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## **MONEY BOX**

**Presenter: PAUL LEWIS**

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**LEWIS:** Hello. In today's programme, Crown Currency Exchange went into administration this week just two days after we revealed its bank account had been frozen. Today we expose the marketing techniques that misled some customers. Money Box understands that Consumer Focus and other consumer bodies will be scrapped or merged under plans to be revealed in the next two weeks. Why do so many of us complain about our bank, but so few of us move our account? And bankers themselves go to court to challenge new rules that will make it easier for customers to get compensation if they've been mis-sold Payment Protection Insurance.

But first, the collapsed foreign currency firm Crown Currency Exchange, which has been in administration since Monday, had been tempting customers with misleading and unsustainable offers for at least a year, we've learnt. Since we broke the story last weekend that Barclays had frozen Crown Currency's bank account, the company has been put into administration; and it's been revealed that thousands of customers are owed millions of pounds. The average loss is about £1500, but some have lost much more as Bob Howard's found out.

**HOWARD:** Paul, Crown Currency Exchange consistently topped the best buy tables for foreign cash. It was unique in that it allowed you to buy your cash online up to a year in advance. The deals were so good that some industry insiders have told Money Box the rates they offered were sometimes better than banks could get themselves. At

first it was believed the biggest sums lost would be in the low thousands, but Louisa from Somerset exchanged money with the firm in order to buy a house in Italy. Last month Louisa and her husband paid the firm £110,000 to change into euros. The exchange rate was so good they estimated they would get 10,000 euros more than if they'd changed the money on the high street. They didn't believe their money was at any sort of risk.

**LOUISA:** We've actually used them in the past for our holiday money ourselves, so we knew they'd been around for a while. And we looked at Money Saving Expert and Which? They were on there. The estate agent that we were using in Italy was aware of them and had used them before. We sent them over a total of £110,000, expecting to have it returned to us in euros in about a month's time. So we're desperate I think is a fair comment at the moment.

**HOWARD:** Now in Louisa's case, she approached Crown, but this week it became clear that the firm was also proactively contacting past customers to entice them into parting with their cash right up to the moment when it collapsed. Now Crown said they had contracts for other customers which had been cancelled, so in order to unload this unwanted cash they could offer them a fantastic exchange rate. Joe was one of those who was tempted by the offer and paid £1500 to buy euros last month.

**JOE:** Most of us consumers believed that they'd bought the currency earlier and for whatever reason they hadn't sold all of the currency and they needed to release the foreign currency into sterling. We were buying currency they actually already had. I mean the fact that they were listing amounts of each particular currency and saying it was only "while stocks last" led us to believe that they were actually in possession of that currency and is certainly what is implied by the emails that were being received.

**LEWIS:** So, Bob, how long had this sales technique been going on?

**HOWARD:** Well Paul, I've been speaking this week to somebody who was employed by Crown 2 years ago. He told me if sales had been poor for a particular week, they'd be told a whole lot of these cancelled contracts had suddenly come in. I asked him if

he believed these cancelled contracts were effectively a marketing tool. He said he didn't know, but he suspected that was the case.

**LEWIS:** And did anyone else have serious concerns about how Crown Currency Exchange was operating?

**HOWARD:** Well they did, Paul, and this will be frustrating for those whose money is missing. Alistair Blair is an economist for the Investors Chronicle. He wrote about the firm a year ago. He had decided to check up about it, using information publicly available at Companies House, and what he discovered made him very worried indeed.

**BLAIR:** I found to my horror that the company had a deficiency of net assets of about £300,000 based on the accounts I was looking at, which basically means that it was only in business by dint of borrowing £300,000 from its customers. And when you're in a business which involves taking cash from the public but you're short of cash yourself, you either need to be extremely careful indeed about safeguarding the public's cash - i.e. keeping it in a separate account and separate from your own cash at all times - or the customers should be seriously worried about the business.

