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MONEY BOX

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LEWIS: Hello. In today's programme, as we've been hearing, the disruption to flights caused by the Icelandic volcano could last longer than expected. If you're stuck because of it, will your travel insurance pay up?

ELDERFIELD: I've been told that this natural disaster isn't covered by my insurance policy, which I find quite bizarre because that's exactly the reason why I took out the insurance policy in the first place.

LEWIS: We have the first of three interviews with the men who would be chancellor. This week, Alistair Darling with Labour's plans. And Ruth Alexander is here. She's been buried in emails. Ruth?

ALEXANDER: Yeah, almost 900 customers have written to us about Nationwide's policy of stopping small cash withdrawals over the counter for some.

LEWIS: We hear from Age UK on that change. And there are new rights for thousands of carers if they ask for them.

But we'll start with the Icelandic volcano, Eyjafjallajokull which has exploded and caused disruption to flights all over Europe. And it could last another week or more. No-one knows. Half a million passengers a day use UK airports, and with flights grounded at airports in 20 countries in Europe, millions of people are stranded away

from home. A similar number have not got away at all and may face the cost of lost hotel bookings and car hire fees. So who will pay these losses? Ruth Alexander's been looking at a very complicated legal picture. Ruth?

ALEXANDER: Yes, many of the insurers we've spoken to have said that customers should in the first instance contact their airline or tour operator to see what help and assistance is available from them.

LEWIS: So what is available from airlines?

ALEXANDER: Well it depends who it is or rather where your airline's based. If you're flying with a European airline, European regulations say airlines have a duty of care to passengers whose flights are cancelled. You should either be given your money back or be given a flight on another route, if possible. And you should be adequately cared for while you wait for a later flight, so your hotel booking and food and other necessities should be covered. And the regulations apply not just to passengers leaving a European member state. They also cover you if you're flying into the European Union from another country. So if you're flying from the US to the UK, for example.

LEWIS: But that's if you're flying with an EU based airline. What if you're flying with a non-European airline?

ALEXANDER: Well in that case, those rules don't apply. But if you paid for the flight with your credit card, you could be covered by Section 75 of the Consumer Credit Card Act. This law means that if you didn't get the service you paid for, then you can get compensation from your credit card company, so you might be able to get the cost of your flight back that way. And we've been told reasonable hotel, food and alternative travel costs may also be covered as what's called 'consequential loss'.

LEWIS: And what about the travel insurance, Ruth, that we are all encouraged to take out?

ALEXANDER: Well we've rung round all the big insurers. Lloyds TSB, Halifax, HSBC, Saga and Marks and Spencer Money are all saying that although claims relating to volcanic eruptions are not usually covered by travel insurance, they will on this occasion allow claims from UK customers affected by the volcanic ash. Direct Line and Churchill are also covering claims on the grounds that UK airports are closed, but you must have bought your policy before Thursday when the news of the volcano broke. Now the same goes for the Post Office travel insurance who class the situation as 'bad weather'. However Virgin Money told us that it would not be covering any claim as it was a natural disaster. And neither will Greenbee, John Lewis's insurance line.

LEWIS: So, Ruth, from what you say there are three places you might go for compensation: your insurance company, or your airline or tour operator, or your credit card provider?

ALEXANDER: Yes. And we've reported on disputes on Money Box in the past between these kinds of groups and someone in the banking industry has told us disputes are likely. She said the best thing for passengers to do is to make sure that everything they do - booking hotels, hiring cars, making alternative travel plans to get home and so on - is reasonable and at a reasonable cost. And she said keep your paperwork.

LEWIS: Thanks, Ruth. Well no guarantee that anyone will pay, but let's hope they do. And, as Ruth said, Greenbee Insurance will *not* pay out for the costs, as Money Box listener Peter Elderfield discovered when he couldn't return from Spain with his family.

ELDERFIELD: I've been told that this natural disaster isn't covered by my insurance policy, which I find quite bizarre because that's exactly the reason why I took out the insurance policy in the first place. So extremely frustrated with Greenbee, with the response that I've had to say that I will not receive any compensation for any delay or out of pocket expenses that I'll incur. Our additional costs look like another five days car hire at around about £90 a day and additional accommodation. Our

current accommodation is going to cost us probably about £100 to £200 for the additional five days.

