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MONEY BOX

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LEWIS: Hello. In today's programme, Britain's biggest bank is to stop its charity credit cards which have raised more than £20 million. Dividends paid on shares hit a record high last year. Should investors concentrate on income when they choose their shares? Bob Howard's here looking at car insurance.

HOWARD: And how even light repairs might invalidate it.

PAUL: There has to be numerous other people out there who are in exactly the same situation as me and they don't even realise that they're not insured.

LEWIS: Most people claiming compensation for mis-sold Payment Protection Insurance pay for help with their claim, but does it help? And National Savings cuts the interest rate on its Direct Saver account to discourage wealthy people putting large sums in.

But first, Britain's biggest banking group has announced it's to scrap its charity credit cards which have allowed customers to donate tens of millions of pounds to good causes. Lloyds Banking Group says it's no longer "cost effective" to offer the cards which help Cancer Research UK, the children's charity NSPCC, and the Scottish Society for the Prevention of Cruelty to Animals. Bob Howard reports.

HOWARD: Paul, these Halifax and Bank of Scotland credit cards have been around a long time and we believe up to 100,000 are still in circulation. The oldest one, for Cancer Research UK, dates back 23 years to 1988 and they've raised well over £20 million in that time. The basic principle was that a one-off donation was made when the card was first used - typically around £20. Then a percentage of ongoing spending was donated to charity in a similar way to how cashback works, typically between 0.25 and 0.5%. But this week customers have been receiving letters saying that the cards are being phased out from the last day of February, to be replaced by standard Halifax or Bank of Scotland alternatives. Money Box listener John from Worcester told me he was very unhappy with the change.

JOHN: I can't really understand why they've decided to withdraw the credit card from the market because it was quite a unique selling proposition really - being able to support a charity by using the card. I'm very disappointed because Cancer Research UK is a charity which is very close to my heart, and my primary reason for having the credit card with Halifax credit cards was that by having the card, I was supporting this charity. Which begs the question: when all the other terms and conditions on the account are going to remain the same, what is actually going to happen to the money that was previously donated to Cancer Research UK by my use of the card?

HOWARD: Halifax and Bank of Scotland are now part of Lloyds Banking Group. It told Money Box that it was committed to charitable giving, but charity credit cards had had their time.

LLOYDS BANKING GROUP STATEMENT: Following a recent review, which noted the limited demand for charity cards in recent years, we have decided that we will no longer offer a charity credit card. It was no longer proving to be a cost effective method of donating to charity. We have offered to help each charity find a new issuer should that be the route they wish to pursue in the future?

HOWARD: But just 4 years ago, Halifax was boasting it had entered the Guinness Book of Records as the world's most successful charity card provider; and 2 years ago

the card which donated to Cancer Research UK won an industry award. Anybody reading a recent edition of the bank's Corporate Responsibility Report would have formed a very different impression.

EXTRACT FROM REPORT: We won Best Charity Card Programme at the Card Awards in 2010 for our Halifax Cancer Research UK charity card. Halifax and Cancer Research UK celebrated 20 years of partnership in 2008. The charity credit card has now delivered £13 million in royalty donations to support the great work done by Cancer Research UK to save lives and achieve their vision to beat cancer.

HOWARD: The charities involved appear reluctant to criticise the bank's decision, but Cancer Research UK, which raised £14.5 million from the card and the Scottish SPCA which raised half a million both said they were "disappointed" by the decision.

LEWIS: Thanks Bob. Baroness Finlay is the Vice Chair of the All Party Parliamentary Group on Cancer. I asked her what she felt about the cards being withdrawn.

BARONESS FINLAY: The timing of it doesn't seem very sensitive given there's all the furore around bonuses, but also because people in this country are becoming aware that charities are a very important part of our lives and actually giving and supporting charities is really important - particularly charities of excellence. And here we have a charity of research excellence in CRUK.

LEWIS: The Cancer Research UK.

BARONESS FINLAY: Yes.

LEWIS: The bank of course says it's because of lack of demand and it's no longer cost effective as a way of donating.

