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MONEY BOX

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LEWIS: Hello. In today's programme some insurance companies admit to Money Box they do have a list of banned postcodes where they won't insure cars. We find out the best rates for tax free cash ISAs. Any advance on 3.5%? Will the banks cope with the response when they write to up to 12 million customers inviting them to claim compensation for mis-sold Payment Protection Insurance? And Yes Loans is accused of "oppressive and deceitful business practices" by the Office of Fair Trading, which begins to revoke the firm's credit licence.

But first, some insurers have told Money Box they will not insure cars in certain postcodes. One Money Box listener was told his car insurance was void after he moved home and told Cooperative Insurance his new address. It's the latest example of what's called "red lining" where insurers use postcodes to refuse cover. Bob Howard's been looking into this.

HOWARD: Paul, John Cooper was living in Exeter until last month. Whilst he was there, his car was insured by Cooperative Insurance. A few weeks ago he moved to an address in North London. After moving in, he phoned Cooperative Insurance to notify the change of address. The insurers response took him completely by surprise.

COOPER: She took my details, she typed in the address, and she said "Oh dear, that address is uninsurable." And I said, "What do you mean uninsurable?" and she said, "Well we just can't insure at that address." And I kind of suddenly thought of my car out on the street and I thought well my car's out on the street now, "are you saying I don't have any insurance on it?" And she said, "Well yes, your insurance is void."

HOWARD: John asked if there was any grace period at all during which he could arrange new insurance, but he was told there wasn't.

COOPER: She said "You know there's no point in calling me back and cancelling. You might as well cancel now because if anything does happen to your car in the meantime, you're just not insured. You wouldn't be able to make a claim." And so I cancelled the insurance. She told me that there would be a charge of 30 something pounds for my cancellation of the contract even though I didn't want to cancel the contract, and that was that.

HOWARD: Fortunately John was able to get cover from another insurer within a few hours, although he saw his premium rise by £600. But John's still very unhappy that Cooperative Insurance left him completely without cover.

COOPER: I don't think that I've got the right to be insured by any insurance company that I want to be insured by. They've got the right to turn down my insurance. But I think the mechanism that they have in place at the moment is just wrong. I mean it really isn't fair. I was just very, very annoyed by being left in the situation of having my car on the street with no insurance.

HOWARD: We asked Cooperative Insurance for an interview, but they declined. Instead they sent us a statement.

COOPERATIVE INSURANCE STATEMENT: The combination of the postcode area and where the car was kept overnight on a public highway meant that we could no longer offer the customer cover for his vehicle. It was unfortunate that the customer had already relocated before letting us know his intention to move property as we then had no option but to cancel his policy with immediate effect.

HOWARD: After Money Box made contact, however, Cooperative Insurance said it was prepared to refund the fee they'd charged John for the early termination of his policy and it apologised for any inconvenience caused. The Financial Services Authority told us if a firm gives no notice before cancelling a motor insurance policy, it may not be treating its customers fairly. And Graeme Trudgill from the British Insurers Brokers Association agrees firms must give time for customers like John to find alternative cover.

TRUDGILL: We believe that the insurer should give you know reasonable notice for that person to find some alternative cover so that they're not unfairly penalised - particularly with motor insurance which is a compulsory class, you have to have it, you have to have your car legally insured on the road. So I think they could have done better and could have given him time to find an alternative.

HOWARD: AA Insurance told us that 14 out of 26 insurers on their panel would not insure a vehicle registered at John's address. Jack Straw, the MP for Blackburn, believes it's unfair for insurers to use postcodes to determine who can and who can't get cover. He believes risk should be assessed on which region of the country you live in.

STRAW: If there were a change in the law which affected all insurance companies evenly, then the risk would be spread evenly. And the reason these insurance premium are being loaded as heavily as they are is not because individuals are living in high risk areas in terms of the risk of their car being damaged or stolen. The reason is because some other people within the same postcode area have been making excessive claims for example for whiplash or other personal injury claims. And this gentleman who moved to Exeter and then back to London has absolutely no control over that and the costs of that risk in my judgement ought to be borne evenly by everybody in that area.

HOWARD: But what would you say to people who live in postcodes where they have relatively low premiums who think well I don't want to have to suddenly pay a vastly inflated premium in order to even up with somebody living in a much riskier postcode?

