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MONEY BOX

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LEWIS: Hello. In today's programme, another blow to good company pension schemes as three top firms take the axe to their final salary promises. Samantha Washington's with me today talking to car accident victims.

WASHINGTON: Hearing about some high pressure tactics used by insurance companies to get them to settle.

HORTON: Having been made a victim once, you may be made into a victim twice by then being approached when you're not really equipped to deal with it.

LEWIS: New rules to regulate the way some firms buy homes off people in mortgage arrears and then rent them back. And are thousands of people losing out on thousands of pounds when their spouse or civil partner dies?

But, first, three more major company pension schemes have been downgraded this week. Barclays announced it would take the huge step of closing its final salary pension scheme to 18,000 *existing* members of staff, putting them into a scheme where the amount of their pension was not guaranteed. BP is taking the more common step of closing its final salary scheme to *new* members of staff. And Morrison supermarket is downgrading its scheme, so that pensions in future will be related to average rather than final salary. That will cut the pensions paid to thousands of active members. Well with me is Joanne Segars, Chief

Executive of the National Association of Pension Funds. Joanne Segars, three blows this week to final salary pensions. We've talked before about the future of this kind of pension. Is the end really now in sight?

SEGARS: Well I think there's no doubt that it's been a tough few years for defined benefit pension schemes, and we've seen that very clearly this week. I think it is also important to remember that whilst these employers and others like them have changed their pension provision, they still remain committed to good pension provision. They're providing pensions in a different form, but they remain committed to good pension provision and there's lots of good pension provision going on. One little known fact is that there are over 2,000 defined benefit schemes still open.

LEWIS: These are salary related schemes?

SEGARS: Salary related schemes, that's right.

LEWIS: Yes I mean 2,000, and that sounds a lot, but only 4 of the top 100 companies has such a scheme and they're the big employers, aren't they?

SEGARS: Well and I think the changes that we've seen reflect the fact that the cost of providing these schemes has increased significantly. No less an authority than the Pensions Commission, which the Government set up a few years ago, estimated that the costs of providing schemes have doubled since many of these schemes were set up.

LEWIS: And is that because we're living longer?

SEGARS: It's in part because we're living longer, yes. I mean you know in 1950 when many of these schemes were being set up, a man retiring at age 65 would expect to live for 10 years. A man retiring at 65 now will live for, on average, 20 years. So longevity is one reason, but the cost of regulation and the cost of providing these schemes is another.

LEWIS: Listening to that in Nottingham is independent Pensions Consultant John Ralfe.

John, Joanne was saying there that the schemes are still good when they move away from the salary related schemes. You've been doing some figures on the Barclays scheme where they're now moving these 18,000 people. What difference will it make to them?

RALFE: Well I mean Joanne is right that we shouldn't exaggerate. Companies are still providing pension schemes, but the sort of pension schemes that they're now tending to provide, as you've said Paul, are ones where you're not guaranteed a particular level of pension. They're ones where you take whatever you have in your pension pot and you go to a third party provider and buy an annuity.

LEWIS: So the risk is being moved from the employer who guarantees the amount to you who has to get what you can on the market?

RALFE: That's absolutely right. So the new form of pension is effectively a glorified saving system. And I'm not knocking that, but it's fundamentally different from the traditional pension where you know as the individual how much you will get when you retire until you die.

LEWIS: And what about the Barclays scheme? They have this Afterwork scheme, which puts quite a lot into your pension pot, doesn't it?

RALFE: Yes, the Barclays' Afterwork scheme is you know on the scale of things relatively generous, and that would probably give somebody who joins age 20, works till age 60 and has 40 years employment, that would probably give them something like a third of their average salary. That compares, however, with the traditional defined benefit arrangement where you would expect to get two thirds if you work for 40 years.

LEWIS: Yes and that is quite generous because typically when companies move from a salary related pension to what's called a money purchase, a pension pot scheme, they cut their contributions back enormously, don't they?

RALFE: Well that's right. And the trouble is whatever else you say, if you don't put enough in, you don't get enough out, and the danger is that I think that's what's going to happen.

LEWIS: Joanne Segars, we've had a number of emails already this morning about this from people saying, 'I took my job… - this is not from Barclays but from other companies that are closing their schemes - 'I took my job on the promise of this pension that when I did retire, I'd get a decent pension. Now they've changed it and that's breaking a promise they made to me when I took the job'.

