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MONEY BOX

Presenter: PAUL LEWIS

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LEWIS: Hello. In today's programme, one of the biggest Child Trust Fund providers closes most of its funds to new business. What can you do if you're harassed at your own home about someone else's debt? New rules should make transferring your cash ISA a bit quicker, but it'll still take 3 weeks. And Bob Howard's here. He's been back to school.

HOWARD: Indeed. How easy is it to teach pupils to be financially responsible?

BOWEN: I want the young people here to kind of understand money in a way that my generation didn't.

LEWIS: More of that later. But first, one of the largest providers of stock market based Child Trust Funds has stopped taking new business on all but the most basic Child Trust Fund accounts. The Children's Mutual, a friendly society based in Tunbridge Wells, has confirmed that it's stopped opening with-profits growing up bond and non-stakeholder Child Trust Funds. Only the stakeholder funds with fixed charges are still open. The decision came after the government announced it would cut the payments into Child Trust Funds next month and stop new ones opening from January. The Children's Mutual says it will reconsider its position in 2 months. Well with me is Children's Mutual Chief Executive David White. David White, why have you taken this action?

WHITE: Well, Paul, we were thinking that the government might do something with the Child Trust Fund this year, but what we weren't ready for was the rapid and unfortunate way in which they're dismantling it - in particular introducing vouchers for only £50 between August and the end of the year. And we're now going to have a black hole for children's savings. We don't know what the children's savings market is going to look like and we feel that the responsible thing to do is to keep looking after our existing customers, take new customers on Child Trust Funds, and say when we've worked out what we think the government will do, what we think the right plans are for the future, then we will start spending money on sales and marketing activity again.

LEWIS: But why close your with-profits fund and your growing up bonds for new business? They're not part of Child Trust Fund, are they?

WHITE: No they're not, but we have to look at the society as a whole, Paul. And I'm a canny Scot and once we've worked out what the plans are, I know what my income's going to be, then I'll decide what I'm going to spend on expensive sales and marketing activity.

LEWIS: You mentioned existing customers. Some of those I'm sure will be worried about the closure of the fund generally and your action in particular. Is their money still safe?

WHITE: I think this is really important. We've had floods of calls into our call centres because the million customers we have read in the papers abolition, scrapping, and they worry that their existing child's Child Trust Fund is going to be scrapped. And this is a good opportunity to reassure them that that money can be used. In fact they have something that could end up as unique for their children, so they should make the most of it.

LEWIS: So money's safe and people can carry on paying in right up to the 18th birthday?

WHITE: Absolutely - family, friends, everyone.

LEWIS: And as for the future, what would you like the government to do? What are you asking them to do for the children born from 2011 who won't have a Child Trust Fund?

WHITE: Well absolutely right. Next year, 800,000 children, more will be born. They will have exactly the same huge financial challenges when they get to be 18 - buying a house, education, learning to drive and insuring a car.

LEWIS: Sure, but what should happen?

WHITE: We have a black hole. We're pressing the government to essentially fill that black hole. The most sensible thing to do, I believe, would be to use the existing infrastructure that the government have built, the existing infrastructure that providers have built, and make the most of that by keeping voluntary contributions open for new children.

LEWIS: So keep the scheme? No government money, but just keep the scheme going?

WHITE: I mean the government's made the decision not to put the money in, but give people a nudge. It's a nudge that works.

LEWIS: Now you've marketed your society as the home of the Child Trust Fund. I think three quarters of your income, almost all your new business comes from that. What's the future of the Children's Mutual? Will it survive now?

WHITE: Well I think we've got three things to do. The first is we've got to look after the million customers we've got. Their needs are our primary concern. Second thing is we've got to push government to fill this black hole, as I said earlier. And the third thing is in tandem with whatever government does, we've got to decide what new products we can put on the market to help what will be a smaller market.

LEWIS: And in a word yes or no, you'll survive?

WHITE: Absolutely.

LEWIS: David White of Children's Mutual, thanks very much.

When people move house, they normally arrange to have mail forwarded onto them. But people who have large debts are not always keen to let banks and others know where they're moving to. That can cause problems for the new occupant as Money Box listener Alan Copperwaite found out.

