LEWIS: Hello. In today’s programme, the council tax shock awaiting a million people who have a second home or an empty property: their bills could double or more in April. Disabled and low income households could pay 40p a minute to call inquiry lines about the new benefits they’re being moved to. Bob Howard’s still looking at loyalty. Bob?

HOWARD: Yes, Paul, what can be done to protect customers who stick with one firm?

TRISH: In my mother’s case, she’s paying a sixth of her annual pension to Saga. I think everybody needs to look at their insurances now.

LEWIS: And with stock markets high, dividends strong and interest rates low, is now the time to take a bit of a risk and invest in shares?

But first, people who own more than one home will get a nasty shock when their council tax bill arrives this month. Concessions on empty homes and second homes are being removed in England and councils can charge a hefty premium on top. For example, homes empty up to 6 months used to be free of council tax. Now they can be charged at 100%. Les, a listener from Doncaster, got a nasty surprise when he decided
to move in with a relative for a while.

**LES:** I’d gone to live at my daughter’s you know for a bit of support. I went into the council, asked them about moving out, hoping to get a rebate on my council tax, and they said, “Oh as from 1st April, you have got the full amount to pay.” What are we paying for? You know there’s no services to the house, so we’re still paying for these. Admitted like, you know you’ve got your fire brigade. Otherwise we’re paying for nothing really. It’s really making me rethink me plans on what to do.

**LEWIS:** Katrina tweeted me from Rotherham. Until now she’s had a 50% reduction on her council tax because her house is unfurnished and empty while she renovates it. She’s just received a letter telling her that her bill will treble in April from just under £50 a month to almost £150.

**KATRINA:** I bought this property originally to get myself on the property ladder. I lived with my mother at the time and gradually we’ve been renovating it. Things have happened in my life that have set it back a bit, but there’s no law against taking a long time to renovate a property. If maybe they’d told us a year ago, then everybody who owns these empty properties perhaps could have pushed and got them finished. I’ve been given less than a month’s notice.

**LEWIS:** We’ve had many similar emails this morning from people hit by the new charge. One group that will be affected are landlords. At the moment an empty, unfurnished property is exempt from council tax for 6 months. Now it could be charged at the full rate at once. Adrian Thompson is Director of the Guild of Residential Landlords and rents out many properties in the north of England.

**THOMPSON:** The problem is the arguing over what day somebody’s left. At what point has somebody moved out of a property? If he’s still got a relative amount of goods in a property but in fact he’s living in another property which would be regarded as his home now, on what day did he fully move out? And if the landlord’s
unable to actually let a property, only one of those will be deemed as occupied by the tenant. So there’s going to be an awful lot of arguing as to what day a specific person left and landlords could end up paying council tax when in fact can’t get the property back.

LEWIS: So if landlords have to pay council tax while properties are vacant for a while for whatever reason, will they have to put the rents up?

THOMPSON: Yeah, I can see no choice in the matter because the returns are relatively low anyway comparative to the house price, so I can’t see any choice that would have to happen.

LEWIS: Landlord Adrian Thompson. Well live now to Oxford to talk to David Magor. He’s Chief Executive of the Institute of Revenues, Rating and Valuation, which is collating information on the new charges. David Magor, just outline the changes that are coming in.

MAGOR: Yes, well there are two major changes. As you’ve said already, the Government have extended the discount and the provisions in relation to second homes. Currently it’s fixed at 10% to 50%. It’s now from 0% to 50%. And they’ve abolished two exemptions: again, as you mentioned, vacant dwellings undergoing major repairs, which used to be exempt for up to 12 months. That exemption has now been removed. And a vacant dwelling - again they used to get exemption for 6 months - and they’ve now moved to local discretions and local decisions.

LEWIS: Yes and many of them do seem to be raising the tax to the maximum, certainly the examples we’ve seen.

MAGOR: Absolutely. And the problem is that the Government are trying to achieve two aims. One, they’re trying to obviously get a greater yield from the council tax and then keep council tax levels down; and at the same time they’re trying to encourage
the occupation of empty homes. But sitting behind this is also the funding of the council tax reduction scheme. Councils have had to adopt a lot of these provisions in order to actually find the money to finance those schemes.

**LEWIS:** Yes, that’s the replacement for council tax benefit that they’re taking over. And although people may not have much sympathy with those who’ve got two homes and they move between one and the other, many of the people who’ve contacted us are not in that position like Les and Katrina. And we’ve also heard from executors who have been desperately trying to sell a property after someone’s died and two years later they still can’t sell it.