**HOWARD:** Well we've been trying to reach the sole remaining director of Crown Currency Exchange, Peter Benstead, all week to put these points to him, but we've been unable to. But Paul, I did speak to Edward James who was Mr Benstead's Co-Director until December last year. He said he was "distraught" over the collapse, but he believed the firm had had sufficient capital. He told me they'd discussed keeping client money in separate accounts, but admitted they hadn't actually done so. He said he had no idea where the money had gone, but the directors had not taken out substantial sums.

**LEWIS:** Thanks Bob. Paul Clark is one of the joint administrators of Crown Currency. I asked him what the latest figures were for those who'd lost out and what assets were left.

**CLARK:** There are approximately 13,000 members of the public that are involved and the total amount that they appear to be owed is around £20 million. The assets of the company (of which we're already aware\_ are some £3 million in total, although we are investigating various other areas to see if that number can be swelled.

**LEWIS:** So people are going to get very little in perhaps 6 months time. Is that a fair summary?

**CLARK:** That's not a bad starting point to say that there's unlikely to be any payments until say 6 months time, and at the moment the indications are it would be very little.

**LEWIS:** We've heard from an ex-employee that one of the techniques the company used to sell currency was to ring up past customers and say, "Ooh we've just had a big cancelled order of euros. We've got a lot of euros floating about. Would you like to buy them at a very cheap rate?" Have you found any evidence of that in your investigations?

**CLARK:** Yes, we certainly have. There's a number of occurrences where we believe that customers were told that the currency that they were to receive at some future date was from somebody else's cancelled order. As far as we can tell, the company throughout its 5 years or so existence has never actually had any forward orders of currency. Nor has it had many, if any, cancellations because of course people pay for their currency in advance and therefore the currency would be delivered on the due date.

**LEWIS:** The question of course that many people are asking us is: where has this £17 million - the difference between the assets and the debts - gone? Have you any clue about that at the moment?

**CLARK:** When one thinks that this time last year the company had a negative balance sheet of £300,000 - if one just takes the £17 million as the deficiency today, on the face of it that would indicate that the company had made a £17 million loss in

one way or another during the last year or so. That to me is a very large number.

**LEWIS:** As far as you're aware, is there anywhere that the people who've lost money can go for compensation?

**CLARK:** We have had a large dialogue with a number of customers as to the potential avenues to include compensation schemes offered by the FSA - travel insurance and the like. It's unfortunately the case that we don't believe that there is any compensation available to any of the customers.

**LEWIS:** Administrator Paul Clark. Robin Haynes is the Managing Director of Currency Index, which specialises in currency exchange and transfer. He's with me now. Robin Haynes, you were worried about Crown Currency Exchange quite a few months ago. Why was that?

**HAYNES:** Yes, we were. We basically have been worried about them for quite some period of time - mainly because of the exchange rates that they were offering, which were much better than the banks or even George Soros would ever dream of achieving if he was buying currency.

**LEWIS:** So this relatively small company was offering rates that the big banks couldn't get?

**HAYNES:** That's correct, yes. They were above what's called the mid-market or wholesale rate.

**LEWIS:** So selling currency for a loss?

**HAYNES:** Yes, it would appear so on the face of it.

**LEWIS:** What action did you take?

**HAYNES:** We reported this suspicious behaviour to the FSA and also to HMRC and to Barclays who were Crown's bankers and also happened to be our bankers as well. Unfortunately, because Crown Currency were only registered as what's called a small payments institution, the FSA didn't actually have any powers to ensure that they were holding client monies separately and safely as they do with larger companies.

**LEWIS:** Yes, I think the turnover is, what, 3 million euros a month?

**HAYNES:** That's right, yes.

**LEWIS:** And they were saying they were below that and, therefore, they could only be registered. And that means basically you check if the directors are known criminals, but apart from that the FSA doesn't do very much.

**HAYNES:** That's right, yes.

**LEWIS:** What's the difference with a bigger company like your own?

**HAYNES:** Well with what's called an authorised payment institution, which turns over more than 3 million euros per month, we actually have a legal obligation to hold all client monies separately from the business assets and to have a certain amount of capital within the business, which means that if we were to stop trading for any reason, we could still pay our bills; and also of course, because we don't take part in any speculation and orders are just done at the time, there's no risk of losses being run up.