COPPERWAITE: I thought I'd do the right thing and write to Nationwide - pointing out what had happened, pointing out I had moved in, that the person was no longer there. I sent it by recorded delivery and things went quiet for about 3 weeks, 4 weeks. Then I received another letter from Nationwide in the same kind of vein. I wrote a second letter to them saying, 'I've sent you a letter before'. I also rang them up. They weren't very helpful because I suppose under their rules they can't talk about an account that is not mine. and that's fair enough. I asked them what would happen next and they weren't prepared to tell me. Again it went quiet for about 2 or 3 weeks, until I received another letter from a debt collection agency, which was a formal demand for payment. By this time I was getting a bit worried because this debt collection agency says it could enforce a judgement against you by a bailiff attending your property to remove goods to the value of your debt.

LEWIS: Well one listener's experience there. Nationwide refused to come on Money Box to talk about it or its collection agency, KPR. In a statement, it told us it was "a rare occurrence" due to what it called "human error". (Editors Note: Nationwide were in fact just asked for a statement not for an interview). Well live now to Manchester to talk to Peter Wallwork who is Chief Executive of the Credit Services Association. Peter Wallwork, you represent debt collectors. They're not bailiffs, are they, but they are there to get money back for people? *(silence)* Peter Wallwork?

WALLWORK: … bailiffs.

LEWIS: Right, Peter, sorry, could you just say that again? We lost your line for a moment there.

WALLWORK: Yes, sorry about that. There's a very big difference between debt collection agencies and bailiffs. Debt collection agencies ostensibly work on letter and telephone. They are trying to make contact with people who owe their clients money, and try to find arrangements to get those consumers out of debt as quickly as possible.

LEWIS: But bailiffs are the ones we're frightened of, aren't they, because they can come round our house and, as far as many people know, take stuff to pay a debt that may not be theirs?

WALLWORK: I think there's a big fear about this. There's a big confusion I think between bailiffs and collection agencies. Bailiffs would be used by collection agencies as very much a last resort.

LEWIS: And normally you have to go to court first?

WALLWORK: Yes, absolutely. For consumer debt, you have to go to court first. So there's plenty of notice, there's plenty of indication of what's going to happen.

LEWIS: But Alan Copperwaite there, we heard, eventually started opening the letters - which strictly speaking I think you shouldn't do - and then he did respond directly. Still couldn't stop some of the letters. What might happen in that sort of case? And we've had a lot of emails about this this morning. People getting letters, what do they do about them?

WALLWORK: Well first and foremost, yeah you know opening someone else's mail is effectively breaking the law. If it carries on coming through after you've marked post 'gone away' and returned it, you could put the mail into an envelope unopened with a note from you stating that you're the new occupier and that they're writing to the wrong person.

LEWIS: Yes, but what if that doesn't work? You may get, as Alan was clearly afraid of, you may get bailiffs round. And indeed we've had emails about this this morning - somebody saying that the bailiffs *did* come round even though she had said quite clearly it wasn't her debt.

WALLWORK: So this is the sort of thing that shouldn't be happening at all. Typically if you're telling one of our members - most of the debt collection agencies are our members, 95% of them are members of ours - if you're telling them that they are writing to the wrong person, then they should cease all collection activity straightaway.

LEWIS: Well we know they should, but something's going badly wrong, isn't it? I mean let me just read you a couple of brief emails. Laura says, '18 months after moving in, we're still getting letters.' Libby writes, 'The debt recovery agency told me I had to prove I was not a man because it was a man that owed the debt.' And other cases. Robert moved 8 years ago and is now getting letters relating to a £6,000 debt. Your members don't seem to be checking very well who's living at the house.

WALLWORK: Well I'm pleased to say it's rare. You know we're dealing with 20 million cases a year being referred to us, so thankfully it's rare. But even the number of cases that are happening, you know it needs to be zero. They need to be not happening at all. You know one of the problems collection agencies have is that mail that's returned 'gone away', our research is indicating that something like 25, 30% of those are actually returned by people who we're trying to contact.

LEWIS: Well sure, I understand that. I mean people with big debts may well start telling fibs. But what about the honest people who don't owe the money? What can they do? Can they threaten their own legal action for harassment or libel?

WALLWORK: No, I think the best advice I can give to the listeners is if you decide to open the mail that's continuing to come through, get in touch with the sender, explain the position. I appreciate people who are writing in are doing just that. But if you are dealing with a collection agency that is a member of the CSA and you find you're not getting anywhere, then you know I'd be more than happy to find out about that.

LEWIS: Okay and we have the link to the Credit Services Association and how you can complain on our website: bbc.co.uk/moneybox. Peter Wallwork of Credit Services Association, thanks very much. And you can let us know your experiences of being chased for someone else's debt on our website: bbc.co.uk/moneybox. Lots of you are already.