LEWIS: And Greenbee told us it will extend single trip cover for baggage and medical costs, but it won't cover anything else to do with this natural disaster. John Lewis, never knowingly over insured. Well in Westminster is Nick Kirwan. He's Assistant Director of the Association of British Insurers. Nick Kirwan, why are insurers trying to wriggle out of their responsibilities here?

KIRWAN: Well I think the first thing to understand is that these insurance policies are designed to dovetail with and not replace the cover that is supposed to be available through your airline or tour operator. So your primary cover for this, if it's a natural disaster or if you're let down because it's the airline's fault, will be with the airline or tour operator who are obliged to look after you.

LEWIS: Well only European airlines, as we've heard.

KIRWAN: Yes, yes.

LEWIS: If you're flying from the US on a US airline, you're not covered.

KIRWAN: Into the UK though, you are. And so if it's the fault of the airline or a natural disaster, the primary responsibility for looking after you is with the airline; but if it's something that happens for delay or cancellation through your fault because your car breaks down or you're ill, then your insurance policy will cover you because the airline won't there. But some policies, again as we've already heard, of course go further and do provide comprehensive cover and will cover you for all cancellation and delay.

LEWIS: But I mean you say oh it's other people who should pay in many cases. This is what people complain about, isn't it? You're happy to take our money, but when we want to claim, you say, "Ooh no, Icelandic volcanoes, they're excluded by

paragraph 94 (a) blobby point 5.

KIRWAN: Well the point here is I mean if we were to insure what's already covered through the airline, you'd be having more insurance and that would cost more; and of course what we all want is policies that you know are cheap and easily available.

LEWIS: Well yes, of course, and at a reasonable cost.

KIRWAN: Yes, exactly.

LEWIS: But the point is some insurers, and we've heard Virgin Money and Greenbee have said they will not cover this at all. So if your airline won't cover it, you're stuck.

KIRWAN: Well of course the airline are obliged to cover it and these policies are designed to ...

LEWIS: (*over*) Well only in some circumstances.

KIRWAN: Well I think the circumstances we've heard are that they will. And we know also that some insurers who technically wouldn't cover this circumstance in normal events are taking a very reasonable approach and are making ex gratia payments to people.

LEWIS: So Nick Kirwan ... Sorry, so Peter who we heard from earlier, he should go back to his airline and say, "Give me the money please"?

KIRWAN: He absolutely should in the first instance because they do have an obligation to look after him.

LEWIS: And what about the kind of disputes? I mean you're saying it's other people. The banks will probably say well it's not us, it's other people. We're going to have a dispute as we've reported on Money Box in the past, aren't we?

KIRWAN: Well of course it arises because there is a bit of a spaghetti of legislation around this, and of course we all have to work within that spaghetti of legislation that exists.

LEWIS: Yes, but ultimately the insurer should pay, otherwise it's just a lottery, isn't it? It's not peace of mind, which is what you sell us. It's a lottery.

KIRWAN: Well insurers will all pay when it's something that happens to you in a situation where the airline won't cover you. Now some insurance policies go further and offer a comprehensive cover here and will pay irrespective of whether the airline is due to look after you. But of course do shop around and make sure you understand what you're buying and don't assume that the cheapest policy's always the best.

LEWIS: Nick Kirwan from the Association of British Insurers, thanks for talking to us.

Tax, pensions and spending. Well all of them could be more expensive once the post election government is formed and whoever is Chancellor of the Exchequer then is told by the Treasury just how big a problem he has. Over the next three Saturdays we'll be hearing from the men who would be chancellor. This week, it's the turn of Alistair Darling. He told me Labour's plans.

DARLING: What we want to do is achieve three things. Firstly we want to encourage people to save and to have a good pension in retirement, and the manifesto promises the restoration of the earnings links with pensions from 2012 as well as automatically enrolling people into personal accounts, so they can save for their retirement. The second thing we wanted to do was to make sure that work pays. That's been an article of faith for us for the last 10 years and we've got a new measure that will ensure that people who've been out of work for 6 months, we can guarantee there'll be £40 a week more for the first 6 months of their working. And then of course in relation to children, we've extended the help we give to families with young children. There's nearly 6 million families now benefiting from tax credits. So I think those are three areas - pensions and savings, making work pay, helping families with

children - that are absolutely central to everything we want to achieve.

LEWIS: Why have you ruled out so many tax rises given the extent to which you have to cut the overspend?

