Is this the political battle you're prepared to fight against the interests of women who've cared for others all their lives?

McKENZIE: Women who take on caring responsibilities of course bring huge benefit to our society, many of them...

LEWIS: *Unrewarded* benefit now.

McKENZIE: Indeed. We are addressing that for the future in a very profound way and I think we should recognize that. I'm conscious we've got some more legislation coming up and it may well be that those who feel strongly about this want to continue to press the matter.

LEWIS: Lord McKenzie.

One of Britain's biggest insurance firms, Norwich Union, has been fined more than one and a quarter million pounds by the financial regulator after failing to protect its customers from fraud. The Financial Services Authority said gaps in security had allowed criminals to discover personal details of 632 customers and steal more than £3 million. The fraudsters used publicly available information to impersonate customers and then obtained further details from Norwich Union about their investments and bank accounts. One of those who fell victim to the crime was former BBC executive Will Wyatt. How did he find out his money had been taken?

WYATT: A letter from the Norwich Union arrived saying that quote "suspicious transactions" unquote, had taken place in our account. It then transpired in that and a subsequent letter that someone managed to phish in their call centre using information they'd picked up from Companies House to extract from Norwich Union not just the fact that yes we had a policy or policies with them but the actual number of one of those policies.

LEWIS: So they got the policy number and then that was the key to getting more out of Norwich Union?

WYATT: Having got a policy number, they then wrote from an address in South East London to say... - and obviously had discussed... rung up about the value of the policy - to say that they'd moved - either I or my wife and I quote "had moved" to this address in South East London, that we wished to surrender the policy and gave a bank account from the Halifax into which the money should be paid.

LEWIS: I suppose it's difficult though because people do all sorts of things. They may well cash in a policy after a move. You may need the money for the move. So there was nothing really to indicate to them, was there, that this was false? What was wrong was their procedures that let the phishing expedition retrieve all this information.

WYATT: Well the procedures were clearly wrong. And they did assure me, or tell me, or claim immediately they'd written to us that they had changed their procedures. This was a policy within a year of maturity, which had been in operation for 20 years, so again you would think, given that you lose quite a lot of the value if you do that, that there'd be something in their systems that said ping, hang on a minute, they may want this but should we not just check with them they really want to do it and so on?

LEWIS: Will Wyatt. Norwich Union first discovered the fraud when its own directors were targeted by thieves. It took swift action to protect their accounts. But the FSA criticized it for not acting to protect *all* its customers at the same time. I asked Norwich Union executive director Stephen Mann why not.

MANN: What we had to find out and what took some time was establishing a pattern around the frauds. We believed when they first were drawn to our attention that they were isolated cases and actually over time it became clear that there was a pattern of frauds using data from Companies House. And when that became clear, we swiftly involved the police and the FSA in resolving those issues.

LEWIS: And the Financial Services Authority said that you did not take equivalent action to inform and protect other policyholders and you took inadequate steps to assess the risk to customers generally despite the fact you knew

fraudsters were using Companies House details. So you did know. You had all the information, but you protected the directors and it took two or three months before you protected the rest of your customers.

MANN: Well I think the important thing is that all customers have been fully reimbursed. What we do accept though is that we could have moved faster in dealing and changing some of the processes. As a consequence we have worked closely with the FSA to make sure that we've been able to address the processes and the weaknesses that were identified here.

LEWIS: Despite working closely with them, you were still fined more than one and a quarter million pounds. It's an extraordinary amount for a company to be fined. It was obviously a very, very serious breach that you *did* know about and didn't do everything you could immediately.

MANN: While it only related to a small number, a small percentage of our wider customer base, any breach here is clearly unacceptable.

LEWIS: But you have millions of customers. They are going to be looking at this and thinking gosh what might be given away about my policies, my information, my personal details. What can you say to them now about the security?

MANN: I think two things: one is that we have significantly strengthened our processes; we have also made them subject to a review by an independent third party. Previously the weaknesses were around being able to change details over the phone. Those particular weaknesses are no longer possible to achieve over the phone. Change of address details, for example, we will now ensure that any request there is copied – both to the new address requested and the old one.

LEWIS: So if it's a false change of address, the person who hasn't moved will soon realize that somebody's been trying to get their money?

MANN: Absolutely right.

LEWIS: That seems a very basic thing. Why didn't you do that earlier?

MANN: Well I think what we've done is we've obviously looked at the process and this is something that, as you said, is something that will prevent these types of incidents occurring in the future.

LEWIS: And what have you got to say to your customers in general? I mean do you want to make an apology to them for these breaches?

MANN: I think clearly yes, we have recognized, that we apologize wholeheartedly that the situation has arisen. We have insured that customers have been fully reimbursed and have made sure that our processes are strong enough to withstand this type of attack in the future.

LEWIS: Stephen Mann from Norwich Union.

People from Britain's Bangladeshi community whose cash went missing when a money transfer business collapsed in the summer face more frustration. This week they learned that the official receiver is to have no say over how a £300,000 payout to help them will be distributed. 2,000 people, many on very low incomes, lost a total of £1.7 million when First Solution stopped trading in June. Bob Howard's followed the story over the weeks on Money Box and he was at the meeting.