Now one of the perpetual Money Box gripes is the time it takes to transfer a cash ISA savings account from one provider to another. Often it's more than a month. Well this week the Office of Fair Trading stepped into the argument. From the end of the year it wants cash ISA transfers to take no more than 15 working days, which is still 3 weeks. And the banks have also promised to tell customers what rate of interest they're being paid, but they can't manage that until May 2012. Now it was that lack of information that led Money Box listener Jetta to email us from London about her cash ISA with Santander. She wasn't told about the cut in her interest rate until after it had happened.

JETTA: I got a statement for the tax year 2008-2009, which showed I'd earned £247.46 interest, which was fine. However when the statement came for the 09-10, I saw that the interest itself had gone down to £21.22, which seemed to me a huge drop. I wasn't aware of a change of interest rate, so obviously I went into the branch. At that point I was told that the interest rate that I had been getting was an introductory one and the rate was 0.3%, which I think is a paltry rate of interest. I was utterly appalled.

LEWIS: Now Santander told us it had kept within the rules and didn't deny the course of action that Jetta described there. She's just one of many listeners who've complained. Clive Maxwell is a Senior Director at the Office of Fair Trading. I asked him first what he was asking the banks to change.

MAXWELL: Very few providers put information on statements - only about 15% of the market - so we're very pleased that banks and building societies have agreed to put that information on statements. We think it's important for customers to have information about interest rates, to be able to choose the best products.

LEWIS: But that won't happen for some time, will it?

MAXWELL: Spring 2012 is the …

LEWIS: *(over)* That's nearly 2 years away.

MAXWELL: A lot of providers will start doing that before then, we hope, but that's the deadline by which they must *all* do it.

LEWIS: Why can't you bring that forward? I mean that's what Consumer Focus would like, isn't it, who made this complaint in the first place?

MAXWELL: We looked at the market. We tried to understand the requirements that would impose on the banks, the changes they'd need to make in their IT systems, and we see that as the absolute latest by which they need to make those improvements.

LEWIS: And what about this question of bonus rates because we get an awful lot of emails from people in the same position as Jetta who thought they were getting one rate and only discover they're getting a much lower rate when they get their annual interest statement?

MAXWELL: There are two things here. The first is that there's a lot of choice in the market. People can choose products with bonus rates or without bonus rates. Those products with bonus rates, we've found when we've looked at the marketing that typically those arrangements are clear for customers; that it sets out the fact that it's a temporary bonus and that it will be paid for a particular time period. There's one other change that is happening now from May - that providers will be required to tell people when their bonus rates come to an end or when interest rates are cut on their products.

LEWIS: So from now on, even for people who've already got an ISA - when the bonus rate comes to an end, they will be informed?

MAXWELL: They should be, yes.

LEWIS: And when people are aware of rates dropping and decide they want to move, what about the process of change because that's one of your big recommendations - how quickly an ISA can move from one account to another?

MAXWELL: We found that transferring is taking 26 calendar days on average and that a quarter of transfers take more than 30 calendar days, and there have been some real problems with administration of that process. We're very pleased that the banks and the building societies are committed to meet a new deadline of 15 rather than 23 working days by the end of this year.

LEWIS: That still seems an awful lot.

MAXWELL: Banks and building societies have agreed to look at the case for introducing an electronic transfer system. They need to transfer customer details and some of the tax bits and pieces as well as the actual money, and they need a system that's able to do that.

LEWIS: Clive Maxwell of the Office of Fair Trading. Eric Leenders is Executive Director at the British Bankers' Association. I asked him why the banks had insisted on a 15 day transfer period for a cash ISA.

LEENDERS: A number already send the cash element of the transfer electronically. But one of the benefits of course of sending a cheque is that you're keeping the data, the information that the banks need and any cash ISA provider needs in the same place as the money at the same time, so that has some operational advantages.

LEWIS: You can't be serious? You can't tell me that the best way to send data is in an envelope on a bit of paper. Surely that's what computers are for?

LEENDERS: Absolutely and that's why we're looking at the feasibility study. But we have to look at the same time …

LEWIS: *(over)* Why are you doing a feasibility on electronic transfers? We know you can do it.

LEENDERS: We also need to transfer the tax data to make sure that we are allocating the right allowances to customers with their cash ISAs. It's not just the banks who provide cash ISAs. So we need to make sure that the whole industry moves, so that everybody gets the benefit. There's little point in part of the industry moving part of the way.

LEWIS: Let me ask you about something else that people complain about and a change the Office of Fair Trading has asked for, and that's to put the interest rate that's being paid on the bank statement. Why don't you put it on the statement now instead of May 2012, which is the time limit the OFT says you insisted on?

