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The world's longest running investigative TV show

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The money trap

The Banking Code Standards Board is to investigate The Royal Bank of Scotland (RBS) after Panorama investigated debt-related suicides.

The programme heard from a whistleblower who broke the banking industry's code of silence.

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Panorama: The Money Trap was on BBC One on July 2 2006 .

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Story from BBC NEWS:

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WRM, Inverness

A friend is encountering the exact scenario from your programme. She had a business which closed with £30,000 of debt, 70% of which is to the Royal Bank of Scotland (RBS). The RBS Manager did not carry out annual business reviews but continually increased her credit limit. She lost her house, is in debt repayment and severe depression. She has nothing and her income goes toward the debt. If not in my house she would not be alive today. PLEASE can you help in cancelling her debt to RBS?

You do not say if your friend took out a secured loan and that is why she lost her home but it sounds like she could benefit from an in-depth advice session. If she has any income, the counsellor maybe able to work out a debt repayment plan or maybe she should consider bankruptcy or an individual voluntary arrangement. For more help your friend should contact CCCS helplines between 8am and 8pm, Monday to Friday on 0800 138 1111. The service is completely free of charge.

John, Dover

I'm 25 and 61k in debt, most of it with RBS. When I got a loan out with Natwest I found it very hard to pay off my internet cardit cards as Natwest would only let me pay off 1k at a time over the phone or online.

Did you take out the loan to pay off the credit cards? In which case there should be no problem about paying off your credit cards but it is difficult to give specific advice without knowing more about your circumstances. One thing is certain, you have too much debt. I recommend that you contact CCCS helplines between 8am and 8pm Monday to Friday on 0800 138 1111.

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I agree with the view presented on Panorama. Banks do lure customers into debt. I remember one time I needed an overdraft from my bank (HSBC). Instead of saying yes or no they requested that I get a loan. I think they target people they know are really in need of the money at the time they offer their products. I think banks should be held responsible and more should be done by the governing bodies to protect consumers.

Often banks will suggest a loan as it may be cheaper than an overdraft. You should check the cost of the loan and see if it offers a better deal than the overdraft facility. CCCS counsellors see many examples of irresponsible lending but creditors are working very hard to improve lending practices and there has to be responsible borrowing as well responsible lending. About half the people who come to CCCS get into difficulties because of change of circumstances such as divorce, unemployment and ill health so there we must always ensure that we have a safety net in place to help people.

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I have credit cards that I am only able to pay the minimum amount on. I am off sick from work. Can I freeze the interest and pay off the capital only? If so, how do I go about it?

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creditors will not cancel the interest or the capital but will treat you the same as any other customer. If you are finding it difficult to make minimum repayments you should contact CCCS and ask for a counselling session. There is no guarantee that the creditors will freeze interest but they are usually prepared to be understanding if circumstances have changed substantially and especially if CCCS has been approached. CCCS helplines are open 8am to 8pm Monday to Friday on 0800 138 1111 or click on www.cccs.co.uk. One final point, did you take out payment protection insurance? If you did, your illness may be covered.

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I have a £9,000 loan and owe £4,000 on a credit card with Lloyds TSB. I have contacted the Citizens Advice Bureau who assured me they have contacted Lloyds. Yet I still receive up to eight phone calls a week, not to mention the letters. On their letters it asks you to contact them and they will help only to be told pay up or else. As I am on benefits I can't pay the debts back. HELP?

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Louise, South Shields

Northern Rock (NR) have given me £125,000 of debt, based on a salary of £19,000. I started experiencing problems and contacted them. They said they could not help and if I didnt pay I would be in default and then taken to court. NR are trying to secure debt on my home, putting me into negative equity and adding 50 per cent interest to the loan. I believe there are grounds for irresponsible lending.

This sounds like a complicated case. I recommend that you contact CCCS as soon as possible and ask for an in depth advice centre. You can do this via their free helplines which are open 8am to 8pm Monday to Friday on 0800 138 1111 or via their website www.cccs.co.uk.

Jenny, Surrey

I recently learned of £100k my spouse has run up over five years. Is there protection for a spouse in such a case? Even if we divorce, my solicitor says settlement of his debts must come from the matrimonial pot. Is this fair? I feel the need to understand the underlying problem (gambling) to give us a chance to deal with that, but he is determined to conceal this. We are both approaching 50. I don't want our financial security to remain at risk. Suggestions?

This sounds very distressing. If the debts are solely in your husband's name, you have no liabilities. Your solicitor is right, however, your husband's creditors do have a claim on your husband's share of any assets which you own jointly, including any property. You need to ask your solicitor to explain fully what your liabilities are and to advise what your best course of action is likely to be. You are quite right to urge your husband to face up to any problems he may have and he may benefit from consulting Gamblers' Anonymous. You may both be helped by contacting Relate to talk about your relationship.