**LEWIS:** No, so clients money would be safe with an authorised firm.

**HAYNES:** That's right.

**LEWIS:** Do you think then that the law should be changed, the rules should be changed?

**HAYNES:** Yes. Well really this comes down to HM Treasury who tell the FSA who to regulate and how to regulate them, and I think there's certainly a regulation gap that's been exposed here in the smaller payments institutions and it's down to the Treasury to make that change.

**LEWIS:** Yes. It has been suggested to the Treasury, of course, and we've mentioned it to them, and they say this was an "exceptional case. It would not be appropriate to act on the strength of one firm getting into difficulties." From the look on your face, you think that's not much of a reason.

**HAYNES:** Well I think it's a bit insensitive of them to say that so quickly after the collapse and after so many people have lost money, and I think they should at least have a review and look at it.

**LEWIS:** And what about people out there who are fortunate enough not to have lost money now but do want to get their money online? How can they check that the company they're using is authorised?

**HAYNES:** Well the easiest way is to go to the FSA website and check on the FSA register and check that the company they're dealing with is registered as an authorised payment institution. Or of course, if they're still worried, to buy their currency face to face where they're getting the cash straightaway.

**LEWIS:** So authorised rather than registered. Robin Haynes, thank you very much for talking to us.

**HAYNES:** Thank you.

**LEWIS:** Money Box has learned that the publicly funded body Consumer Focus is set to be scrapped as part of a major shake-up of consumer protection. We understand also that the Office of Fair Trading, which took the high profile case against the overdraft charges on current accounts, is also to go. Parts of it will be absorbed into

the Competition Commission, but its consumer activities - including pursuing companies through the courts - will largely be taken over by the 167 local trading standards offices paid for by local councils. We also expect that Consumer Direct, the national number you ring if you want consumer advice, will be moved to Citizens Advice. The official announcement is expected in the next couple of weeks - probably before the spending review on 20<sup>th</sup> October. This is part of the public body's review, the government's plan to get rid of hundreds of what we used to call quangos. Well with me is Mick McAteer first, the Founder and Director of the Financial Inclusion Centre. Mick, none of these changes has been announced by the government. It's refusing to comment on this. A lot of people I spoke to yesterday though confirmed the general thrust of it. If it happens, will it matter for consumers?

**McATEER:** Yes, I think it very much will. Let me first say that there's a lot going on in the whole regulation area and there's a lot of reforms underway, and some of those will be quite positive for consumers. For example the setting up of the new Consumer Protection and Markets Authority, I think will ...

**LEWIS:** That will replace the Financial Services Authority?

**McATEER:** That will replace the FSA, absolutely, and I think that will actually bring a much more focused consumer protection regime which I think will benefit consumers in the long-run. But if your sources are right and the speculation's right about the abolition of Consumer Focus, for example, then you know that raises a number of grave concerns really. Because it's very simple: I mean just because you abolish your organisation, it doesn't mean you abolish the need. You know I think that's a crucial fact to remember. I mean you'll end up with sort of false economies or else you'll end up with consumers not being protected. And the critical factor here is that it's not as if the consumer interest is actually over-represented in financial services. I mean I can think of eight trade associations off the top of my head who spend a lot of time lobbying government and lobbying the FSA to actually change the law for the benefit of their companies against the interests of consumers. I think the financial service industry spends about £100 million a year on PR and so on. So again I think if you take away one of the main bodies whose task is to represent consumers,



I think you will actually undermine consumer protection. And the other thing, if I can make a quick point ...

**LEWIS:** Briefly if you would.

**McATEER:** ... you know it's bit of a myth here that Consumer Focus does the same job as Which?, for example. They do very, very different things. Consumer Focus has a very strong brief to look after the vulnerable consumers and our regulatory system is more or less geared up to protect the interests of Middle England, not the most vulnerable in society.