LEENDERS: Some banks already do. Others prefer to provide information in slightly different ways. And to enable them to move - as it's clear that that's what consumers would like to see - it takes a little bit of time to make sure the systems are straightened out, the changes are made, are tested; and then when the changes happen, they happen correctly.

LEWIS: So that's going to take 2 years?

LEENDERS: I would imagine that a number will be looking to introduce that sooner, but we had to have a deadline so that the change didn't run on interminably.

LEWIS: And let me just ask you about interest because this is one of the big bug bears of people who email us. One man claims he's losing hundreds of pounds because you're not transferring things immediately. The OFT says it wants no loss of interest. And nearly 2 years ago, in August 2008, your boss Angela Knight told Money Box this.

KNIGHT: It is not the intention for there to be any dead areas as far as interest is concerned.

LEWIS: So people will get interest. In the bank they've got the ISA in now, they'll get interest up to a particular date and the next day they'll get interest from the new bank?

KNIGHT: That is what we're intending to do.

LEWIS: But despite that, that still isn't happening, is it?

LEENDERS: No, we're not quite there yet. We've come to a position whereby there's a 24 hour interregnum where clearly the money needs to go from the preceding bank (the old bank) into the acquiring bank (the new bank) in a couple of days to clear the cheque and interest is payable. But let's not forget, there's a lot of competition out there and some are first paying interest from the date that they identify the account as being received, and others are going further still and are actually paying interest from the date on the cheque itself - i.e. the date that the account was closed.

LEWIS: Eric Leenders of the British Bankers' Association.

This week thousands of school pupils in England have been taking part in a government funded initiative to improve their knowledge of personal finance. My

Money Week is part of a £10 million 3 year programme launched under the last government. But as the new government looks to cut spending, how easy is it to evaluate the effects of schemes which are not part of any formal examination? Bob Howard reports.

HOWARD: This is a special morning assembly at St. Benet Biscop Catholic High School in Bedlington in Northumberland, one of the many nearby towns which used to rely on the local mines for employment. A theatre group is about to bring home to these 13 and 14 year olds the reality of an issue which in the current financial climate especially could impact on many of their lives: debt.

ACTUALITY: THEATRE GROUP

HOWARD: The unhappy father and daughter portrayed during the one hour performance experience a whole host of financial dilemmas from dealing with debt recovery letters to deciding how much to spend on a second hand car. And as the drama unfolds, the pupils are asked what changes the characters would need to have made to stop their spiralling debt problem.

ACTUALITY: THEATRE GROUP

HOWARD: Nick Bowen, the school's head teacher, says he'll support any initiative which encourages his pupils to break with some of the bad financial habits of older generations.

BOWEN: I want the young people here to kind of understand money in a way that my generation in a way didn't. For the vastly foreseeable future, the credit's not going to be there. They're going to have to learn how to save. I mean I'm embarrassed to say that at my age - 47 years old - I've never had a savings account in my life because credit has been so readily available.

HOWARD: The big question of course is how best to do this. I asked some of the pupils at the end of the performance what they'd learnt from it.

PUPIL 1: It was very interesting. It showed you how that if you don't be careful with your money, you can end up being in debt - like if you go to loan sharks and what have you.

HOWARD: Did you not know that before?

PUPIL 1: Well I knew some of it, but not all of it.

HOWARD: So what was new?

PUPIL 1: *(laughter)* That there's a lot of interest put on by loan sharks.

HOWARD: How much? Have you any idea?

PUPIL 2: I'm not sure.

PUPIL 2: 17.5%.

HOWARD: Where does he get that figure from?

PUPIL 2: VAT.

HOWARD: Of course 13 and 14 year olds can be excused for not knowing what interest rate a local loan shark could charge them, but to what extent should personal finance education concentrate on the nuts and bolts of figures as compared to much broader issues like assertiveness and personal responsibility which underpinned today's show? Doug Cowx is a former Citizens Advice Debt Councillor and the Director of the company that put on today's performance.

COWX: We try and get as much in as we can, and we hope that the students themselves will pick up on the things that interest them. We've been up against a general message for the last twenty odd years that you can have it all, you can have it now; and we're saying well hang on a second, there are consequences to that.

HOWARD: How do you measure success because it's very difficult to monitor exactly how successful something like this is in changing pupils' future behaviour, isn't it?

COWX: You can't. Throw as many darts as you can and hope one hits the bull's-eye. That's probably the best way to describe it.