BARONESS FINLAY: As far as Cancer Research UK goes, this had brought in about £14.5 million over 23 years. I would have to say I've done a little bit of asking around and I haven't known of anyone to whom it had been advertised and promoted. I think a bank which can produce that amount of additional money to give large bonuses has to look very hard at whether actually it should be giving back to the society on which it depends for its business.

LEWIS: The bank say it's not cost effective, but how cost effective is it for charities to get these very, very tiny amounts but regularly over a period of years?

BARONESS FINLAY: Well if they get a small amount regularly and they know that they're getting it coming in, that's very helpful for them providing that there isn't an administrative burden on them. The problem with some of the cards - not this one, but some of the others - has been that there was a one-off signing fee and then that was it. But I think that we shouldn't be looking backwards. We need to go forwards and say right, what is going to be the most cost effective way for everybody? And that's what was in the Philanthropy Review - that every clearing bank should offer a charity bank account to its customers - and currently only two do, but this could add £400 million to charitable giving in Britain.

LEWIS: And how would that work?

BARONESS FINLAY: Well that would be that the bank account is there. You designate the charity that it goes to. There is a link between the bank and the charity and you give regularly, it's up to you. The gift aid is all sorted at source for you anyway and the charity then gets that money.

LEWIS: Baroness Finlay. And you can let us know what you think through our website. Many of you are already. Sandra from Clacton said as chairperson of her local Cancer Research UK Committee, she'll be moving her bank account on Monday. And Carl from London thought the move was "disgusting". I've had a

number along those lines. But Stuart from Cardiff points out that Lloyds Banking Group gave £75 million to charity last year and he said that trying to spin this as fat cat bankers taking money from the sick was wrong. Rachel Scales from Sheffield though has a practical idea: why not get a card that gives you cash back and donate it to your chosen charity? Then you can gift aid the money, which makes the gift more valuable. Just some of your thoughts. Keep them coming.

Now UK companies paid out a record £68.7 billion in dividends last year. That was an increase of nearly 20% on the 2010 total and a fraction higher in cash terms in the amount paid in 2008. So should investors be looking at dividends as much as share price when deciding where to invest? Live now to Brighton to talk to Hugo Shaw of Bestinvest. Hugo, let's start with a basic point. Just remind people what a dividend is in the first place.

SHAW: Good afternoon. Well a dividend is a payment made to shareholders for every share they hold and it's really a key means of returning value for exchange of the investment you make in the first place.

LEWIS: So it's a share of the profits that the company doesn't want to keep or to reinvest. Now we know the economy's been in difficulties, barely growing at all last year. Why was it a record year for dividends?

SHAW: Well what we have to do is actually cast ourselves a few years before that. Go back to the credit crunch days and we find banks slashed and stopped paying dividends and many other companies did the same thing, really trying to weather themselves for the impending storm. After that, they're now really reaping the benefits. Corporate companies find themselves with a lot more cash available now to pay out that retained cash to shareholders.

LEWIS: And I suppose some of them are reluctant to invest and they're just saying we'll give it back to shareholders because there have been some special dividends,

haven't there, in the last year?

SHAW: There have been some special dividends. Some companies have done extremely well and have made a special payment. But also companies know that shareholders like the benefit of a steady income and that's a key measure of value in your company. So, yeah, it works well.

LEWIS: And how easy is it to pick companies that pay dividends? What examples are there from the last year, anyway?

SHAW: Well there are a number of measures that can guide you. A key one that's often quoted is the dividend yield and that's really a percentage of the dividend paid over the value of the share. But you need to be a little bit careful here because a very high yield may look attractive; and perhaps it's an undiscovered gem or it's a misunderstood company, but equally it could be something, you know a company that's got some bad news ahead. So there are a number of factors to look at and many websites that offer some good information.

LEWIS: Yes and are dividends a bit like investment performance: the past is no guide to the future?

SHAW: That's very true. Some companies you know do fall from grace and try and sustain dividends because they know people look at them. What you can do is there are some measures. A good one is what's called 'dividend cover' which gives an indication of how affordable the dividend payment is to the company. Generally if it's over two, then that's a good thing; if it's less than one, it's really raiding the piggybank.