**MAGOR:** Well it depends on what state the probate is in. If it’s still undergoing probate, there is an exemption. But of course as far as properties are concerned, the Government are very keen to see empty properties occupied. And the gap between a property being vacated and someone new moving in, the Government want to shorten that, therefore to get more empty homes into use and to reduce the demands on social housing.

**LEWIS:** Now the rule for people in Katrina’s position is that the home has to be empty, unoccupied and substantially unfurnished for 2 years. I’ve certainly seem some chat on message boards about how furnished is furnished and could we move an old sideboard or an old sofa in and avoid the tax?

**MAGOR:** Well it’s a question of degree and it’s obviously for the local authority to make that decision. There has been plenty of case law and you’ll get to a point where you satisfy that definition. But the only thing you can do is contact the local authority. If you believe that your property is furnished, then ask them to consider the situation.

**LEWIS:** Now we’ve been talking in some detail about the changes that start in England, but there are also changes in Scotland and planned changes for Wales.
MAGOR: Well in fact it’s quite interesting because obviously Scotland and Wales are in a slightly different position in relation to the council tax. Powers are going to be taken in Wales, but they haven’t taken those powers already. They’ve had powers on second homes for some time and in Scotland the act is in place and they’re actually bringing into force the powers in relation to non-domestic rates, but they’re not bringing the powers into force immediately for vacant dwellings.

LEWIS: No, but they could both face big rises in council tax for vacant dwellings in the future.

MAGOR: They certainly could. Later in the year, that could happen, yes.

LEWIS: And very briefly, David, some good news for everyone else. You can pay your council tax over 12 months rather than 10.

MAGOR: That’s right. And I think as the council tax bills arrive this week, particularly those people who are seeing a reduction in their council tax benefit under the new council tax reduction scheme, if they’re going to have difficulty paying those sums they should contact their local authority immediately to actually extend their length of payment.

LEWIS: David Magor, thanks very much for talking to us.

Money Box has learned that people inquiring about two new benefits, universal credit and the personal independence payment for disabled people, will have to pay up to 40p a minute for the phonecall. A letter from the Secretary of State, Iain Duncan Smith, to John Healey MP reveals that his department will continue to use 0845 numbers for inquiries and even for claims in the early stages of universal credit. The letter to John Healey was sent to John Healey because he’s been campaigning for all numbers to the Department of Work and Pensions to be free. With me is David Hickson of the Fair Telecoms campaign. David Hickson, just tell us what is the cost
of an 0845 number when I make one.

**HICKSON:** When you call an 0845 number, tuppence per minute of what you pay is passed onto the other end. Your own telephone company will add its own charge, which can be in some cases up to 39p a minute, so it’s a bit of a nonsense. Ofcom are going to shortly make that much simpler.

**LEWIS:** Make it simpler, but not necessarily cheaper. I mean if I call from a mobile, I could then be paying 41p a minute for that call.

**HICKSON:** You certainly are at the moment. What will happen in future is the tuppence a minute that’s going to the Department of Work and Pensions will be set against a single rate that your mobile telephone provider will have for all of its chargeable additional calls.

**LEWIS:** And the 0800 numbers - which the department says will be used for claims, certainly for personal independence payment - they can also cost money. They’re not free from mobiles, are they?

**HICKSON:** Unusually the Department for Work and Pensions has taken a very unusual step in that it for its own 0800 numbers, and I think generally, has made special arrangements with mobile companies for those to in the vast majority of cases be free.

**LEWIS:** Okay. Most people will be thinking though well why on earth, given that people have to pay these costs, don’t they just have an ordinary old number like you or I might have on our landline and people dial that and then they’d know it was effectively free because it’s in your bundle?

**HICKSON:** That’s the whole point. Nowadays the vast majority of calls that are made are within bundles or within all inclusive call plans, and that includes not just
0102 but also the 03 range of numbers which have the non-geographic feature and all the technical benefits that these special numbers have. There’s no good reason why DWP couldn’t copy what Her Majesty’s Revenue & Customs are doing and move to the 03 numbers, but they’ve said that’s not what they’re going to do.

**LEWIS:** No, they have indeed in that letter. John Healey couldn’t be with us today, so live now to Aberdeen to talk to Dame Anne Begg, the Chair of the Work and Pensions Select Committee. Dame Anne, what do you make of this admission by Iain Duncan Smith that they’re going to use these expensive lines?