LEWIS: Doug Cowx ending that report by Bob Howard. Well with me is Gary Millner who's a Director of the Personal Finance Education Group, PFEG, which organises My Money Week. Gary Millner, there were lots of loose ends in that drama. It lasted an hour, a lot longer than we heard, but is a play really the way to teach personal finance education?

MILLNER: Thanks, Paul, and I think it's just worth saying that the drama in the play is just one way in which personal finance education can actually be taught. The idea of My Money Week is it's sort of a catalyst to represent an opportunity for the school to bring the whole of the activities it's done around personal finance throughout the whole year together. And it isn't just about the play because actually what we would expect you know well-trained teachers to do is to pick up the loose ends post that performance and have discussions with their class and actually drill down to the underlying issues that actually face them, so that you know they do get the right answers.

LEWIS: So a lot more to do during the year. Well also with us is Ernest Henry who's Editor of Oink!, a business newspaper for children which has a readership, it says, of 600,000 young people. Ernest Henry, does My Money Week get essentials over in a fun way?

HENRY: Absolutely not. You can't teach children about money in a happy-clappy, non-real world way, which is what we try to do a) through the newspaper and b) through the fantasy stock exchange. Our piggybank fantasy stock exchange has 10,000 day traders, and what they do is they're at the cutting edge of the stock exchanges and how real commerce works. It's supported by the London Stock Exchange. And what we try and do is tell the kids in the real world how it really works and how it really is - how the business of show business works, how the business of the City works. I mean this boy was talking about loan sharks charging 17.5%, but does he realise that Barclays Bank have charged clients up to 39%, which they can do with management charges and interest charges and they're worse than a loan shark?

LEWIS: Indeed. And I mean Gary, isn't that one of the problems - that you've got to get people in the real world looking at things that are sensible for them that relate to their real lives?

MILLNER: Absolutely and we certainly support the teaching of personal finance education in the right context. So, for example, it's not just about different products, and I think it's you know explaining to young people at a very early age what the difference is between a need and a want and the importance of saving and deferred gratification, so that you can actually start to change the culture.

LEWIS: Sure. But I mean you're sort of on the moral side, if you like, about the morality of it; whereas Ernest, you're talking more about the arithmetic. Though I have to challenge your arithmetic that Barclays charges more than loan sharks. I'm sure they'll deny that. *(laughter)*

HENRY: It is. I can prove it.

LEWIS: But it's the arithmetic you're interested in rather than this moral idea of don't buy something you can't afford?

HENRY: Well I think the moral idea is a good idea and obviously it's essential. But you know the real reality is that - and it's very gratifying to know - that the HSBC, who are one of the supporters of PFEG, are actually using the fantasy stock … our fantasy stock exchange in demonstrating how money works, which is great.

LEWIS: Alright, that’s a good thing. Let me come onto expenditure cuts because we know there are going to be cuts in school spending. Gary, how is this going to affect personal finance education because there’s little of it in schools already, isn’t there?

MILLNER: We’ve actually been making major progress over the last few years with getting personal financial education taught in schools. You know if you look at the success of the My Money Week project, last year we had over 8,000 schools and 11,000 requests from teachers for packs.

LEWIS: But that’s a week. Shouldn’t it be on the national curriculum *every* week?

MILLNER: It would be great if it was on the national curriculum because actually money is one of those things that applies to *all* young people and actually they can teach it in any subject. We have lots of lessons providing how you can teach personal finance in maths, for example.

LEWIS: Ernest, your concluding thoughts. Should it be on the national curriculum?

HENRY: It should be on the national curriculum. We’ve got a big problem here because what PFEG is trying to do, and they’re trying to do it, is to try and teach the teachers how to teach about money. But the teachers don’t know how to teach about money because they don’t know themselves, and this is the problem.

LEWIS: Okay, we have to leave it there - Gary Millner and Ernest Henry, thanks very much - because that is all we have time for. More from our website, bbc.co.uk/moneybox. Listen again, read a transcript in a few days, and have your say on being chased for someone else’s debt - as many of you are. If you don’t have a computer at home, most public libraries let you use them free: bbc.co.uk/moneybox. Now on Tuesday, BBC2 is launching a short series called Money Watch. Programme one is from Birmingham. It’s about income. I’ll be taking part, Tuesday at 8. Vincent Duggleby’s here on Wednesday with Money Box Live, taking your questions on pensions. I’m back with Money Box next weekend. Today the reporter was Bob Howard, producer Monica Soriano, and I’m Paul Lewis.