STRAW: Well it wouldn't be a vastly inflated premium in any case. They wouldn't rise dramatically. If they were, then we would see even more pressure on the insurance companies, the regulators and the government to clean up the system.

LEWIS: Jack Straw ending Bob Howard's report. But just how common is it for someone to be turned down for car insurance just because of their postcode? Malcolm Tarling is from the Association of British Insurers.

TARLING: The likelihood of you not being able to get insurance because of your postcode is not that common. It can sometimes happen when an insurer feels that the risk presented in a particular area is too great for it to be able to bear.

LEWIS: Well this listener, John, did in fact get insurance, but the problem he had was that he moved. He told his insurer, the Coop, and they cancelled it on the spot. Now that left him liable to prosecution because car insurance is compulsory.

TARLING: Well it's always important when you're considering moving to give your insurer as much advance notice.

LEWIS: Are you saying it's his fault?

TARLING: Well it's important that your insurer has as much advance notice as possible that you intend to move, so that you can if necessary make alternative arrangements to get cover.

LEWIS: You're saying that this is so widespread that when you move, you should ring your insurer before you move and say "Will you insure me at this address?"

TARLING: I think you should always tell your insurer if you are moving from one area of the country to another.

LEWIS: Do you think though there should be a law that says everybody should have a day or a few days before the insurance company cancels the policy?

TARLING: I think most insurers would give something like 7 days when you're cancelling your insurance.

LEWIS: And what about Jack Straw's idea that we just heard of making this a regional premium rather than a postcode specific premium because a postcode can cover just a dozen houses?

TARLING: Well the insurance companies accept that the use of postcodes is not ideal. We insurers generally believe it gives the most accurate readings and the most accurate assessments possible and insurers will always look at ideas to ensure that customers get the best possible deal by ensuring that the premiums they charge actually reflect the risk.

LEWIS: Malcolm Tarling. And if you've had experience of insurance being refused or very expensive just because of where you live, or indeed very cheap because of where you live, you can have your say through our website: bbc.co.uk/moneybox. Emails are flooding in already.

The race is on to get the best cash ISA deal before the doors shut on 5th April. If you haven't put the maximum, £5,340, into a cash ISA, you've barely 3 weeks left to do so. It's a fast moving market with banks and building societies releasing marginally better rates to capture the last minute customer. This week Cheshire Building Society aced Santander by 0.05% to hit the top of the best buy tables, but then yesterday AA trumped that with 3.5%, although you do need at least £2,500 to put money into that. Live now to talk to Kevin Mountford who's Head of Banking at the comparison site Moneysupermarket.com. Kevin Mountford, is AA still top of instant access ISAs?

MOUNTFORD: Yes, I checked just before we came on air, so, as you rightly say. It's been a crazy week really. It's such a volatile market. I mean I personally thought that 3.30% from Santander would have been you know the peak, but it's clearly not been the case.

LEWIS: No and there's also 3.5% from Buckinghamshire but there are restrictions. You can only put a certain amount in each month. You've got to be careful, haven't you? And what time's the key time to move, Kevin, because in past years, I recall, some of the very best ISAs actually closed their doors before the 5th April deadline?

MOUNTFORD: They do and it's a good point really because clearly if you miss that April 5th deadline your allowance is gone forever. Whilst we've got you know under 4 weeks now, depending on which products and which channels you choose to open your account - for instance branches - you really need to be making sure your applications are processed in time. It can be up to a week before the deadline.

LEWIS: Yes. And easy to be lured in by the best rate, but there are other considerations, aren't there, when deciding which account to go with?

MOUNTFORD: There are. I mean you know there's more and more choice these days and a lot of the products have got their own little features that you need to be aware of. But the kind of things - you've got to be looking at how much you want to deposit, the way that you can access and operate account, but also things like do you want to lock your money away, are you happy to take on a bonus, so on and so forth? So there's lots of considerations, so it's right to sit down and think about it now.

LEWIS: Yes and many Money Box listeners of course will already have money in

ISAs and they may want to move it for next year because they've been tempted in by one of those bonuses you mentioned and that's now coming to an end. But not all the best ISAs allow money to be transferred, do they?