**LEWIS:** Okay. Well also with us is Matthew Sinclair, Director of the Taxpayers' Alliance, which says it opposes all tax rises and criticises what it calls "wasteful spending". Matthew Sinclair, you've written to government saying scrap Consumer Focus. So if this is true, it'll be good news for you?

**SINCLAIR:** Absolutely. It'll mean that ...

**LEWIS:** Why?

**SINCLAIR:** I think that it's really vital that we look at where quangos are essential, where they are fulfilling functions that can be best fulfilled within the public sector, and where we can start to cut back. And I think that one of the areas, one of those quangos that can be cut is Consumer Focus. I think its independence is compromised by being an agency government funded. I think that it does fulfil a function which is replicated in the private sector. It may focus on different issues now, but simply it's like a huge range of other bodies. If you have a government agency wading in there with millions of pounds of public support, you will crowd out private sector provision and that's clearly what's happened in this case.

**McATEER:** Can I come back on this?

**LEWIS:** Well very briefly, Mick.

**McATEER:** Speaking as someone who actually worked for Which? for 13 years, I know very well the difference between what Which? does and ...

**SINCLAIR:** *(over)* Mick, there are differences. It's not the fact ...

**McATEER:** *(over)* Hang on a second. Just be quiet for a moment.

**SINCLAIR:** No, sorry ...

**McATEER:** *(over)* Listen, the important thing is the financial services sector costs British consumers between 7 and 10 billion pounds a year in consumer detriment. What the government spends on Consumer Focus is a drop in the ocean compared to that detriment.

**LEWIS:** Mick McAteer, thanks. But we also are fortunate to have in the studio with us Mike O'Connor who is Chief Executive of Consumer Focus. Mike O'Connor, are you going to be scrapped in a week or two?

**O'CONNOR:** The government has to take its decision and they are facing a very difficult situation and we wait to see what they've got to say.

**LEWIS:** It's pretty clear though. I mean we have heard that you know you've warned your staff that they are going to lose their jobs.

**O'CONNOR:** Well government are going to have to make their own decisions. We cost the taxpayer in our core grant about £6 million a year. Just last week we won a return to consumers of over £70 million from the energy companies 3 months ago because ...

**LEWIS:** This was Npower that was forced to refund overcharged gas bills to people?

**O'CONNOR:** And 3 months through our super complaint, we changed the ISA rules so savers will get an extra £15 million a year. Nobody else could have done that because parliament has given us powers to demand information from private companies, and if that goes that will be a great loss to consumers. But I recognise that we think there should be a merger of consumer bodies. We've had some great success, but there are huge challenges coming up with changes in the postal market, in the energy market, and consumers need a strong voice. So if they do get rid of us, they'll need to replicate it somewhere else. It won't necessarily lead to any savings.

**LEWIS:** No, but the Consumers' Association may be able to do that, Which?

**O'CONNOR:** Well the Consumers' Association do not have the powers which we do because we have a very vital power. We can make companies and regulators and government give us information because of the act which set us up. If they get rid of us, that doesn't mean anybody has those powers. So you may be asking people to do things without them having the power to achieve it for consumers.

**LEWIS:** And so Matthew Sinclair, they've got powers no-one else has; and if they go the companies won't be forced to give information, which is the heart of campaigning to get money back from consumers, isn't it?

**SINCLAIR:** If there is a need for regulation which requires companies to be open at certain points to certain groups, that can be done without having a standing government funded bureaucracy. I think that the real problem we have here is that Consumer Focus can't be an effective, independent voice for consumers at the same time as being a government agency. And there's a clear example in the energy market where you have this huge issue: Citigroup investment research worried about an affordability crisis in energy because government targets are set to double prices over the next decade, and yet Consumer Focus is entirely focused on market abuse, which it's never been able to convince Ofgem ...

**LEWIS:** *(over)* But they did get £70 million back from consumers using the powers they've got.

**SINCLAIR:** *(over)* But there's an assumption that that's the only way that this can happen. I think what happens is that because there is this government agency sat there, it doesn't get done by other bodies. But I think the reality is that this body is stepping in and it's not really representing consumers because it can't speak against government.