SEGARS: Well I think if we roll the clock back and look at this perhaps from the employers' perspective, they will say we set this scheme up under a certain range of rules. The Government or successive governments have added to those rules. That's added to the costs. As I mentioned earlier, we're all now living longer, so the cost of providing those schemes has increased and employers do have to look at the cost of providing those schemes …

LEWIS: Sure.

SEGARS: … not just for the scheme members but for the employees across the piece.

LEWIS: That's fair enough, but Barclays made £6 billion last year. I mean it isn't a bank that's lost money. It made a big profit.

SEGARS: And I think you know Barclays is providing a good pension scheme. The company is paying 20% contributions into the new pension scheme that John Ralfe just talked about.

LEWIS: Which is two or three times what many of them …

SEGARS: *(over)* That's not an insignificant amount. So it is an employer that does remain committed to very good pension provision.

LEWIS: And John Ralfe, looking at the whole pension system in the UK, do you think this kind of salary related scheme is really going to disappear? I know we've talked about this before, but three more blows this week.

RALFE: I mean there's absolutely no question that we're seeing the long, slow death of the traditional defined benefit pension scheme. And you can say that's a good thing, a bad thing or a neutral thing, but just simply as a matter of fact it's on its way out.

LEWIS: Joanne looks as if she's going to disagree.

SEGARS: Well no, I'm not going to disagree. What I'm going to say is, look, we've got a new Secretary of State for Work and Pensions coming in …

LEWIS: As of yesterday.

SEGARS: As of yesterday. One of the things that's got to be at the top of her 'to do' list is helping pension schemes and helping employers provide in those schemes.

RALFE: Not that I want to disagree with Joanne, but I wouldn't place so much emphasis on the role of the Government. I don't think it is down to regulation.

SEGARS: But the Government can do a lot to help employers.

LEWIS: I'm going to have to bring you both to a halt there. Joanne Segars, thanks, and John Ralfe. And a message for Yvette Cooper, the new Secretary of State, there.

Now insurance companies are being accused of putting pressure on innocent victims of traffic accidents to get them to settle claims before they get legal or medical advice. A former insider has told Money Box he doorstepped people within hours of the accident, and a leading crash victim charity is calling for regulation to be tightened to stop the practice. Samantha Washington reports.

WASHINGTON: Kimberly Harrison was involved in an accident last year when another car ploughed head on into hers. It left her with serious injuries.

HARRISON: This is a photo taken before my accident. My nose is obviously longer and thinner there; it’s more defined. At the impact of the accident, it made the bone actually just split and I think it just completely … *(fades)*

WASHINGTON: From the day she got home from hospital, she was taken aback by the persistence of the insurers of the other driver.

HARRISON: He was really forceful. He was like a bully. He was really trying to push me to close a deal. And it got a lot worse actually. About a month ago someone from this insurance company had been trying to get hold of all my medical reports and they were posing as my legal secretary actually and *got* all my medical reports, which I felt was really quite intrusive and invasive. And when you think about it, I’ve been the victim through all of this. It just seems quite shocking that the insurance people are going to treat people like this.

WASHINGTON: Well despite the frequent calls in that first week, she declined the offer put forward and instructed a solicitor. What happened to Kimberley was an attempt at what’s known in the trade as ‘third party capture’. It’s where the insurer of the person who caused the accident tries to get the person injured to settle directly with them. Most approaches by the insurer aren’t as insistent as what happened to Kimberley, but when we managed to track down an insider, a former agent of the insurer Kimberley dealt with - Quinn Direct - he said this type of approach is normal. This is former claims handler at Quinn, Tommy Scott.

SCOTT: What we were told to do was “Jump in your car and get out and doorstep them”.

WASHINGTON: And that could be how soon?

SCOTT: That could be within you know two, three hours after the accident. I mean literally you could still see some of the third party drivers still physically shaking from the accident. I would be there to try and make out that you’re here to help them, but in reality you know we’re just trying to settle them as quickly as possible. You would try and settle them and not through a solicitor or indeed having any medical advice. You don’t take no for an answer. Close the claim and then move on.

WASHINGTON: He left the company one and a half years ago when he says the practices seemed to be getting more heavy-handed - though, he says, he was well compensated for it.

SCOTT: As it got more aggressive, the third party capture, the bonus schemes came into place, so my job was keep the costs really, really low and also you know try to not get legal fees paid out. So the little that I paid out to a client, then the better it was for me to have my bonuses.