Mukesh, Chigwell

Very good programme, must be shown every month to all school children at 18 years before they go to university. And to people who have money problems why not get the computer to work your expenses so you know how much is left over to spend on credit card, loan repayments or cash.

You are right that financial education is important. We live in a society where credit empowers us to do many things and most people can borrow money successfully, indeed it is only a small proportion of people, estimated at between four and eight percent who use credit will get into difficulty. Credit is

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here to stay and we live in a society where we are encouraging young people to use credit to go to university so we must teach people how to use it properly. Personal finance has been part of the national curriculum since 2000.

Jethro, Reading

My bank made an accidental payment into my account over four months ago. I got an email yesterday saying that another bank accidentally payed it in to me and so they just took it back. Can they just do that? It appears it was the other bank's fault and over four months later my bank just decided to give it back to them just because they realised they had made a mistake.

Presumably you were aware that an unexpected payment had been made to your account. Did you contact the bank about it when you saw your statement? The bank is entitled to say that a mistake was made and withdraw the money from your account. Obviously you should talk to the bank if this means that you will go overdrawn so that you are not liable for any bank charges.

Nicola, Stoke on Trent

I am an unemployed student and have received a letter from MINT offering me a credit card. My partner filled in his details as I am not earning and requested a balance transfer from his Capital One card of £3,161. We were shocked when I received the card through the post in my name with the outstanding balance. How can they transfer this money into my name when I have not signed anything? MINT have said they will send another card in my partners name. Is this acceptable? Please help.

It sounds like MINT has made a mistake but you have done the right thing by alerting them and if they are sending out a card in your partner's name they are presumably cancelling the one in your name, so there should be no problem. Make sure that MINT have definitely cancelled the card in your name.

Robert, Manchester

Just a bit of advice that I am after. Although I have got myself on a better footing financially I still owe about £1,400 on my credit card. I am only paying the minimum amounts which don't do much to clear it. Now my bank, the RBS, have offered me a loan to clear it which I am not so sure is a good idea. Though I don't worry too much about this I would like to clear this before too long. Any advice please?

As a rule CCCS does not think it is a good idea to borrow more money to get yourself out of debt but it is important to clear your balances on your credit cards, making minimum payments is never a good idea. I suggest that you take a good look at your finances and draw up a budget to cover all your essentials and see if you can manage a bit more money every month to clear your balances and try and increase payments as much as possible every month in order to reduce the balances and pay less interest. Click on www.cccs.co.uk for help with drawing up a budget. I presume from what you say that you have stopped using your credit cards? If you haven't, cut them up today and don't apply for any more until you have repaid the £1,400.

Doug, Camberley

I have a very longstanding arrangement with Barclaycard that my total monthly balance is paid off by direct debit, monthly, from my current account. Hence not a penny of interest for many, many years. But you would not believe (maybe you would) how long it took to get this agreed. Recently I thought it would be reasonable to ask for an increased credit limit. Current limit £6,650, increase sought to £10K. Declined.

It is a good idea if you can afford it to pay off your cards every month by direct debit. Not all credit cards offer this facility but you can always switch to one that does. I cannot comment why Barclays refused your application for an increased credit limit but £6,650 is fairly generous and remember, you are not paying a penny for this credit facility.

Mandy, Northants

I do not normally watch news programmes but it did strike a chord so I stayed up to watch. As a single parent earning approx £500 a month, I am offered a 'guaranteed' £7,500 loan about every three months. Surely my bank must know what I have left at the end of each month but it is still offered! I have three credit cards, so in theory I could go out and spend approx £25,000 with no way of repaying that. I have a £2,000 credit card bill that I struggle with.

It sounds like you are being very sensible and not taking on more than you can afford to repay. If you are finding it a bit of a struggle to make ends meet at the end of the month, you may find it useful to review your budget. Click on www.cccs.co.uk for help with this or www.moneybasics.co.uk offers a useful interactive budget which does all the maths for you.

Nick, Tarpoley

I took out a loan with HSBC for £15,000 with insurance. What I did not realise was that they added the total of the insurance premium payments over the full term which amounted to about £19,000 in total and then charged me monthly interest on the full amount. Is this usual practise, if not what should I do? This only came to light when I repaid the amount after the first year and had not paid anything off the original loan.

It is common practice for the insurance premium to be added to the loan monthly and interest charged. The whole way PPI is sold and marketed is being looked at by the Office of Fair Trading after Citizens Advice referred it as a super complaint.

Richy, Middlesborough

I had a charging order placed against my house on the mortgage. I have now paid off the debt for this. Do I need to do anything so the charging order is actually taken off the paperwork, land registry etc?

You need to ask the lender who took out the charging order to inform Land Registry that the debt is no longer owing. This is a very straightforward process which should be familiar to the creditor. Form reference CN1 is downloaded off the Land Registry website and completed by the lender. The whole process should be completed within five working days.