**O'CONNOR:** That's simply untrue.

**LEWIS:** Mike O'Connor.

**O'CONNOR:** Time and time again, we've opposed government policy ...

**SINCLAIR:** *(over)* I've seen you on this issue.

**O'CONNOR:** ... on the economy act, on the market, on energy. We have campaigned and we have made it clear. The issue of green taxes ...

**SINCLAIR:** *(over)* I have watched you ...

**O'CONNOR:** *(over)* You're simply untrue.

**SINCLAIR:** *(over)* I have watched your campaigns on these issues and it's always focused on the perceived market research and not on the massive role that government policy is playing in driving up energy prices.

**LEWIS:** *(over)* Mick, thirty seconds at the most.

**McATEER:** Look, I think the Taxpayers' Alliance has to get real on this issue. It is simply a myth that Consumer Focus duplicates the work that for example Which? does. And I'll give you another example. I go to Brussels quite often, which I pay for myself actually just in case this guy gets on my back, you know. And I'm outnumbered by about 20-1 by industry representatives. If you take away Consumer

Focus, you'll give the industry ...

**LEWIS:** *(over)* There'll be one fewer. Okay, well we are going to have to leave it there because we have to move on. There is another story, the reason that Mike O'Connor is here before we knew that his organisation was almost certainly going to be scrapped. He wanted to talk about bank accounts. That's their latest campaign, to get us to consider changing our current account, and we've only got about a minute to deal with it, Mike. You discovered people don't switch their bank accounts. Why are they afraid to move?

**O'CONNOR:** Part of it's inertia; part of it's happy with their bank account; sometimes it's fear that things will go wrong. And too many things go wrong and consumers work out best in a market which is competitive, and until we're prepared to vote with our feet we're not going to drive up standards of customer service from banks. So a) tell consumers shop around because not all banks are the same; and b) banks should cut down on the errors and be more transparent about their charges, so that people can choose the best bank for them.

**LEWIS:** And you advise people to vote with their feet: to change banks if they're not pleased but to stay with their bank if they are?

**O'CONNOR:** Yes. I mean banks ...

**LEWIS:** People could be staying because they're happy, couldn't they?

**O'CONNOR:** A lot of people are happy with their banks. But the Financial Ombudsman Service gets a million calls every year from people who are unhappy with their banks and we don't think there's enough pressure on banks to smarten up their act until people are prepared to vote with their feet.

**LEWIS:** Right, that's a message from Consumer Focus. You'll be hearing your fate in the next few days, I suspect. Mike O'Connor, thanks very much. Also thanks to Mick

McAteer from the Financial Inclusion Centre and Matthew Sinclair from the Taxpayers' Alliance.

New rules on the way that banks deal with complaints about Payment Protection Insurance (or PPI) are being challenged in the courts. The British Bankers' Association said yesterday that it had asked the High Court for a judicial review of the Financial Services Authority's new rules on PPI complaints. They were due to come into force on 1<sup>st</sup> December. The Financial Services Authority says it will fight the application and that firms will be expected to continue handling complaints during the court process and follow its new rules from 1<sup>st</sup> December. Now Payment Protection Insurance is supposed to cover payments due on debts if the holder can't work due to an accident or illness or if they're made redundant, but it has been widely mis-sold in the last 5 years and there have been more than a million complaints. We asked the British Bankers' Association onto Money Box to explain why it's decided to challenge these new rules in the courts, but a spokeswoman said no-one would come on following legal advice from its lawyers. Instead we got a statement.

**BRITISH BANKERS' ASSOCIATION STATEMENT:** We regret that we have had to file papers with the High Court asking for some decisions made by the Financial Services Authority and the Financial Ombudsman Service to be judicially reviewed. It has unfortunately been necessary to do this because there is insufficient legal clarity about what the FSA and the FOS is proposing in this area. Everyone's actions must be assessed on the basis of a proper understanding of the relevant law and regulation and this procedure will bring this about.