MOUNTFORD: They don't and I think that consideration is the fact that if they don't allow transfers, they know the maximum that they can attract for each account, so it minimises the overall cost. But I mean even with ISA transfers (you mentioned Santander) they will allow transfers in, and I can pretty much guarantee that people who've had their ISAs for over 12 months that the rate will now have dropped and we should transfer them.

LEWIS: And some, like Virgin of course, don't have bonuses, and although they offer a lower rate, 2.85%, I think at least you know that's not going to drop by 2% in a year's time.

MOUNTFORD: No it's not. I mean we should point out, however, it's still a variable rate …

LEWIS: Indeed.

MOUNTFORD: … and as we've seen you know on the mortgage side rates can be changed unilaterally.

LEWIS: And Kevin, finally, remind us, remind everyone about moving an ISA because you can't just take the money out. You have to do it through the banking system.

MOUNTFORD: You do. So pretty much the new bank that you go to, you alert them to the fact that you've got an existing account. You give them the details. It should be a fairly seamless process. There's new guidelines now that pretty much means that within 15 days the banks have to transfer, and interest is then applied once the old account closes.

LEWIS: Kevin Mountford, thanks, from Moneysupermarketcom. And there are links to top ISA sites on our website: bbc.co.uk/moneybox.

The high street banks and others have been ordered this week to send out an estimated 12 million letters telling customers who haven't yet complained that they may have been mis-sold Payment Protection Insurance if they took out a loan or credit card and they can apply for compensation. The City watchdog, the Financial Services Authority, also told the banks what the letters should say. It expected extra claims could cost billions of pounds on top of the £2 billion already paid out. But Money Box has been contacted by many customers of Lloyds whose compensation has been agreed but they're still waiting for the money. Here are two.

SUE: Back in August, I was offered £1,870, but the people that I speak to told me to keep an eye on my bank account, it would be in there within the next 10 working days. This is rapidly turning into 10 months.

ESTHER: My name is Esther Hart. The total is around £10,600, and that was for four different loans. I have been literally waiting and looking at my account for the last several weeks and calling them every week and being told that you know just keep looking, it might be there in a few weeks time. I've had to return to work early on maternity leave because we didn't get that money when we were hoping to get it and it just kind of leaves us in a very difficult situation.

LEWIS: Well that was Esther and Sue, two of many listeners with similar complaints. So will the banks cope with millions of new claims? With me is Richard Lloyd, Executive Director of the consumer association Which?, which has been encouraging people to claim, Richard. Twelve million letters going out. The banks are going to have their work cut out, aren't they?

LLOYD: Well they are, but what's so extraordinary about this is they've had so much time to get their act together already. We were probably talking about this, Paul, about 15 years ago when I had considerably fewer grey hairs and they're still not able to cope with the little that they're doing so far. So there's a real worry here - have they got the systems in place, have they got the staff in place? But this guidance doesn't actually require them to write to everyone, only to customers who the lender thinks have been systematically mis-sold or likely to. So you mustn't assume you're going to get a letter. Don't sit back and wait and certainly don't get fooled into going to a claims management company.

LEWIS: No, we'll come onto claims management companies in a minute. But you're saying not everybody who gets a letter … that won't include everybody who might have been mis-sold, so there will be people who don't get letters who could have been mis-sold. Would you have liked the letters to be different, gone to a different group?

LLOYD: Well these rules are a step in the right direction. At Which? we've been talking to the FSA and the lenders about getting this right and there are some good things about it - they've got to be clear, they've got to not be misleading, they've got to be fair. But there is a lot of wriggle room here for the lenders about how customers can contact them. We think there should be a really simple reply device, a tick box pro forma that counts as a complaint. And you know there are a lot of complications here about whether a letter qualifies as the trigger for a time limit. These letters if they're done right will trigger a 3 year time limit if your complaint's to be dealt with, to be settled, so it's really important that people are really clear about that.

LEWIS: Indeed. And total compensation, we're told, could be 7, 8 billion pounds. Compensation's one thing, isn't it, but no-one responsible has lost their job or been punished for this in any way, have they?