DARLING: Well the promises we've made on income tax and on the scope of VAT are exactly the same promises we've made in the last three elections on the basic and higher rates of income tax, and we've also said we wouldn't extend the scope of VAT to children's clothing or anything like that.

LEWIS: Though of course despite the promise last time, you did introduce a new top rate of 50%, didn't you?

DARLING: I was just going to come onto that. I think in the extraordinary conditions that we and other countries have come through where I had to take action to start getting our borrowing down and where I took the view that it was right that those who'd done you know fairly well over the last 10 years and who had the broadest shoulders should bear a greater share of the burden, I introduced that tax rate, which of course came in 3 weeks ago. So you know that is an extraordinary set of circumstances. I didn't want to have to raise the top rate of tax, but I felt it was fair to do it because you know a lot of people on pretty modest incomes are feeling the pinch. You know we've got to do something to get our borrowing down because that's a cost on all of us, so that's why I made that decision. But the general tax promises we've made are exactly the same ones that we've made in the last three elections. Of course no chancellor is going to get into a situation where you go through every single aspect of the tax system and rule out any change for 5 years. That would plainly be a very silly thing to do.

LEWIS: We've had people asking us about pensions, Chancellor. In 1997, one of the first acts was to stop the tax credit on pension funds. That took three and a half to 5 billion a year out of pension funds. Was that a mistake?

DARLING: Well look what happened in 1997 - yes we did change the way in which

corporation tax was paid ...

LEWIS: (*over*) Was it a mistake?

DARLING: No, I don't think it was because firstly at the time many people were saying that the system needed to be simplified. If you look at when pension funds started to be affected, it wasn't as a result of the changes that were made in 1998. It happened about 2 or 3 years later when you know a whole lot of issues came to a head. There was the collapse of the stock market in the wake of the dotcom bubble. In addition to that, actuaries suddenly woke up to the fact that as a country we were living longer and, therefore, that some of the assumptions made about the cost of pension funds changed. There was a whole lot of different things happening at that time. And indeed I remember the changes that were made in 1998. They did initially took some money out of the system. They put it back in again. And at the same time we cut corporation tax; and as pension funds are one of the biggest shareholders, that would have had a positive impact on them. So I don't accept the argument that's put that somehow everything that happened to the pension funds was the fault of what happened in 1998. That simply wasn't the case.

LEWIS: But whatever is the reason, final salary pensions are declining outside the public sector. Is the cost of public sector final salary schemes sustainable - paid for in many cases by taxpayers who don't have a pension?

DARLING: Well that's one of the reasons that we've announced reforms to the public sector pension scheme that's saving about a billion pounds a year. And for people coming into the system now, if they want enhanced benefits, then they have to pay for them and the schemes have been changed so that people have to work longer than they did in the past. But you're absolutely right - I do think there needs to be a proper balance between public and private sector pensions because at the end of the day it's a matter of simple fairness.

LEWIS: So more cuts in public sector pension?

DARLING: No. I've already announced in the pre-Budget Report last year the changes that we were going to make, and these are changes that were negotiated over the last couple of years or so.

LEWIS: And that's enough? That's all you have to do?

DARLING: In relation to any pension system, of course you will have to keep it under review because you know generally we're an ageing society. You do have to make sure that the relationship between contributions and benefits is kept in line. But you're asking me specifically about the changes I've made. I announced what was necessary and those changes will be implemented. If in the future further steps are required, then that will be done and there need to be necessary negotiations and discussions to enable that's done properly.

LEWIS: Many people want more freedom if they save up for their own pension with what they can do with that money. Are you going to scrap the rules that mean most people have to buy an annuity at the age of 75?

DARLING: No. We've looked at this from time to time. It is a minority of people who can actually you know afford or are in a position to go beyond 75 to change the annuity rules. The whole point of the annuity rules are to ensure that if you get tax relief for a pension, then that's what it's used for. I think you get into some difficulty if you get into a situation where you give tax relief for a particular purpose and then the money ends up being used for something different. Now you know ...

LEWIS: So no change then?

DARLING: No, we're not proposing any change from this at the moment.

LEWIS: Let me ask you another question many listeners have asked about low interest rates. They've saved up. Their money's in the bank. They should be able to use the interest to boost their income, but of course they can't because interest rates

are so low.

DARLING: Unfortunately it's a fact of life, you can only have one you know general interest rate, and interest rates at the moment are low and they're low for a purpose. Because otherwise you know if we don't get the growth, then we won't get the income being generated that will you know ultimately service the pensions that we've just been talking about.