LEWIS: Hugo Shaw of Bestinvest, thanks. Some research to be done there, but dividends may be a useful way to boost your income.

Now if your car was badly damaged in an accident that clearly wasn't your fault and you had been paying for comprehensive insurance, well you'd expect your motor insurer to pay out. But Money Box has spoken to one listener who has been told he wasn't insured even though he had been paying his premiums. Bob Howard's also been looking into this. Bob?

HOWARD: Yes, Paul. Money Box was contacted by Paul from Solihull a few years ago. He bought a second-hand Ford Fiesta from a private seller.

PAUL: At the time, the guy told us that he'd purchased it as a damaged car. It had been in an accident. He'd repaired it. So he was fairly upfront about that and we bought the car in good faith. It looked fine, it drove fine. We insured the car and we did so every year with different insurers and there was no problem, we'd never had an accident, so there was nothing that came to light about the car.

HOWARD: In March Paul insured the car with AXA. He says he completed the usual questions, but didn't see anything about previous accidents. Then in December Paul was forced to make a claim after his car, which was parked outside his house, was hit by two other cars which had collided.

PAUL: We informed our insurance company and they checked the history of the car and that it was a category D car, and that under those circumstances the car had in fact never been insured by them since the day we'd taken it out. Pretty much told us by email that the case was being closed and they would have nothing further to do with the claim.

HOWARD: Paul had never heard of the industry term 'category D' before and he'd certainly never appreciated its significance to AXA. Now these are vehicles which an insurer says have suffered "repairable damage", but which it has decided to write off as not worth repairing. Not only did AXA refuse to help Paul. It also refused to return his premium, blaming him for not having disclosed that the car had previously been

damaged. He thinks that's not fair treatment.

PAUL: It was a bit of a win-win situation for them, I thought. If the car had never been in accident, they get the premium and they don't pay out; if the car is in an accident, they get the premium and they don't pay out. So it seems like a pretty good business model. My thoughts were well if you don't insure category D cars, you need to check that it's not a category D car and don't insure it. There has to be numerous other people out there who are in exactly the same situation as me and they don't even realise that they're not insured.

HOWARD: After Money Box contacted AXA, it finally agreed as a gesture of goodwill to help Paul with his claim. The firm would not offer anybody for interview, but it did offer this statement.

AXA STATEMENT: Strictly speaking, he is not covered for a category D vehicle. This is explained in the terms and conditions of his insurance policy, which are emphasised during the initial purchase of the policy. This is an area that has been up for review.

HOWARD: A review might be timely. Even insurance professionals agree it's not always easy for somebody purchasing a car from a private buyer to know if it's previously been written off after light damage. Graeme Trudgill from the British Insurers Brokers Association says most insurers would not have a problem insuring a category D vehicle providing it met certain conditions.

TRUDGILL: We believe that most category Ds insurers are comfortable with. Providing the customer had been open and honest with them and the vehicle was otherwise in a fully roadworthy condition, then it's absolute normal practice for an insurer to pay that claim.

HOWARD: And Paul, I spoke to Aviva, eSure and Direct Line. They all confirm

they have no problem insuring category D vehicles per se, as long as - like Graeme said - they've been properly repaired and are roadworthy.

LEWIS: Thanks Bob. Well Malcolm Tarling is from the Association of British Insurers. It helped set up the database which has details of every car deemed to have been written off by their members. I asked him to explain how it works.

TARLING: A write off can be in a number of categories. People think of the words 'write off' and automatically think it's a vehicle that shouldn't be on the road. It depends very much on the category. There are basically four categories of write offs. The first is the most severe - category A as we call it - and those are vehicles that should be crushed and shouldn't be back on the road in any way, shape or form. The second category are vehicles that can be broken up for spare parts. And the third and fourth categories - nothing wrong with those vehicles being put back on the road and being insured.

LEWIS: But the two categories are different because category C, as I understand it, is actually marked on your logbook, your V5; but category D, the owner of the vehicle gets no record at all that it's a category D write off.

