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MONEY BOX

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LEWIS: Hello. In today's programme, as the sales arm of one overseas property investment company files for administration, we ask what are the risks in putting your pension money in overseas property. Fourteen thousand customers of the failed company Go Ballooning are owed up to £2 million for flights they never took. Now they face another struggle to get their refund claims to take off. As a new online comparison site for annuities is launched, we ask is it paid too much for giving no advice?

But first, earlier this week the main UK sales agent for a Caribbean based resort development company, Harlequin Group, filed for administration. Thousands of investors have bought Harlequin property in exotic locations like St. Vincent in the Dominican Republic on the promise of high returns, but many units are yet to be built. A lot of Harlequin customers used their pension savings to invest in the scheme and are concerned that the promised returns may not now materialise. Some investors wonder if the advice they were given about transferring money from lower risk funds into higher risk overseas property investments was sound. Reporter Phil Kemp's been investigating.

KEMP: Yes, Harlequin Group's Chairman is a twice bankrupt former double glazing salesman from Essex called David Ames. It's thought that there are around 3,000 Harlequin investors who've committed something like £250 million to the scheme.

Investors were attracted to it with the promise of high returns from renting out the units they'd helped build in Harlequin resorts across the Caribbean and there were a number of high profile celebrity endorsements that helped with the sales pitch. The tennis star Pat Cash, golfer Gary Player and former Republic of Ireland International Andy Townsend have all lent their names to the scheme, as did the presenter of Channel Four's Location, Location, Location, Phil Spencer.

SPENCER *(Extract)*: *(Music)* I can see the vision is becoming a reality. Harlequin is what it says it is. I am investing and nobody did me a good deal or anything. I'm happy with the Harlequin model.

LEWIS: But some investors are now worrying about what's happened to their money.

KEMP: That's right, many of Harlequin's investors raised cash by transferring their pension savings into something called a Self Invested Personal Pension (or a SIPP) and these allow savers to cash in their pensions to invest in schemes like overseas property. The trouble is investments like that can be unregulated and they're risky. I've been speaking to Erica Broughton whose husband used a SIPP to invest. They were encouraged to put £38,000 into Harlequin property in the Dominican Republic by a financial adviser back in 2009 after they were told Mr Broughton's existing pension fund had lost £10,000 in a year.

BROUGHTON: We were really scared, so this person was just perfect for us; that they were going to solve our problem. We were told that this was going to make us £28,000 a year. It was supposed to be completed by last March and obviously time slipped, no building process. It is one of those things, so we do understand that, and the company had 12 months grace to continue with the build you know in case it wasn't quite completed. But the unit now, there's nothing at all being built in the Dominican Republic.

KEMP: Erica's now working with other investors to try to find a resolution, but she says the whole experience is taking its toll.

BROUGHTON: I now sleep for about 3 hours a night. The quality of life, we don't have a life now. I run the investor forum and try and help as many people as I possibly can. I'm so scared that anybody does anything silly because there's an awful lot of people out there who are in a really vulnerable position, who are really upset and don't know what to do. And until Harlequin turn round and publicly say this is what we're doing, this is where we all stand, people aren't going to sleep, are they?

LEWIS: One frightened investor. And, Phil, the regulator's already issued a warning to financial advisers about Harlequin.

KEMP: Yes in January the FSA issued two alerts about these kinds of product - one of them specific to Harlequin. It warned financial advisers that they should be considering how suitable the investment was as part of their advice, and it said it expected advisers to have undertaken thorough due diligence on the various developments being sold through Harlequin Property. That's the trading name for the group's UK sales arm. In March of this year, the Serious Fraud Office announced that it was looking into complaints about the Harlequin Group with Essex Police, and there's also a serious question mark over Harlequin Property's accounts. In 2010 the company's auditors (Wilkins Kennedy) resigned, and they were succeeded by BDO. But they also resigned earlier this year citing "a lack of effective two-way communication."

LEWIS: Well to lose one auditor, Mr Kemp, may be regarded as a misfortune, but to lose both looks like carelessness.

KEMP: Well Harlequin say they're now pursuing Wilkins Kennedy for professional negligence, claims which the auditors contest. Harlequin says the problems that BDO has identified are historic ones dating from the time that Wilkins Kennedy were auditors.