Jenny, Nottinghamshire

I went to TSB to get a loan to consolidate debt. I wasn't working but they gave me a £10k loan. A while later they gave me a £15k loan while I was still not working. They refinanced the loan last year at a lower APR but was still more than £11k. They just threw money at me. This is very irresponsible of the lender and although I'm paying it back it is not easy. Something should be done about this as I came close to a breakdown and twice attempted to take my own life.

If you are struggling you may find it useful to have an in depth advice session with CCCS which specialises in providing debt advice and may be able help you with a debt management plan and who provide on-going support with the debt problems throughout the lifetime of the DMP which is a big help. Repaying debt is never easy but it can help to have an interface between you and the creditors. Call CCCS helplines on 0800 138 1111 to make an appointment. The lines are open 8am to 8pm Monday to Friday or click on www.cccs.co.uk. If you are feeling very stressed, and debt is very stressful, please talk to your GP who may be able to help you.

Fred, UK

When offering loans do banks ever check if the loan requestor is actually in employment? I took up a loan of £15,000 with HSBC without them ever wanting to see proof I was actually in employment. I wasn't.

Different creditors have different practices. When you apply for a loan, you will normally be asked to complete the bank's own application form which will vary from bank to bank. All banks will run a credit check with a credit reference agency and it is on the basis of this report combined with your

application that you will be offered a loan and on what terms.

Richard, Rhyl

I have a close relative who currently has seven credit cards and all up to their limit which is at least £7,000 per card. On top of this my relative has debt problems with loans and outstanding mortgage payments. Is there any help out there for this person?

Your relative should contact CCCS without delay. Call 0800 1381111 or click on www.ccs.co.uk. CCCS is a charity and there is no charge for any of its services.

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It sounds like you are being very sensible and not taking on more than you can afford to repay. If you are finding it a bit of a struggle to make ends meet at the end of the month, you may find it useful to review your budget. Click on www.cccs.co.uk for help with this or www.moneybasics.co.uk offers a useful interactive budget which does all the maths for you.

Nick, Tarpoley

I took out a loan with HSBC for £15,000 with insurance. What I did not realise was that they added the total of the insurance premium payments over the full term which amounted to about £19,000 in total and then charged me monthly interest on the full amount. Is this usual practise, if not what should I do? This only came to light when I repaid the amount after the first year and had not paid anything off the original loan.

It is common practice for the insurance premium to be added to the loan monthly and interest charged. The whole way PPI is sold and marketed is being looked at by the Office of Fair Trading after Citizens Advice referred it as a super complaint.

Richy, Middlesborough

I had a charging order placed against my house on the mortgage. I have now paid off the debt for this. Do I need to do anything so the charging order is actually taken off the paperwork, land registry etc?

You need to ask the lender who took out the charging order to inform Land Registry that the debt is no longer owing. This is a very straightforward process which should be familiar to the creditor. Form reference CN1 is downloaded off the Land Registry website and completed by the lender. The whole process should be completed within five working days.

Jenny, Nottinghamshire

I went to TSB to get a loan to consolidate debt. I wasn't working but they gave me a £10k loan. A while later they gave me a £15k loan while I was still not working. They refinanced the loan last year at a lower APR but was still more than £11k. They just threw money at me. This is very irresponsible of the lender and although I'm paying it back it is not easy. Something should be done about this as I came close to a breakdown and twice attempted to take my own life.

If you are struggling you may find it useful to have an in depth advice session with CCCS which specialises in providing debt advice and may be able help you with a debt management plan and who provide on-going support with the debt problems throughout the lifetime of the DMP which is a big help. Repaying debt is never easy but it can help to have an interface between you and the creditors. Call CCCS helplines on 0800 138 1111 to make an appointment. The lines are open 8am to 8pm Monday to Friday or click on www.cccs.co.uk. If you are feeling very stressed, and debt is very stressful, please talk to your GP who may be able to help you.

Fred, UK

When offering loans do banks ever check if the loan requestor is actually in employment? I took up a loan of £15,000 with HSBC without them ever wanting to see proof I was actually in employment. I wasn't.

Different creditors have different practices. When you apply for a loan, you will normally be asked to complete the bank's own application form which will vary from bank to bank. All banks will run a credit check with a credit reference agency and it is on the basis of this report combined with your application that you will be offered a loan and on what terms.

Richard, Rhyl

I have a close relative who currently has seven credit cards and all up to their limit which is at least £7,000 per card. On top of this my relative has debt problems with loans and outstanding mortgage payments. Is there any help out there for this person?

Your relative should contact CCCS without delay. Call 0800 1381111 or click on www.cccs.co.uk. CCCS is a charity and there is no charge for any of its services.