LEWIS: One thing you could do is cut the tax on savings interest, particularly for people over pension age. It's taken off automatically and you've taken £200 million more than you should have done.

DARLING: Well, firstly, we have increased the age allowance, the personal allowance that people over 65 get. It's now £9,490, which, compared with people of working age, the allowance is just over £6,400. And for people who are over 75, we've raised it to just over £9,600 and it will go up to over £10,000 for many people at 75. So we've tried to help there. We've also increased the ISA limit to £10,200 ...

LEWIS: But only for investments, not for cash.

DARLING: Well the cash, you can save up to half of that in cash.

LEWIS: Why not all of it?

DARLING: Well because what we want to do is to strike the right balance between cash and other investments. That's something we will keep under review.

LEWIS: Alistair Darling. And there'll be a longer version of that interview on our website later today. Alistair Darling is the parliamentary candidate for Edinburgh South West. You can see the five other candidates for that constituency on the BBC election website. You can hear Conservative and Liberal Democrat plans over the next 2 weeks here on Money Box.

Nationwide is facing a barrage of complaints from customers after our revelation last week that it plans to stop cash cardholders withdrawing less than £100 over the counter. The customers affected have basic accounts with a cash card. The building society told us on last week's programme the change was needed to reduce queues. Since we revealed this rule change, we've had a huge response. Ruth Alexander's been reading the emails. Ruth?

ALEXANDER: We've had nearly 900 emails since last Saturday, and although some people thought the Nationwide's plans were reasonable, the overwhelming majority of emails we've received were complaints. Murray in Elgin said he wants a personal service. He doesn't want to stand outside talking to a machine. Others blame the queues on staff trying to sell customers insurance and other products. Anne-Marie in Bedworth says she often has less than £10 in her account and points out you can't withdraw £5 notes at an ATM. And Colin in Worthing has a solution: if you want £30, say, draw out £100, he says, and then immediately pay £70 back in again.

LEWIS: *(laughs)* We might have known the listeners would come up with an answer. Now, Ruth, Nationwide is the biggest building society. What do other societies do?

ALEXANDER: Well we've done a survey of the ten largest building societies. Three of them offer these basic cash card accounts: Yorkshire and Chelsea, which are part of the same institution, and Coventry. None of them has rules about how little you can withdraw.

LEWIS: And what have Nationwide said? Is it tempted to change its mind?

ALEXANDER: No, it said it has a large number of current account customers and that it's operating on the same size and scale as most high street banking competitors. It said that to compare it with other societies on this point is therefore not accurate or appropriate. So we rang round the high street banks. Customers who have basic cash card accounts at Santander, Halifax and Bank of Scotland and who want to get money out over the counter have to withdraw a minimum of £300, and that's soon to be the case for Alliance & Leicester cash card customers too. HSBC cash card customers

meanwhile aren't allowed to get money out at the counter full stop. Some of the banks point out customers can use cash machines or go to the Post Office instead, which presumably isn't going to help the queues there.

LEWIS: No, moving the queue from one institution to another. Well thanks for that, Ruth. Well with me is Jane Vass from the charity Age UK, formerly Age Concern and Help the Aged. Jane Vass, how is this going to affect older people particularly?

VASS: Well the Nationwide website says that their cash card account is particularly suitable for people on state benefits or pensions, so it may well actually affect those people (including pensioners) who are on a particularly low income who may be heavy users of cash and who need to manage their money particularly carefully.

LEWIS: But of course people do say to us, "Well they can use a cash machine. Why not?"

VASS: Well of course a lot of older people *do* use a cash machine. One in five people in this country is over state pension age, so it's a very large and diverse group. But, on the other hand, we do also hear from a lot of people who are very anxious about using an ATM in the street because of fears of being mugged, and we're concerned that people on a low income are being presented with a choice of either having to use an ATM, which may worry them, or having to take out over £100 at the counter, which may in fact be nearly all or even more than their weekly income and to carry round large amounts of cash.

LEWIS: Yes, it's important to remember that, isn't it, as we heard from one of our listeners - that people do live on very low incomes, less than £100 a week in some cases, so they've got to wait beyond a week to get £100 out. What do you think Nationwide should do then? I mean they point out to us that well they can perhaps open a passbook account, as most older people who have accounts there do; they can maybe try and upgrade a debit card, neither of which are affected by this limit. Do you think Nationwide will change its mind or just try and keep pushing people to those other accounts?