**LEWIS:** Well that was a statement from the British Bankers' Association. With me is Guy Anker, the News Editor of Moneysavingexpert.com, which has been leading the campaign really to get people to claim compensation for Payment Protection Insurance mis-selling. Guy Anker, just tell us briefly what the main problem with Payment Protection Insurance is? It sounds a good idea on the face of it.

**ANKER:** Hi Paul. Yes, I mean the product itself isn't necessarily bad. The problem is the mis-selling, and we've seen tale after tale unfortunately of consumers being mis-

sold. We've heard from bank staff who've explained the incredible pressure they're under to sell, and as a result we've had these million complaints. And incredibly 80% of people who make a complaint to the independent ombudsman win, which shows the scale of the problem.

**LEWIS:** So you think that shows that this is genuine mis-selling because they win?

**ANKER:** I mean there is so much evidence.

**LEWIS:** And what are the new rules due to come in force in December? If people are winning, it seems they may not need new rules.

**ANKER:** Possibly, but I mean the rules are ... There's various parts of them, but the key thing is that where banks or other lenders have issued compensation in the past, they must review sales where PPI was sold in a similar fashion.

**LEWIS:** Of course what the bankers say to us, the British Bankers' Association, is that this is like changing the speed limit on a road from 40 to 30 and then finding people who were going 40 a year ago. Is that a fair comment?

**ANKER:** Well I mean the British Bankers' Association are trying to defend the way that their members are selling, which is understandable - they're a trade body. But the evidence is damning in some cases.

**LEWIS:** So why do you think the BBA is trying to get them blocked? Just to get their members off the hook of mis-selling claims?

**ANKER:** Well if it goes through, we're talking billions of pounds that could be refunded. Some estimates say up to 3 million additional people may get compensation.

**LEWIS:** With the new rules?

**ANKER:** Indeed. They're obviously trying to protect their balance sheets.

**LEWIS:** So what's your response to their decision?

**ANKER:** It seems pretty desperate. It's understandable from their point of view, not that we agree with it. It's a bit like bank charges.

**LEWIS:** Well of course they won that case in court.

**ANKER:** They did. They won it on a legal technicality.

**LEWIS:** Well I think they dispute that. But anyway, they won it whatever the reason.

**ANKER:** It looks like they're going down a similar route again. Nowhere in that statement do they say we didn't mis-sell, we didn't do this. They're looking at the legal technicality again.

**LEWIS:** And what about cases already going through? How will it affect those?

**ANKER:** Well the good news for people who are complaining is a) the FSA says that firms must still abide by its rules until the legal process is over; and, secondly, the ombudsman will still hear complaints in exactly the same way.

**LEWIS:** Yes. And the BBA did say to me that banks would be using the new rules on the 1<sup>st</sup>, as they've got to. And just briefly, what's your advice to people who maybe haven't put in a complaint, but are hearing about this and are thinking of doing so?

**ANKER:** Well it's a call to action because if the banks win, this could end it. So get your complaint in as soon as possible.

**LEWIS:** Guy Anker from Money Saving Expert, thanks. And just time for a quick mention. You may or may not have had a very unwelcome letter through the post



today, or indeed it may have been a welcome one. The Revenue has started sending out 5.8 million letters to people saying they've overpaid or underpaid their tax. Three out of four will have overpaid and be getting a cheque; one out of four will have underpaid and be asked to pay more. It'll send out around 80,000 letters every day from now until Christmas. Let us know if you get one. Meanwhile that's about it for today. You can find out more from our website, [bbc.co.uk](http://bbc.co.uk), where you can sign up to my weekly newsletter, download a podcast, listen again to the programme, and of course have your say on Payment Protection Insurance, which I should have mentioned. And there's a link to this week's Panorama where my colleague Penny Haslam looks into pensions and the way they're sold. Vincent Duggleby's here on Wednesday with Money Box Live, this week taking your questions on self-assessment and tax. I'm back with Money Box next weekend. Today the reporter was Bob Howard, producer Monica Soriano. I'm Paul Lewis.