**BEGG:** I’m particularly worried. There has been a campaign for some time to try and get the DWP to make all their calls free, especially as inevitably the people who are mostly calling DWP are those who are on limited income. And I think I’m really disappointed that he hasn’t taken the chance to, when the new benefits are coming in, to introduce a new number.

**LEWIS:** Yes and of course people have been put on these new benefits sort of willy-nilly. They’re going to have to move to them. And it’s inevitable with new benefits, a new structure, there’s bound to be more inquiries. People will want to know more about them.

**BEGG:** Absolutely. I think the Government has set its cap at having something they call “digital by default”. In other words, they want everybody to do things online. But of course the very people we’re talking about are those who are most likely to be digitally excluded, won’t have computers at home, and in some areas just don’t have broadband.

**LEWIS:** Yes and I think 7 million adults have never used the internet. Do you think people will be clear about what they’re paying for these calls?

**BEGG:** I don’t think they are. Again the group we’re talking about very often can’t
afford to have a landline at home, so they depend on mobiles, they depend on pay as you go mobiles. They might find just in getting through the whole telephony system where they have to press 1 or 2 or the different buttons that they’ve actually used up all their credit and they haven’t actually got to speak to a real person at the end of it.

LEWIS: You’re on the Work and Pensions Select Committee as part of your role as a Member of Parliament. Are you going to be raising this issue with the Work and Pensions Committee? Sorry you chair the Work and Pensions Committee.

BEGG: (laughs) Indeed I do.

LEWIS: I beg your pardon. (laughs)

BEGG: I can’t say exactly what we’ll do as a committee. I think my members might jump at me. But I suspect that now that your programme has raised it, that there’s a good chance that the next time we have the Secretary of State in front of us or indeed before that, we might be raising questions about this particular issue.

LEWIS: And where do you think you might go? Do you think you might say to him they should all be free or you should introduce these 03 numbers which seem a very simple alternative?

BEGG: Well certainly the committee in the last parliament actually did say that we thought that all of these numbers should be free; and if they weren’t prepared to go that far, it should be a local call cost. And I can’t imagine that the present committee would take a different stance from that.

LEWIS: Dame Anne Begg MP and David Hickson, thanks very much for talking to us.

Money Box has continued to get a flood of emails from listeners angry with their
insurer for bumping up their premiums and charging far more than the one they are offering to new customers. Most insurers do this; we shone the spotlight on NatWest 2 weeks ago. Last week the Chief Executive of Saga came onto Money Box to defend the way his firm prices its home insurance and other insurance products. Bob Howard’s been looking at some of the responses.

**HOWARD:** Yes Paul, this week we’ve had complaints about a range of insurers, but again Saga was particularly highlighted. Penny from Chesham helps her 83 year old widowed mother deal with her household bills. Her buildings and contents renewal premium from Saga had this year risen by £100 to £850. When Penny looked at Saga’s own website, she says she saw a new customer would pay £172 for the same policy. And it’s not just the home insurance market where loyal customers feel they’re being overcharged. John emailed us after hearing Money Box on Saturday. He says this year his Saga car insurance almost doubled to just under £600. He says he found comparable cover with another firm for almost half that. Saga asked Money Box to put the firm in touch with the three people we featured on last week’s programme: Trish, Alan and Mary. Trish’s mother is 93 years old and was paying over £900 for her home insurance when Trish says she found comparable cover for around £250.

**TRISH:** I found it a little bit dismissive really. He was just saying you know he had to look at everything individually. He really didn’t have an answer basically. I think he was just trying to fudge the issues. In my mother’s case, she’s paying a sixth of her annual pension to Saga. I think everybody needs to look at their insurances now.

**HOWARD:** Loyal customers have told Money Box they’re angry about their treatment by many of the biggest firms. We’ve had complaints about NatWest, Lloyds TSB, Aviva and Zurich to name just a few, so I asked Malcolm Tarling from the Association of British Insurers what sort of responsibilities his members had to longstanding customers.
TARLING: Well insurance companies are not in the business of ripping off their loyal customers and I think all insurers continually look at their charging structures to make sure that existing customers continue to get the best possible deal while at the same time trying to attract new customers. Quite clearly insurers need to make a reasonable profit, but they need to make that profit not at the expense of existing customers.