WASHINGTON: Well Quinn Direct denies Tommy's account. It says it has a "proactive" approach based on getting "fair" compensation to claimants quickly. The company also says it "completely respects the person's choice to appoint a solicitor". The insurer tells us it's investigating the claims about Kimberley's medical reports. But this isn't just about Quinn. Solicitor groups say that insurers pressuring crash victims to settle directly is becoming widespread and that most household names now have departments dedicated to it. John Spencer is Chairman of the Motor Accident Solicitors' Society - or MASS - and says that the third party can often get left short changed.

SPENCER: The practices vary enormously, but it is things like unsolicited contact over the telephone, unsolicited visits, minors under 18 being contacted, making offers without medical evidence, seeking to make offers which are under the value of the claim involved. I have an example. An offer was made by the insurer of £15,000. The victim eventually sought legal advice. The claim was settled for £44,000.

WASHINGTON: Well it isn't surprising that lawyers and insurers should have a bun fight about this, but a leading road safety charity, Brake, is also worried. Its spokesperson Jane Horton says insurers shouldn't approach their parties directly.

HORTON: It's very difficult to see how it can be in the interest of that vulnerable individual to be approached by an insurer to try and settle a claim speedily. It's as if having been made a victim once by being involved in a road crash through absolutely no fault of your own, you may be made into a victim twice by then being approached when you're not really equipped to deal with it.

WASHINGTON: Now industry regulation says that customers have to be treated fairly, but because third parties are not customers, the customer is the driver who caused the accident, victims are not covered by the rules. The watchdog, the Financial Services Authority, says it's aware of the concerns and is looking into it. But while insurers aren't doing anything wrong in terms of what the rules say, Kimberley says people need to be on their guard.

HARRISON: They shouldn't be phoning you up like that. It's just not right. Don't let a third party insurer push you into anything. The chances are they're just covering their back because they're worried about what the potential outcome might be.

LEWIS: Kimberley Harrison ending Sam Washington's story. Well live now to talk to Justin Jacobs. He's Associate Director of Motor Insurance at the Association of British Insurers. Justin Jacobs, is it ever appropriate for a company to turn up on the doorstep of an accident victim waving a chequebook?

JACOBS: Well I think there are two distinct issues here. First of all, some very serious allegations have been made against one specific insurer and I'm sure they will want to investigate them carefully.

LEWIS: *(over)* And I have to say they have denied them. That's very clear.

JACOBS: That's right. And then there is the general practice and the general approach of how we look after people who've been injured by our customers. And I think what is going on here is that where insurers find out that one of their customers has run into another car or injured someone, they want to get in contact with the injured person. They want to say, "We know our customer was at fault. We want to find out if you need any physiotherapy or care. We want to find out if you need us to help you repair your vehicle or provide you with a hire car while your vehicle's being repaired". They want to find out if they can offer them financial compensation to help them, and I think that's the right thing to be doing.

LEWIS: Well it all sounds, it all sounds very good, but it can't be right, can it? It can't be right to make an offer before anyone has had the chance to get medical or legal advice within hours or even days of an accident. You don't know the long-term effects. So really you're trying to save money - that's the allegation - by doing it quickly before people get proper advice.

JACOBS: No, I think again there's two separate issues there. What insurers want to do is to pay fair compensation and provide quick care and compensation.

LEWIS: Well they want to pay as little as possible, don't they?

JACOBS: No. We've done some research into over 100,000 motor claims and what that clearly shows is that it makes no difference to your compensation whether or not you have legal advice. So what insurers are doing is paying the right compensation quickly without requiring claimants to go through the legal process …

LEWIS: Now we know …

JACOBS: And to be honest, if I may, I think I'd expect criticism the other way. I would expect you to be criticising if what insurers were saying is "We won't pay you money *unless* you drag us through the courts". Here they're doing the opposite. They're holding up their hand and they're paying quick care and compensation to injured people.

LEWIS: Well you say "care and compensation". We heard an example given in that story of somebody who was offered £15,000, eventually got £44,000. Surely the important thing is that victims are properly represented and advised? Then they can negotiate from a position of strength with you.

JACOBS: I can't comment on specific cases because I obviously don't have the details, but I do know that across 100,000 claims it made no difference whether or not lawyers were involved. And I think the important thing is that if the claimant says they want legal advice, then of course they should be entitled to get it, and I know that insurers do make sure that claimants know that they can get independent legal advice if they want it.