LEWIS: And this week it was announced that the UK sales arm for the group, Harlequin Property, had filed for administration. What do we know about that?

KEMP: Well no administrators have been appointed as of yet, but that's expected to happen in the next week or so. Harlequin told us they're entering Harlequin Property into administration to "secure and rescue the company and protect their creditors interests." They say the clients' investments are "unaffected and Harlequin will continue to develop its hotels and build investors' properties." They say it's a "necessary action in everyone's best interests."

LEWIS: Thanks Phil. Well Harlequin isn't the only example of investors transferring their pension funds to a higher risk investment through a SIPP. In January the FSA announced it was considering enforcement action against some firms which offered advice on moving a pension fund into a SIPP and then passing their names onto schemes with high risk and often unregulated investments like diamonds, forestry and film, as well as overseas property. Money Box listener Sally has been in touch with her story. She explained how she was persuaded to move her savings by a financial adviser.

SALLY: The first thing we did was sit and talk about risk and I explained that I really didn't want to take a great risk. The IFA then categorised me as a medium risk or 3 out of 5, and the decision the IFA made was to put all my pension of £95,000 from a good Standard Life pension scheme into a commercial property SIPP. What they didn't do is they didn't spread my money across syndicates, so my fund value in a few years has already fallen by 49% and it's estimated that in 2027 the pension I get will have reduced by 89%. This is appalling, so I feel I've been ill advised and very poor.

LEWIS: Well one listener's experience. And live now to Guildford to talk to Michelle Cracknell, a Director of the chartered financial planners LIFT-Financial.

Michelle Cracknell, how cautious should people be about property? Sally’s in commercial property, Harlequin’s an overseas property term. Is it suitable for a SIPP?

CRACKNELL: It can be very suitable for a SIPP because it gives you a diversification from the stock market, for example. However people need to be aware of some of the downsides of property, one of them being the level of management charges which can be quite high either if you’re going direct into the property investment or whether you’re going through a property company. I think the second issue is property’s not liquid. We all know that - properties have to be sold in order to generate the cash if you want to take your money out - and so for that reason property can be a good investment, but it needs to be balanced with other investments within the pension plan.

LEWIS: And many of the people who’ve contacted us - I mean Sally’s one example - are people who’ve put all their pension fund not just into property but into one bit of property. That can’t be sensible, can it?

CRACKNELL: No it isn’t sensible. I mean the whole purpose and the beauty of having a Self Invested Personal Pension plan is it’s like a bucket where you can put your pension money and you’ve got a wide choice of investment to make from there. Therefore putting all your eggs in one basket and going into one property company is seriously increasing your risk.

LEWIS: And what can people do if they think they’ve been given bad advice because the way these schemes are regulated is a bit messy, isn’t it? The SIPP is regulated, but the investments in it may not be.

CRACKNELL: Correct. We have to look separately at the SIPP wrapper, which is a regulated product and is administered for you, is separate from whatever you decide to invest the money in. If you are taking advice on where to invest the money from a UK authorised financial adviser, then he has the legal requirement to make sure that any investment he puts you in is suitable for the level of risk that you're prepared to take with your money. And, therefore, you do have recourse to the Ombudsman if you feel that he has put you into an investment which is not suitable for your circumstances or he has not fully explained the risk of the investment that he's put you into.

LEWIS: And would you ever advise investing in something that is overseas that you know nothing about, that you can't see whether it's forests or a hotel scheme somewhere?

CRACKNELL: Well I think it's the old adage if you don't understand it and you don't understand the country where the investment is, then you should be seriously suspicious about the investment. And whoever's tempting you and whoever's suggesting it's a good idea, then if you don't understand it I wouldn't go ahead and do it.

LEWIS: Michelle Cracknell of LIFT-Financial, thanks very much.

An estimated 14,000 customers are still waiting to see if they'll get their money back following the collapse earlier this month of a firm offering flights in hot air balloons. A meeting of creditors was told this week that Go Ballooning has few assets to repay the estimated £2 million it owes, and Money Box has discovered those who paid on a debit card may have problems getting refunds from their bank because of a little known time limit. Bob Howard's been looking into it. Bob?