HOWARD: The Financial Services Authority has a longstanding principle that customers should be treated fairly, but we wanted to know what this meant in practice. We made several requests for somebody from the FSA to come onto Money Box to explain whether existing customers paying up to five times as much as new customers for products goes against this. The FSA would not put anybody up for interview, but it did offer this statement.

FSA STATEMENT: We expect firms to ensure they’re treating customers fairly at all times, including renewals. Generally we view the decision of an insurance firm to provide cover and at what price as a commercial decision for the firm. However, we also expect firms to have customers at the heart of their business model.

LEWIS: The FSA ending Bob’s report there. Well live now to Worcester to talk to Mark Garnier, the Conservative MP for Wyre Forest. He’s a member of the Treasury Select Committee and on the Parliamentary Commission on Banking Standards.

GARNIER: Good morning.

LEWIS: Mark Garnier, what do you make of the evidence that insurers are charging loyal customers double, treble, four or five times in some cases more than they charge new customers?

GARNIER: I’ve got to say I find the whole thing absolutely stunning. It really is the most extraordinary sort of indictment of perverse incentives coming in as a result of
what I think should have been rather a good idea. At the heart of this lies this whole question about competition, and if you rely on a market to be competitive then what you expect is that all the prices will be driven to you know the best value for everybody and that’s not a bad starting point. But the problem is if you are then competing in a market, you are looking at your market share, and in order to increase your market share you’re looking at new customers. And I think the problem that we’re seeing here is that the entire focus of these insurance companies has been on winning new customers and the only way they can pay for this is by allowing existing customers to pay more and more. So these people who have been complaining are subsidising competitive activities by these insurers.

**LEWIS:** Yes competition doesn’t seem to be working for them, does it?

**GARNIER:** No.

**LEWIS:** But I wonder … I think we’d all accept that maybe if you gave discounts of 5%, 10%, maybe even 15% to new customers, that’s fair enough. But when existing customers are paying two, three, four, five times as much, you know a thousand rather than a few hundred, that seems to be unfair. Do you think they are treating customers fairly?

**GARNIER:** No, absolutely not. I’m quite categorical about this. These businesses … Saga, I heard the interview last week on your show and Saga was saying well you know it kind of goes up and it’s inflation and all this kind of stuff. These businesses, these insurance companies know absolutely the last detail of where their earnings are coming from, and if they see that a customer has been there for 10 years and they’re charging five times the rate of a new customer, they know full well what’s going on and that’s definitely not treating customers fairly.

**LEWIS:** So should they have some sort of obligation to almost underwrite you every year, so they say well this is a fair amount for you and there’ll be no more discount
for a new customer and that’s what we’ll charge you?

**GARNIER:** Well I think it’s quite a complex problem because of course what we have, which is changing the dynamics, is the internet, and of course the internet is actually not a bad way of getting a very, very transparent market. But only if you are on the internet. If you’re not on the internet of course, then you can’t do that. Now there’s got to be a mechanism, I think … I think there are two solutions to this. The first is make sure that those people who are not on the internet - so those people who have paper, snail mail type of renewals - get some sort of comparison. But I think the other point behind this is that the insurance companies are now confusing their products so much with you know legal insurance on top of it, that what the ABI, the Association of British Insurers needs to do is to come back and actually find out what the basic product is and use that as a starting point for comparison.

**LEWIS:** And literally in a word, Mark Garnier, will you be raising this with your committee?

**GARNIER:** Yeah without a shadow of a doubt. Absolutely.

**LEWIS:** Mark Garnier MP, thanks. And, as I said last week, to declare my interest I have written for the editorially independent Saga magazine for more than 30 years.

Share prices are rising. Over the last few weeks they’ve reached highs not seen for many years, so is now the time to put money into the stock market or is it perversely exactly the wrong time to do so? With the ISA season - remember that around the corner at the end of the tax year, cash ISAs paying historically low rates to savers - investment might seem tempting. From April 6th, you’ll be able to put £11,520 into an ISA; and half of that, £5,760 can be in cash. But rates on cash ISAs are not good this year and some Money Box listeners have contacted us saying they’re tempted by stocks and shares. They find it all a bit daunting though. With me is Damian Fahy, Editor of the personal finance website, Moneytothemasses.com. Damian Fahy, rates
on cash ISAs are low, the stock market is doing well. Are people right to be tempted?

FAHY: They’re right to be tempted, but they need to make sure that they actually are able or comfortable with capital losses if they do enter markets. And now most people should never do this unless they have at least a 5 year investment time frame where they do not need access to capital.