HOWARD: This week customers who'd lost money had their first meeting with the official receiver, Paul Titherington, who told them he'd made a legally binding agreement with the company's three former directors to voluntarily pay them back £300,000. But many customers were angry when they learnt that the trustees of this fund would be the same three directors who had lost their cash and it would be these three who would now be deciding precisely who would and wouldn't get their money back. The official receiver explained to me why the agreement had been made this way.

TITHERINGTON: It's in the control of those people who are voluntarily

contributing it. If I was asking you to make a voluntary contribution, as you may do to a charity, you would normally want to choose the charity you're paying. I cannot control that. In this case, I have obtained voluntary contributions that otherwise would not have come to the creditors.

HOWARD: Paul Titherington told me this is the first time in a long career he'd ever managed to persuade directors to agree to make a voluntary contribution and the alternative was not to have anything at all at this stage. But that didn't stop question after question from creditors asking why it was the very directors whose company had lost their cash in the first place who would now choose who got some or all of their money back. Ghulam Rabbani Rumi is one of those directors who'll be deciding how the funds will be distributed.

RUMI: We are planning to pay initially the most affected customers and I can confirm to you now those people who are asking this question are from the Brick Lane branch and the London Muslim Centre branch and they will get something definitely.

HOWARD: At the end of the meeting, customers who lost money voted to appoint insolvency experts from Tenon Recovery to find ways of getting more of their missing cash returned. Mark Hendrik from Tenon told me he understood the frustration of those who are suffering and he said he would closely scrutinize the deal the official receiver's made with the former directors.

HENDRIK: To be perfectly honest, I've never seen an agreement reached such as that which the official receiver has reached in this instance. I can see the reasoning behind it from the official receiver's point of view. I can also understand how creditors can feel very aggrieved. We need to see the agreement before we can decide on what action can be taken against it or whether or not we should be allowed to stand.

HOWARD: There may be other money to help those who've lost out. First Solution agents who've bought parts of the firm have also agreed a voluntary contribution of £115,000, which they will distribute. And the official receiver's

recovered £30,000 from the company's assets. But more than two thirds of that sum is already going towards the receiver's own costs and legal fees. It's still not clear when the first payments from First Solution's former directors will be paid, but the deadline is for it all to have been distributed by September 2009. Meanwhile the company's investigation branch enquiries into what happened to the missing £1.7 million continue.

LEWIS: Thanks Bob.

If you have a big financial secret from your partner, Engage Mutual Assurance says among the couples it questioned one partner in three admitted to hiding debts or bills, four out of ten had savings they kept secret. Marriage guidance organisation Relate says money is the biggest cause of arguments among couples. Denise Knowles is a relationship counsellor with Relate.

KNOWLES: The big problems arrive when the secret becomes a really big one - i.e. couples have no idea what the other one is earning or indeed what is going out of the household and therefore what is coming into the household.

LEWIS: And perhaps no idea what the other partner has by way of debt?

KNOWLES: Exactly. Debt is a massive problem for many couples and I've seen couples where they haven't had a clue that their partner has run up perhaps thousands of pounds either on credit card bills or perhaps if they've had the responsibility for making sure that the mortgage gets paid and the utilities get paid and for some reason the mortgage *hasn't* got paid and six months down the line a rather nasty letter appears for the couple.

LEWIS: And how significant are money problems in pushing relationships into difficulty?

KNOWLES: I think there is a huge significance about money in relationships and the problems that it can cause. A good few years ago Relate did its

own survey about arguing and the top topic for arguments was indeed money - about how much people earned or didn't earn, the secrets that were kept, and indeed how money got spent within the relationship. But if you're in a partnership that is loving and supportive, then your partner will want to actually be there for you.

LEWIS: And is Christmas a particularly difficult time?

KNOWLES: I think Christmas is a very difficult time for relationships and indeed money. I think January is possibly the time when it comes to a crunch and certainly at Relate we see many people in January turning up because of relationship difficulties and many of those will be borne from difficulties with money.

LEWIS: And two top tips for Christmas then for couples.

KNOWLES: One of the things I would say is you know take some time to be a couple over the Christmas period and don't have outrageously unrealistic expectations of Christmas.

LEWIS: Or of each other perhaps?

KNOWLES: Or of each other and indeed of your bank balance. *(Laughs)*

LEWIS: Denise Knowles, thanks very much. And you can have your say on couples and money on our website, bbc.co.uk/moneybox. And of course there you can download the podcast of the programme to listen any time. There's no Money Box Live on Monday. It's back on New Year's Eve when we'll be answering your year end questions on saving, borrowing and tax. You can email those questions now. You can find out more from the BBC Action Line - 0800 044 044. I'm back live with Money Box next weekend as usual. Meanwhile from reporter Bob Howard, producer Jim Frank, and from me, Paul Lewis, have a very good Christmas.