LLOYD: Well it's amazing, quite the contrary. Some of the biggest miscreants here, the bosses have been seeing some quite nice bonuses in recent days, so I think there is something here about what we need to see from the new regulator. The Financial

Conduct Authority takes over from the FSA at the end of the year. It needs to be a really tough watchdog, not a lap dog, that lets this sort of behaviour go on unpunished.

LEWIS: A watchdog, not a lap dog. And just briefly, Richard, the banks have told us they're being hampered by claims management firms. You mentioned them. Never any need to use one?

LLOYD: You really don't need to go to a claims management company. Use a free online tool. It's very simple to make a complaint properly about Payment Protection Insurance. They will take 25% of your compensation if that's the route you go. Go free, do it yourself and use the free online tools.

LEWIS: Okay, you mention free online tools and of course one of them is at Which? Another is at Moneysupermarket.com and the links are on our website. Before we leave this topic though, I know you're all worried about Esther and Sue. Money Box has contacted Lloyds about their case and we've been told they will have the money paid into their accounts by Wednesday, and some cases with a bit extra. Now Lloyds has admitted to me there are delays in many instances, but it did tell us they've put sufficient capacity to answer all customer complaints in agreed FSA time scales and the majority are being dealt with in time. And my advice though is if you are waiting, let Lloyds know and try and get your case brought forward.

Now nearly 3 years after this programme first exposed the way a credit company called Yes Loans treated some of its customers, the Office of Fair Trading has decided to revoke the company's licence, accusing it of "oppressive and deceitful business practices". Well that might be the end of a long road, you might think, but in fact Yes Loans could stay in business for up to 2 more years while it appeals a decision. Money Box reporter Fiona Woods is here. Fiona, just remind us how this story started.

WOODS: Well, as you say, this case goes back to May 2009. That's when this programme first broke the story that Yes Loans, one of the country's biggest sub-prime credit brokers, had been operating without a credit licence for nearly a year. And not only that. Customers have been complaining to the BBC over the years that they weren't receiving loans that they thought they'd signed up for, or in some cases a loan was offered but at a much higher interest rate than they'd expected. And when unhappy customers demanded their money back, it often took them months and months to get a refund.

LEWIS: And as I recall, Fiona, its chief executive at the time was on a list of banned directors due to charges of serious misconduct. What did the Office of Fair Trading do then about this company?

WOODS: Well back then first the OFT imposed requirements on the firm. Among other things, Yes Loans were told to insure customers received their refund within 30 days. But despite this, the complaints continued to flow in, but it wasn't until 2 years had passed that the OFT actually made the announcement that it was minded to revoke the licence. That was late last year and it took until this week for the OFT to decide that, yes, it definitely wants to revoke the company's consumer credit licence.

LEWIS: Thanks Fiona. The company has told us it may appeal and, as I said, that means it keeps its licence while that process happens. Earlier I spoke to David Fisher, Director of Consumer Credit at the OFT, and I asked him whether action could have been taken sooner against this company.

FISHER: To be honest, I don't think so. I know, I understand the point that to many people it may seem self-evident that the company was unfit to hold a consumer credit licence and I understand the argument, therefore, the Office of Fair Trading should have acted sooner. However, we have to investigate such matters very carefully. That is time consuming. There is no way round that.

LEWIS: I can see it's time consuming, but in June 2008 its license ran out. You let it trade on for nearly a year without a license. Then you granted it a new one and a banned director was allowed to run the firm. It does seem extraordinary that it's only now that you're revoking its license.

FISHER: The decision to allow the individual to continue to operate within the company was a decision taken by the court, not by the Office of Fair Trading. That was a decision that the Office of Fair Trading had to take account of.

LEWIS: And the company has 28 days to appeal. It says it is considering that. We know from a story we did last week that that appeal process can go on for 2 years, so it could be trading for another 2 years while it's appealing.

FISHER: Yes, the appeal process might run into 2013 and during that period the company will be able to continue to operate.

LEWIS: So there's no procedure in cases as serious as you seem to think this one is of stopping them trading pending appeal? They can carry on doing what they do for another 2 years and, as I said, it's literally 3 years since Money Box first raised problems with this with you in May 2009.

FISHER: The Office of Fair Trading does not have the power immediately to suspend a company's consumer credit licence.

LEWIS: Are you privately or are you sort of by implication saying to people don't go to Yes Loans?