TARLING: There are databases around - I was looking at some this morning - that people can check to get a full history of the vehicle because around one in eight vehicles now are thought to be written off. So this is an issue and I think people do need to be aware of it.

LEWIS: You've got the data on this though or the industry has the data. Why isn't the industry using it when people apply for insurance just to check if a vehicle is on that list?

TARLING: Well some insurance companies will check at the point when a policy's proposed for. Others may not. That is down really to individual company practice.

LEWIS: But without doing that check, the insurer can't know, can they, if that vehicle is in this category D? It could just be a cosmetic matter of scratches or bumper damage and they will never have to pay out on that vehicle.

TARLING: Companies that don't should make it very clear on application forms and an online forms if you're buying your insurance online that you should be checking the history of the vehicle.

LEWIS: So is this clear? 'By accepting this insurance, you confirm that the vehicle you're insuring is none of the following: 1) if it has been previously written off or scrapped, including where the vehicle logbook identifies that the car has been previously damaged or repaired or an HPI database check identifies the vehicle as category A, B, C or D write off.' Is that clear?

TARLING: Well I can't comment on individual wording.

LEWIS: Well I'm asking you what clear means. Is that clear?

TARLING: Well it seems clear to me. It's not in the insurance companies' interests for people to be confused or uncertain about where they stand.

LEWIS: So is your advice from the ABI that somebody buying a car, particularly perhaps privately from another individual, should always check on one of these databases to see what the status of that vehicle is?

TARLING: I think it's very sensible, particularly if you're buying privately, to do a quick check. As I say, you can do those through some of these databases and even through some of the motoring organisations to double check the history of the vehicle.

LEWIS: Malcolm Tarling telling us that one in eight vehicles are officially written off.

Now people claiming compensation for mis-sold Payment Protection Insurance are being warned this week not to pay for help from claims handling companies. They can take a quarter or more of any compensation awarded. But the Financial Services Compensation Scheme says getting their help makes no difference to the chance of winning. Nevertheless, three quarters of all those claiming compensation do get help from a firm that charges them. With me is the compensation scheme's Chief Executive Mark Neale. Mark Neale, the Financial Services Compensation Scheme only deals with claims against companies that have gone out of business. How many claims do you see?

NEALE: That's right, Paul, the Financial Services Compensation Scheme is there to protect people when financial services businesses fail. So if you've been mis-sold a PPI policy and the firm that sold it has gone bust, we will step in and rescue you. And we've paid compensation now to over 15,000 people and paid out over £77 million.

LEWIS: Yes, I think the big one is Picture Finance Services, which went out of business, isn't it?

NEALE: That's right, yes.

LEWIS: There's quite a lot of claims for that. Now your figures show that three out of four people use one of these claims management companies and yet you say that doesn't help them get compensation.

NEALE: Well I think it's very important that people understand what this is going to cost them and what benefit they're going to get in return. And the reality is whether you use the Financial Services Compensation Scheme or a claims management company, you'll have to provide exactly the same information and you will get very much the same outcome. The difference is our service is free and the claims management company will take an average of £1,000 off you.

LEWIS: Yes and they take a quarter, a third, even more I've heard in some cases.

NEALE: That's right, it's usually between a quarter and a third.

LEWIS: And it doesn't affect the amount of compensation ... Sorry it doesn't affect whether you get compensation, but looking at the figures you actually get more compensation if you do it yourself, which is slightly strange.

NEALE: Well over four out of five claims are upheld whether they come direct to us or through a claims management company, so that makes very little difference. I think the average payout for people who do it themselves is somewhat higher. That may simply reflect the fact that people with more money at stake look more closely at the choice they have to make.

LEWIS: Yes. It may seem straightforward though to you or me to do this - and you know you're familiar with it, we're very familiar with these things on Money Box - but people coming to it cold, it might seem a bit daunting, and they might think well actually I'd rather have 60% of something than 100% of nothing.

NEALE: I think it's up to consumers to make that choice. We're certainly not saying they shouldn't use a claims management company, but they do need to understand what it will cost them and what the benefits are. And I can certainly say that our claims process is a straightforward one. We have a helpline if people are getting into difficulty and I would encourage people to look at the choice.