LEWIS: Let’s listen to a couple of listeners now. Stuart emailed us. He has cash ISAs but he is considering his options.

STUART: I want to invest in a simple stocks and shares ISA. I have tried getting a FTSE Tracker from a high street bank, but it’s really complicated and I’m put off by the amount of fees they charge. What advice can you give me?

LEWIS: Damian, tracker funds - you just follow the stock market up or indeed down if it goes down, but expensive and complicated?

FAHY: Yes, you need to make sure you actually know what they’re tracking. I mean the advice I would give is don’t always go straight to your bank. You can actually buy these things through investment platforms.

LEWIS: What’s an investment platform, I’m sure they’re all asking at this moment?

FAHY: It’s essentially a company that enables you to buy all sorts of investments - normally shares, ETFs, including trackers as well.

LEWIS: So it’s like sort of going to a stockbroker in a way, but it’s all online?

FAHY: Yeah.

LEWIS: But there are still charges, aren’t there? I mean that was one of Stuart’s
concerns.

FAHY: There’s still charges. And what I would suggest is people would look at a website like comparefundplatforms.com, which actually will tell you the cheapest way to hold these and where to go and buy them.

LEWIS: Like any investment, a bit of research needed. Now Martin’s got a few cash ISAs coming to the end of their bonus period. He wants advice on what to do next.

MARTIN: I’m wondering whether to transfer my cash ISAs into a self select stocks and shares ISA and buy some high income funds or other products that would give me a better rate of interest.

LEWIS: Ooh self-select, what does that involve?

FAHY: Well this is actually doing the investments yourself and he’s actually talking about equity income funds, which is a great idea again if you’ve got a time frame. If he doesn’t, then I would suggest that he seeks advice if he’s confused. But one thing I would say. He mentioned trying to find the highest yield. High yield will always mean high risk.

LEWIS: Yes and that’s the dividend that you’re being paid from it, the equity income?

FAHY: Exactly.

LEWIS: Yeah, okay, so take care there. And then finally Christopher. He’s been tempted by offers he’s seen: gross deposit plans, which seem like cash ISAs but linked to the growth in shares, which is confusing him. I’m not surprised. One in particular caught his eye.
CHRISTOPHER: On the face of it, it said it offers you 130% of any FTSE 100 growth for the next 5 years. I think I understand what that 130% means, but it sounds very, very good, particularly as your capital is protected. But it sounds ever so good and I’m just cautious about stuff that sounds ever so good.

LEWIS: Is it too good to be true?

FAHY: These things usually are. What it is, it’s a cash account where you’re essentially making a bet with the interest on where the FTSE’s going to be in the future. So if you’re comfortable with that sort of idea, then fine. But what I would say is most of these, they’re not actually good value, and if somebody is actually wanting to take a bet on the FTSE then they should do directly.

LEWIS: And if it goes wrong, what’s the worst that can happen?

FAHY: You actually receive no interest.

LEWIS: So your cash is safe but you just get no interest on it. That’s what you’re betting?

FAHY: Yeah, but what I would say is make sure that the deposits of the bank are covered by the Financial Services Compensation Scheme before you do anything.

LEWIS: Yes because otherwise you’re … Yes, a very good point. Damian Fahy, Money to the Masses, thanks very much for that advice and thanks to our listeners. And Bob, there’s been some email response coming into our first debate on council tax.

HOWARD: Yes, Chris has an interesting comment. ‘Absolutely fantastic news about second homeowners paying full council tax. When there are so many people struggling to get on the property ladder and being ripped off by greedy landlords
charging exorbitant rents, this change will be welcomed by all right minded people. I’ve no axe to grind as I’m a homeowner, but believe in making the property market a level playing field for all.’

LEWIS: Thanks. And we’ve also had a comment, a tweet come in saying when the poor are being penalised for having a spare bedroom, it’s harder to sympathise with those taxed on second homes. But we are running out of time. Lots more from Money Box in this coming week. The Budget on Wednesday. I’ll be live in Bradford all day with BBC2 and live tweeting. Vincent Duggleby’s here on Wednesday with Money Box Live. And on Thursday I’ll be hosting Budget Call to answer your questions with our financial experts. Noon on Thursday. I’m back with Money Box next weekend as usual. Today the reporter Bob Howard, producer Lesley McAlpine, and I’m Paul Lewis.