LEWIS: So you'll always make sure of that. Justin Jacobs from the ABI, thanks. And you can let us know your views on how victims are treated through Have Your Say - many of you are already - bbc.co.uk/moneybox. And answering questions on insurance on Money Box Live, Wednesday at 3.

Thousands of widowed husbands, wives and civil partners may be losing bereavement benefits worth thousands of pounds if there's an inquest into their spouse's death. Many people don't know about these benefits, and some coroners who are responsible for investigating all unexpected deaths are not giving them the information. That can delay the claim until it's too late. Money Box listener Ian has campaigned for every coroner to provide this information after he was not told about bereavement benefits when his wife died in a road accident.

IAN: Initially all you get from the coroner is an interim certificate of the fact of death and a letter, which basically tells you that an inquest will take place in due course. I didn't receive anything else after that until the inquest occurred when I was told to go to the registrar, and this was some 10 months after Claire's death. At the registrar's, they gave me a booklet called 'What To Do After A Death In England and Wales', which runs to 70 pages, and it struck me immediately that I should have had this within a few days of Claire's death, so that I knew how to sort out about bereavement benefits and matters like that.

LEWIS: You got this information late, so you did then claim your benefits. What disadvantage did you suffer?

IAN: Widowed Parent's Allowance can only be backdated by 3 months, so I've missed 6 months payments of that and also something called the Bereavement Payment. I did get that, but if the inquest had lasted beyond 12 months I wouldn't have been able to claim that at all.

LEWIS: And how much did you lose as a result?

IAN: I think it came to about £2,300.

LEWIS: That was on the Widowed Parent's Allowance?

IAN: That's right.

LEWIS: And the Bereavement Payment, you did get that but rather late - after you needed it, presumably. How much is that?

IAN: That's £2,000.

LEWIS: Have you any idea of the scale of the problem, how many other people might be missing out as a result of these shortcomings?

IAN: I've made requests under Freedom of Information to the Department of Work and Pensions, but they don't gather the data and they have no idea. There's some 30,000 people a year face a full coroner's inquest, so a percentage of those 30,000 are presumably a bit like me.

LEWIS: Have you tried to get coroners to take some action?

IAN: The Coroners Society have circulated all coroners and told them that they could issue the booklet. There are some coroners who are very good and do hand it out, but many coroners, because they're so busy and understaffed and under resourced, don't seem to have acted upon the advice they've been given.

LEWIS: One man's campaign. Well Kate Green is Chief Executive of the Child Poverty Action Group.

GREEN: This is not untypical in the benefits and tax credit system. There are often time limits beyond which it's not possible to backdate claims. It can vary from anything from perhaps 3 months to make a claim to even as long as 12 months in the case of some bereavement benefits. But clearly first of all to make a claim on time, you have to know you've got an entitlement; and of course at the time of an unexpected death, it's really important that systems are in place to make sure that you know that there are certain things you can and should do and that there are time limits in which you must.

LEWIS: And I suppose many people don’t know that if you do lose your husband or wife, there are benefits you can get even if you’re working? These are not means tested benefits. They’re benefits your late spouse has paid for through their national insurance contributions.

GREEN: I know and that’s particularly likely perhaps for families which are perhaps not used to claiming benefits. These are often people of working age, so you might not think you’re entitled to them unless you’re out of work. So it is very important that extra financial help that people ought to be getting at the time of a bereavement is something that they know about.

LEWIS: Now of course the coroners say that they don’t have a huge administrative infrastructure. Their main concern obviously is establishing the cause of a death and that’s a very important task. They just don’t have the administrative resources to make sure people get benefits that after all are not paid by them, they’re paid by the Department for Work and Pensions.

GREEN: If people are coming into contact with that service, then they should be at least signposted to sources of information and advice about financial entitlement.

LEWIS: So really you think the coroners, the Department for Work and Pensions should get together and make sure this information is always available to all bereaved people shortly after the death?

GREEN: I think what we really need is a joined up way to make sure that information is given to individuals and families. We’re seeing a bit of that now going on, but I think government needs to be much more proactive to make sure that people understand and get their rights.

LEWIS: Kate Green of CPAG. Well there was literally no minister to talk to us. The

Department of Work and Pensions says there's information on bereavement benefits at hospitals, Citizen's Advice and the Directgov website. Links to those on our website.