HOWARD: Yes Paul, Go Ballooning was a firm which expanded from its base in Wiltshire to offer balloon flights for customers around the country. In recent years it had an annual turnover of around £2 million, but some customers who bought tickets as long ago as 2007 found they were not able to get onto flights. When it collapsed they wanted to know what had happened to their money. Jonathan from Bristol paid £200 for a balloon trip in February 2012 for his parents to celebrate his mother's 70th birthday. They had made six attempts to get onto flights since then. Each time they were cancelled by the firm, so he decided to come to this week's creditors' meeting.

JONATHAN: I'm standing up for the small man in the street sort of thing just to say you know why one minute is it a viable concern and the next minute it's no longer there. So I just wanted the answers to you know why the business failed.

HOWARD: Jonathan was the only retail customer present. The others were either business creditors, other ballooning firms or representatives of Barclaycard which provided the firm's merchant services. They especially wanted to know what had happened to the hundreds of thousands of pounds it's estimated that people paid in flights they never took over the last 6 months and why the firm had collapsed at the start of the main ballooning season. Jon Rudoni is the spokesman for the British Association of Balloon Operators and a Director of the ballooning company Wickers World.

RUDONI: I was surprised at the timing because the wintertime is usually when the overheads are low - the balloons aren't being flown, the pilots aren't out there working so hard and of course there are plenty of sales through the wintertime with the Christmas sales period and so forth - so traditionally the end of March has always been a good time for the balloon industry when companies are, if you'll excuse the pun, quite buoyant.

HOWARD: The two directors of the company present at the meeting, Philip and Sandra Hossack, told creditors that they estimated that up to 40% of people who'd bought their vouchers never took a flight with their firm. They said that last summer, of the 75,000 passenger rides scheduled only 14,000 took place. They also admitted they'd had to deal with complaints customers had made to Trading Standards, but they said they'd been resolved prior to the firm's liquidation. I asked Sandra Hossack if she would explain to the thousands of customers who didn't attend the creditors' meeting why the company had collapsed.

HOSSACK: I'm Sandra Hossack, a director.

HOWARD: Can you sort of explain what went wrong?

HOSSACK: No, I'm afraid I'm just going to read you a short statement. We're truly sorry to all who have been affected by the collapse of the company. A liquidator has now been appointed and their report will be available in due course. We hope you will appreciate today has been very emotional, handing over a business we have looked after for 25 years, and we do not wish to comment further at this point. We have issued a more detailed statement.

HOWARD: In the press statement I was handed, the directors blamed the economic slump, poor weather and ballooning accidents in Egypt and Cambodia for contributing to a slump in bookings. I asked Jonathan from Bristol what he made of the directors' explanations.

JONATHAN: I felt it was interesting that sometimes they were able to give very specific, very definite answers, and other times it was glossed over. And I think you know that's probably down to embarrassment and shock, so I got more answers from the floor, from other people in the industry.

LEWIS: So, Bob, a lot of questions still to be answered about the firm's collapse. And customers of Go Ballooning were being advised by the firm and (I have to say) by me in the past that they could get refunds if they paid by credit or debit card from their bank. Have they been able to?

HOWARD: Well, Paul, some have and some haven't, but even some of those who've succeeded haven't found the process straightforward. Customers who paid more than £100 on a credit card can claim their money back from the card company through provisions made under Section 75 of the Consumer Credit Act. In that case, your credit card company pays. But the bank will probably first attempt something called chargeback where, under Visa and Mastercard rules, they can try and get a refund from the bank of a business which has failed to supply goods or services. Debit card customers can also request their bank to do this.

LEWIS: And what restrictions have you found on that?

HOWARD: Ah well, there are some time limits, one of which is very little known indeed. That's a potential problem when some Go Ballooning customers bought their vouchers several years ago. John from Lancashire made at least eight attempts to get on a Go Ballooning flight in the Lake District since buying his vouchers as a birthday present for his wife in 2009. Each time the flights were cancelled because of the weather. When John phoned Yorkshire Bank to get a refund on his credit card, he was told he'd missed one deadline and then another.

JOHN: Initially when I phoned Yorkshire Bank, the young lady who answered the phone said to me that, "You're outside the 120 days." And when I challenged this, she said, "Just a minute, I'll have to go to somebody else." And she went to another member of staff who when she came back, she quoted, saying unfortunately because you're beyond the 540 days - which is the period from when you actually purchased the vouchers - there was nothing that Yorkshire Bank could do for me.