VASS: Well of course if people are moving onto other accounts, then they presumably will still want to use the counters, so it's difficult to see how that's going to help their cheque situation.

LEWIS: It won't help the queues, of course. They'll still be queuing up. And a new Equality Act was passed recently, just before parliament was dissolved. Now this will ban age discrimination in goods and services at some point in the future. Is it possible this move by Nationwide is against this new Equality Act?

VASS: Well of course the Equality Act has just been passed and it will outlaw unjustified age discrimination in goods and services, including financial services, and it's early days yet and it will be very interesting to see what happens. But certainly we think that banks and building societies should treat people in later life, designing products for them as part of the mainstream consideration in designing products rather than as a special needs minority. Our argument is that if you get it right for older people, you get it right for your customer base as a whole.

LEWIS: Yes, so the Act might change opinions and views. Jane Vass from Age UK, thanks very much.

Now around 70,000 people who care for ill or disabled people could gain from new rules which give them full national insurance credits towards their state pension for every week they care. And with just 20 hours a week, they can get that credit now towards the pension, but they do have to ask for it. Live now to Central London to talk to Jean French who's from Carers UK. Jean, this is important, but quite small. Tell us exactly how it's going to work.

FRENCH: What will happen is that people who are caring at least 20 hours a week will be entitled. You can be providing 20 hours of care a week for one person or for more than one person - so if you're caring for two people for 10 hours a week, you would qualify. Both people need to be in receipt of certain disability benefits - middle or higher rate care component of disability living allowance, attendance allowance or constant attendance allowance. Or if they're not getting one of those benefits, they

can get a care certificate signed. That can be signed by a very broad range of health or social care professionals and it just confirms that 20 hours a week of care is being given and that it's reasonable.

LEWIS: And that's an important change, isn't it, because in the past it was the benefits or nothing and for 35 hours a week. Now it's 20 hours and the person you're caring for doesn't actually have to claim one of these benefits if they can't.

FRENCH: And that's very important. Particularly lots of older people can be reluctant to claim attendance allowance, for instance.

LEWIS: And what do people have to do because, presumably, this great, big, new group of carers - I think the department says it's maybe 70,000 people - they won't know about them, will they?

FRENCH: No. Well we're hoping to get lots of word out there, so part of today's conversation with you will help with that. But it's very simple. They can get a claim pack by going onto Directgov or by ringing up the Carers Allowance Unit. The claim pack is sent to them, it's very simple to complete, and included in it is that care certificate that you can get signed if you need one.

LEWIS: Now it's worth stressing that although this is important, it will if you like only give people full credit towards a state pension, which obviously will be important when they reach pension age. It doesn't do anything else though, does it? It doesn't help with carer's allowance, it doesn't give more people respite care - all the things you're calling for. What else would you like to see the new government (whoever it is) doing for carers?

FRENCH: Oh an increase to respite care would be excellent and a proper review of carers benefits, so they've got a decent amount to live on. That would be a good starting point.

LEWIS: Yes. And there's 6 million of them, so that's going to be quite expensive though, isn't it, at a time when we're all being told we've got to cut back?

FRENCH: Well indeed. But many of those carers are in full time employment as well, so we can certainly look into appropriate support systems to enable people to *remain* in work.

LEWIS: Jean French - with a message for the new government, whoever it is - thanks very much from Carers UK.

FRENCH: Thank you very much.

LEWIS: Now that's it from us today. You can find out more from the BBC Action Line - 0800 044 044; our website, bbc.co.uk/moneybox. Lots of exciting things to do there: sign up for my weekly newsletter and hear the longer version of the Chancellor's interview later. And if you want to put some questions for the Conservative or Liberal Democrat would-be chancellors, you can email us: moneybox@bbc.co.uk. You can have your say on your experience of who is paying the cost of cancelled or delayed flights. Also on that website, bbc.co.uk/moneybox, we'd like to hear your experiences of how the volcanic eruption has affected your holiday plans and your money. I'm back on Wednesday with Money Box Live, this week taking your questions on a new topic for us: how to complain - not about us, though of course you can do that - but about financial services and products. Back with Money Box next weekend. Today reporter Ruth Alexander, producer Penny Haslam. I'm Paul Lewis.