New rules start on July 1st to regulate what's called sale and rent back. These schemes are marketed to people facing repossession. They sell their home at a discount to a landlord who then lets them stay on as tenants. But many people have found it gives them anything but peace of mind. When Money Box raised this issue some time ago, we heard from one homeowner who'd accepted an offer of barely two thirds the value of his home but on the promise he could stay there as a tenant. He paid a year's rent, but then got an eviction notice.

HOMEOWNER: They said, "No problem at all. You can rent it back for as long as you like". They're saying that that notice of possession is just normal practice and to take no notice of it. Well how can I ignore it?

LEWIS: It was cases like that which led to action by the Financial Services Authority. Interim regulations will start in July, with a final scheme promised in a year's time. The FSA's Head of Mortgage Policy, Ed Harley, explains.

HARLEY: What our rules will do is make sure that when people are entering into this transaction that the terms of the arrangement are clear, so that will include the price of the property, the valuation, who's done the valuation, the discount, and crucially the nature of the arrangement for staying within the property.

LEWIS: If someone is engaged in this and they have got authorisation from you and they use a valuer that is associated with them and the valuation may not be accurate, the discount is big, the security of tenure's only 6 months - as long as all that is made clear to the customer, that will be a lawful activity?

HARLEY: Essentially yes. If they meet with our rules around disclosure and the other more detailed conduct of business rules that we're introducing, then that will meet our requirements. But, as I say, the agreement will have to be very, very clear that those are the terms in which it was agreed.

LEWIS: So you won't be insisting on an independent valuation? That won't be in your rules?

HARLEY: What we thought we should do instead of imposing the extra costs of an independent valuation on people who are already short of money is just ensure that it's clear who has undertaken the valuation and what the valuation is.

LEWIS: Now your research found that most people who did sale and rent back thought they had more than 5 years security of tenure; whereas in fact, as we know, they have between 6 and 12 months. Are you going to impose any restrictions on that?

HARLEY: How we've dealt with that is making sure that the transactions again are absolutely clear what the arrangements are.

LEWIS: But we know what's happened in the past; that people have said with a sort of wink and a nod, "Well of course you can stay there as long as you pay the rent", but then given them a contract, a short hold tenancy of 6 or 12 months. How will you stop those wrong verbal assurances being given alongside a perfectly clear document that says 12 months?

HARLEY: We're going to require these transactions to be recorded, so there should be a clear record of what was agreed between the two parties.

LEWIS: Ed Harley of the FSA. Peter Tutton is Policy Officer at Citizen's Advice. He's campaigned hard to get sale and rent back schemes regulated. So what does he think of the scheme?

TUTTON: We're very pleased that sale and rent back is being brought into statutory regulation. To give some protection in there and some standards in this industry was important and they've done that, so that we welcome.

LEWIS: Do you think there should be a specific rule on the security of tenure; that, for example, if you pay the rent, you can carry on living there for as long as you like?

TUTTON: People want to stay in their homes and that's what they're being sold. So, yes, as long as people are paying their rent and applying with the tenancies, they should be able to stay there.

LEWIS: And what about the question of valuation and the discount because we've seen those problems about whether a property's properly valued, and then even off that value there is a huge discount for the cash sale to the sale and rent back company? Do you think there should be any limits on that?

TUTTON: I can understand why the FSA haven't regulated this very tightly because there's the discount and then there's the rent element and how the things all fit together could be quite complicated. Before people are giving a big discount up, they should be told about other options - is this the only deal in town, can you do something else to deal with your debt problems or release equity that may be cheaper or may be better for you? So I think it would be difficult to regulate the discount, but it may need to regulate other things like advice on what people are told.

LEWIS: Peter Tutton of Citizen's Advice.

Well that's it for today. You can find out more from the BBC Action Line - 0800 044 044 - and of course our website, bbc.co.uk/moneybox, where you can do all sorts of exciting things, including watch me choking on breakfast this morning. Sign up to the weekly newsletter, now working again; download a podcast; listen again; have your say on insurance companies trying to get accident victims to settle. And, goodness me, many of you are - some making the point that if insurers didn't do this, we'd all pay more on our premiums. I'm back on Wednesday with Money Box Live, this week taking your questions on insurance. Back again with Money Box next weekend. Today the reporter was Samantha Washington, the producer Bob Howard, and I'm Paul Lewis.