FISHER: No, I'm not saying don't go to Yes Loans. What we are saying to people who are considering using a company such as Yes Loans, to be very careful.

LEWIS: But you wouldn't even say that if a firm has been found guilty of using high pressure sales, misleading customers, treating them poorly and deceitful and oppressive business practices, it is perhaps one you should consider very carefully before you use?

FISHER: I would say that people might want to think very carefully, yes.

LEWIS: David Fisher, Director of Consumer Credit at the OFT. Well, as you heard, a big part of the problem is that the OFT does not have the power to revoke a business licence immediately. That's something Peter Tutton from Citizens Advice says needs to be reformed urgently.

TUTTON: I think that's one of the things that really does need to change. We've seen this with firms before - that it's taken, as you say, 2 years to get from a determination to revoke by the regulator and actually the final period; and all that time they're able, if they want to, to carry on with their bad practice and then sort of leave the market with their pockets lined.

LEWIS: The regulation of these kind of firms passes from the Office of Fair Trading to the new Financial Conduct Authority when it starts probably some time next year. Will that have new powers? Will it be able to revoke licences more quickly and suspend them during appeals?

TUTTON: Well I think there's quite a lot of powers that that regulator will have that the OFT doesn't have, so right from the start the regulator will be able to set better threshold conditions that will stop bad firms getting in in the first place. It will be able to make better rules of conduct, so it will be able to bite down much more quickly on firms. It will also be able to award firms to give direct compensation back to consumers, which is a huge deterrent and a very powerful tool for consumer protection. And also the FSA does seem to be able to get firms out of the market more quickly. But in the meantime there's this important point of ensuring that in the changeover firms don't see this as a green light to not play by the rules, so that's why the OFT needs those extra powers now to ensure it remains an effective regulator in the transition period.

LEWIS: Peter Tutton of Citizens Advice. Now we have been in touch with Yes Loans and they told Money Box this week that directors were "disappointed" and "saddened" by the Office of Fair Trading's decision. The company said it has worked tirelessly to implement significant and fundamental advancements to the businesses. It also says that no jobs are at risk within the companies whatever happens to its appeal if it makes one.

People who drive regularly will often have breakdown insurance, but you never know if it'll work until your car conks out on the road late at night in the rain with the children. But when Money Box listener Matthew Bell broke down on the M6 last month and called for help, he was in for a nasty surprise.

BELL: The lady on the phone proceeded to say, "Well I'm afraid to say, Mr Bell, but you don't have any breakdown cover." And I said, "Well I find that very strange and hard to believe seeing as how I've got a direct debit going out and a policy with the HSBC for breakdown cover and emergency." And I said, "Well you know what are you going to do for me?" She said, "Well there's nothing we can do." I feel very badly let down, extremely badly let down. In fact the whole family have been badly let down by the HSBC given that it is an emergency service breakdown cover that they were offering and I was left stranded on the side of the motorway in a very, very dangerous position. HSBC, they will be in the future losing my custom.

LEWIS: Not a happy situation at all. But we like to leave you with good news and since Money Box got in touch with HSBC, the bank has apologised and tells us customer service agents should have been able to see that Matthew did in fact have cover and should have passed him to the insurance company. Well yes they should. Why that didn't happen remains a mystery. And HSBC will be reimbursing Matthew for the callout charge, offering him 12 months free breakdown cover if he wants it and £250 for inconvenience. The bank also says they're giving call centre staff extra training. The Money Box effect.

On that happy note, that’s it or almost it for today. There is more on our website: bbc.co.uk/moneybox. You can listen again to the podcast, send us your ideas as so many of you do, and have your say this week on insurers refusing to insure you because of where you live. Many of you are - some of you saying it’s actually a jolly good thing. That’s the opinion of Andrew who says good thing. Others having the opposite view. I should also say there are links if you’ve got PPI claims or possible claims to the Which? website and Moneysavingexpert.com. I’m not sure if I got that right earlier. If you’re a newsletter subscriber, there wasn’t one this week for technical reasons. Normal service next week. Back on Wednesday with Money Box Live taking questions on saving for children. Back with Money Box next weekend. Today reporters Fiona Woods, Bob Howard, producer Emma Rippon. I’m Paul Lewis.