LEWIS: So Bob, John was told about two time limits there - one of which I must say I've never heard of. How do they work?

HOWARD: Well a chargeback claim must be made within 120 days of when the card holder was made aware they would not receive the goods or service. So as Go Ballooning went bust this month, John was within that 120 days which the bank call centre quickly realised. But little known card scheme rules say a chargeback is also supposed to be claimed within 540 days - that's 18 months - of the transaction; and having bought the tickets in 2009 Yorkshire Bank said in that initial call that he was outside that time limit. But after John provided further details to the bank and Money

Box also made contact, this week he got his money back. Yorkshire Bank said if its attempt at a chargeback failed, they would have paid it out as a Section 75 claim.

LEWIS: Well perhaps they should have done that in the first place. Good news for John there with the credit card. What about purely debit card customers who've contacted Money Box?

HOWARD: Well not such good news for Jason who paid £105 on his Lloyds debit card for a flight for his mother-in-law in September 2011. She tried to fly on six separate occasions, but each flight was cancelled. Lloyds says the Visa chargeback rules mean he won't get his money back.

LLOYDS STATEMENT: The customer's chargeback was rejected because the original transaction took place more than 540 days before he raised the dispute. Unfortunately, under Visa chargeback rules, this means we have no chargeback right and cannot get a refund for him.

LEWIS: Well Bob that 540 days is a new one to me. But at the creditors' meeting Go Ballooning was only estimated at having assets of about £11,000. Now that's not going to go very far. Where might they still get redress?

HOWARD: Well Barclaycard processed card payments on behalf of Go Ballooning and so ultimately the card scheme rules mean it will have to foot the bill for chargeback, subject to the 18 month rule, and Section 75 claims coming via customers' banks. And we should stress we're not aware of any 18 month time limit for making a Section 75 claim on your credit card for items over £100, so once again booking on a credit card seems to give customers the best protection if things go wrong. And if you paid by PayPal, it's a bit more complicated but you may still have some protection.

LEWIS: Thanks for that, Bob. And let us know your chargeback experiences:

bbc.co.uk/moneybox.

The guaranteed income for life you can buy with the money you've saved up in your pension pot is getting smaller. A man of 65 will need nearly a third more than he did 4 years ago to get the same pension. The normal route to get the best annuity is to go to a specialist independent financial adviser, but several companies are promoting another way. Hargreaves Lansdown and separately Tesco have both launched websites where customers can find the best deal themselves without any advice at all, and Hargreaves Lansdown has now launched a special separate site for people with illnesses or who smoke who can get a bigger pension because, on average, they'll claim it for a shorter time. But is it do-it-yourself annuity purchase a good idea? Live first to Bristol to talk to Tom McPhail who's Head of Research at Hargreaves Lansdown. Tom, just tell us what people have to do on these sites.

McPHAIL: Paul, I just want to pick you up on what you said about the "normal route" because the problem at the moment is for most people actually the normal outcome is that they don't get any guidance at all. They simply buy an annuity from their existing insurance company without shopping around at all.

LEWIS: Sure, that's why I said the normal route to get the best annuity, but carry on.

McPHAIL: Well and again what most people do is shop around using a specialist annuity service like Hargreaves Lansdown's. Now you can come onto our website, you can use the annuity search engine. It will produce a guaranteed rate within a few minutes that can take account of all your medical history, and then if you want to speak to somebody then of course you can pick up the phone and talk to the specialist helpdesk. But the point is you're getting a quote online that gives you an indication of what the best deal is.

LEWIS: Sure. And how are you paid for that?

McPHAIL: The service is paid for only at the point when we actually complete a transaction with a customer. So our interests are absolutely aligned with theirs. If we don't give them the best deal then we don't get to do any business, and when the transaction is concluded if they choose to buy an annuity through our service then we get paid a commission for doing that.

LEWIS: Right and that's about 3% on average and 1.7% on a standard annuity. Why do you get that much for giving no advice?