LEWIS: So they can come direct to you?

NEALE: They can come direct to us and get help.

LEWIS: Okay, thanks very much for that Mark Neale of the Financial Services Compensation Scheme. Now the bulk of claims though don't go through that scheme.

They go through direct to the big banks who of course were the chief mis-sellers of Payment Protection Insurance. Money Box's Sally Abrahams has been looking at how claims are made to them. Sally?

ABRAHAMS: Yes, the major banks say at least 50% of PPI claims they get come via claims management firms rather than through individuals. Lloyds Banking Group, which has set aside the largest amount of money - £3.2 billion for compensation - says between 50% and 60% of PPI claims come through these firms. HSBC says the figure is higher - 65%. For RBS NatWest and Barclays, the total is 50%. All of them tell me that a lot of these claims are spurious. Claims management firms are submitting forms for people who never had a loan or a credit card from that bank.

LEWIS: And Sally, if people think they are due a PPI refund from a bank, what should they do?

ABRAHAMS: You can download a claim form and submit it yourself. That way you cut out the middleman and keep all the refund yourself.

LEWIS: Thanks very much for that, Sally. And there are links on the Money Box website, bbc.co.uk/moneybox, to help you with that.

National Savings & Investments has cut the interest on its Direct Saver Account from a not very competitive 1.75% to an even worse 1.5%. It claims a small number of savers have been putting very large amounts into the account - the maximum is £2 million - and NS&I wants to discourage them. I asked the National Savings & Investment's Chief Executive Jane Platt how many savers had money in this account.

PLATT: Direct Saver has 20,000 investors in it, which looks quite small compared with a product, for example, like premium bonds where we have 21 million. But the investments into Direct Saver have been quite significant. I can say that it is significantly higher than the £85,000 per investor that on average was going in at the

30th March last year.

LEWIS: Now the maximum you can put in is £2 million. And have you had amounts approaching that?

PLATT: We have had amounts throughout the whole range of scale across the 0 to 2 million.

LEWIS: What's attracting them though because it's not a very competitive rate, is it? 1.5% now and you can get more than 3% on some similar accounts.

PLATT: We've noticed this increase in large deposits primarily since November. I think that there has obviously been continued financial instability across the globe and also at the same time we have seen investors in NS&I's products generally not taking money out of our products. So we've seen two things: larger deposits in since November and fewer people redeeming their investments.

LEWIS: An alternative though would have been to put to put a cap on it, wouldn't it -to say £2 million is far too much; we're going to cap it at, say, £100,000? That would have stopped a lot of these big depositors.

PLATT: The change involved in moving the cap on a product with existing customers who hold more than that amount is a very longwinded process. Changing interest rates is a much quicker response to a particular issue.

LEWIS: Yes I can see it's easier, but it's not terribly fair, is it, on the people with more modest amounts - £100,000, maybe just £85,000 that you can put anywhere - who might be happy to earn 1.75% but are now being penalised because a few very wealthy people are using your savings as a safe haven.

PLATT: Looking at the interest rate of 1.5% still compares favourably within the

instant access account market and we believe is still a fair rate for savers.

LEWIS: Jane Platt of National Savings. And just time to tell you some good news for the 2 million people who still haven't filed their self-assessment tax returns online. Sally?

ABRAHAMS: The Revenue has announced a two day extension. As long as the return is filed online by midnight on Thursday February 2nd, there'll be no £100 fine and no interest will be charged on tax due provided it arrives by the same extent. The extension is because staff at HMRC call centres are striking on the original deadline date, Tuesday 31st.

LEWIS: Thanks for that, Sally. Must get mine done. But that's it for today. More as ever on our website: bbc.co.uk/moneybox. Lots to do there - comment on any of the items: moneybox@bbc.co.uk. Vincent Duggleby's here on Wednesday with Money Box Live taking your questions this week on renting and letting. I'm back with Money Box next weekend. Today reporters Bob Howard, Sally Abrahams, producer Lesley McAlpine. I'm Paul Lewis.