McPHAIL: I think the interesting thing we've found, we're the UK's largest annuity broker and our experience is that most people need some input at some point in the process. Most people pick up the phone to us at some point. Now that's why we have a helpdesk with graduates answering the phone. We're recording this programme and broadcasting live on a Saturday lunchtime and they're here now talking to our customers and taking phonecalls. People do need guidance, they do need input, but not everybody needs regulated advice.

LEWIS: No and they don't get it from the websites, we must be clear. They just put their details in and get that quote without talking to anybody. That's not advice.

McPHAIL: *(fades up)* … information from the website and they get guides and information to help them with their buying decision, and we find that's what most people need.

LEWIS: Well listening to that in Liverpool is Alan Mellor, Managing Director of the Annuity Specialist and a chartered financial planner. Alan Mellor, you've been very critical of Hargreaves Lansdown's service, or the online service, and Tesco. What's wrong with them?

MELLOR: I think it's really useful that Hargreaves Lansdown and Tesco are raising the profile of a really important decision in people's finances for their lives, a decision that they can’t undo once it’s done. The point really is there are so many pitfalls that can be made. People have guarantees in their contracts which if they don’t know about that - and most people don’t know about it because it was bought many, many years ago - then they can lose the guarantees by not acting in the right way.

LEWIS: So these are guarantees of getting a much higher percentage rate, so you might get 10% or 11% in some cases rather than the 5% or 6% you’ll get at a standard one?

MELLOR: That’s right. And without getting advice clients will generally not know that. We’ve many instances of where people thought they knew what to do but made mistakes.

LEWIS: But people when they come to an adviser like you, they do have to pay you, don’t they, and people are frightened of the cost. How does your cost compare with the percentage rebate that Hargreaves Lansdown gets for non-advised sales?

MELLOR: We always agree a fixed charge at the outset so that …

LEWIS: What might it be?

MELLOR: Around 1.5%. We’ve got a minimum charge of £350. So cases even down to £10,000 will be broadly cost neutral with someone like Hargreaves who aren’t giving the advice and care to the clients.

LEWIS: And do you charge more for people with impaired lives - these people who have got an illness or they smoke or whatever?

MELLOR: We don’t actually. Because we’re going to give advice, we just go through that process and we always identify whether somebody’s got a need for an enhanced annuity and can get a better rate.

LEWIS: So what do you think of Hargreaves Lansdown charging 3% for that when you charge 1.5% and you give advice? Are you sure that's right? That sounds a bit odd to me.

MELLOR: It does, doesn't it? The market's skewed a little bit. Because the regulator has brought in the need for transparency in the advice market everybody will always know through an adviser what they're charging before they ever become involved in the process.

LEWIS: Tom McPhail, a bit of criticism there of your charges. I'm sure you want to come back.

McPHAIL: A couple of things to pick up on there. As you know, Paul - and you and I have spoken about this - I've been involved at a policy level in making sure that new requirements are imposed on insurance companies to improve their standards when they communicate with their customers at retirement, and one of the provisions in that is to highlight to their customers where they have a guaranteed annuity rate. So we've tried to work to improve that. It's worth noting 50% of pension pots currently have less than £7,500 in them. Now Hargreaves Lansdown puts no minimum fund size that we will deal with, so we're dealing with a great number of clients with relatively small pots of money. We're providing a service and giving a great deal of support and help to those customers that they simply won't get anywhere else.

LEWIS: Alan Mellor, 10 seconds to say - small pots, how about those? Do you deal with them?

MELLOR: The very smallest pots will get a better deal from Hargreaves, but they might still be losing really valuable benefits. But less than £10,000 is the only area where I'd look at that.

LEWIS: Annuity specialist Alan Mellor, thanks, and Tom McPhail of Hargreaves

Lansdown. Got to stop it there.

That’s it for today. More information and links on our website: bbc.co.uk/moneybox. You can also download the programme, listen to past episodes, send us your ideas - as so many of you do. I’m back on Wednesday with Money Box Live, this week taking questions on student finance. I’m back with Money Box next weekend. Just to remind you if you have a fixed rate energy deal that’s coming to an end, do check you’re getting the best deal because when it comes to an end you probably won’t be. No time for more detail on that, I’m afraid. Today the reporters were Bob Howard and Phil Kemp, the quote was by Oscar Wilde, the producer Lesley McAlpine and I’m Paul Lewis.