Story from BBC NEWS:

<http://news.bbc.co.uk/go/pr/fr/-/1/hi/programmes/panorama/5155848.stm>

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The money trap: Transcript

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PANORAMA
RECORDED FROM TRANSMISSION: BBC-1
DATE: 2:07:06

SALLY MAGNUSSON: This is the story of how high street banks can lure their customers into debt; it's told by a powerful insider.

WHISTLEBLOWER: In all my years of experience in the banking industry I would say that consumers should be very, very wary of their banks. They put profits before the customer at every given opportunity.

MAGNUSSON: It's the story of how banks routinely encourage customers to borrow more than they can afford, sometimes with fatal consequences.

MARION MCDONALD: They told me he'd been found on the railway line in the morning. I can't even begin to describe how I felt. I had my children to deal with and I had to tell his family and it's like the world just stopped.

RBS BANK OFFICIAL: [on forecourt] As long as the cameras are not running, We'll have to get the police.

MAGNUSSON: The bank with the biggest slice of our credit card business doesn't want to talk about debt suicide. But this top executive from one of the biggest financial institutions in the UK is prepared to speak out.

WHISTLEBLOWER: I am a senior executive working in the banking and credit card industry and I have decided to blow the whistle on this industry.

MAGNUSSON: Late at night in January last year a body lies by a railway line. The only clue to the death is a bag nearby. Inside - dozens of credit card statements detailing a mountain of debt. Mark McDonald, who was 43, had thrown himself under a train leaving a widow and two children. Mark was one of at least 17 debt related suicides across Britain in the last 3 years. His story was first highlighted a month ago by our colleagues on Britain's streets of debt. Now Panorama has fresh revelations about the lending practices of the high street banks.

WHISTLEBLOWER: These tragic cases where people have taken their own lives are the cost that is paid for irresponsible lending practices, and this is exactly why they need to be curbed. These suicides have been an inconvenience to the industry as a whole and they have exposed the practices that the banking industry have got away with for years and years and years.

SALLY MAGNUSSON Those are the words of someone who knows. She's a

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senior executive who works here in the very heart of the banking world in the City of London, and she's the first high-ranking whistleblower prepared - in fact she felt compelled - to break the bank's code of silence and reveal the industry's inner workings. Today she tells us how the high street banks precisely target customers for borrowing, and how they profit from those in financial difficulty.

WHISTLEBLOWER: I cannot overemphasise the focus on profits, and it simply gets to the point where when you see real life cases of people who are really suffering, or who lose a loved one, and you just, you just can't take it anymore.

MAGNUSSON: By speaking out our top banking executive has risked her livelihood and career because she's signed an agreement never to disclose publicly details of the bank's lending strategy. In order to protect her, we've agreed to disguise her, and her words are spoken by an actor.

WHISTLEBLOWER: My experience is with the big banks in this country, the high street banks that 80% of us bank with. I don't think any bank wants its internal procedures exposed. Maybe the reason for that is that some of them are quite questionable.

MAGNUSSON: The banking industry is a giant machine that pushes borrowing and makes enormous profits. Staff tend not to be paid particularly well.

WHISTLEBLOWER: Every branch of any bank and every individual who works in a bank has very ambitious sales targets to sell you more products, effectively to make you borrow money and to get you into further debt. They will have targets on every product that is available through the branch and they will have commissions or bonuses on every product. It's a very, very sophisticated, tailored, tested marketing strategy, and sales pitch to a public that have very little knowledge of what's going on. Effectively though, the most profitable customers are perhaps the most vulnerable.

MAGNUSSON: Customers like Mark McDonald who stepped in front of that train one night late last January.

MARION MCDONALD It was midday the next day when they came and told that they'd found him. They told me he'd been found on the railway line in the morning. He'd left the back pack at the side of the railway track and it was full of bills, credit card bills, loans, all the evidence of the debt.

MAGNUSSON: To the industry, Mark was a revolver, someone who borrows heavily, makes minimum payments and never fully repays their debts.

WHISTLEBLOWER: The revolvers are the customers who borrow money month in month out. They're the people who are paying very high interest charges. They're the people who are likely to pay extra fees when they go over their credit limit. They're the people most likely to pay penalty charges, so you want to retain these customers at all costs.

MAGNUSSON: Mark had been a revolver for years. He lived in Downham Market in Norfolk where he worked as a writer of technical manuals. His wife Marion had given up work to have two children. The family relied on his income of roughly £26,000 a year, and they struggled.

MARION: He would occasionally say things like: "We can't afford that this month." And he would say: "I've got the gas bill and the phone bill to pay." And I'd say okay, well.. you know: "We'll wait, we'll do that next month."

MAGNUSSON: In the space of ten years Mark had acquired eight credit cards, two of which were issued by his own bank, the Royal Bank of Scotland, and he owed thousands of pounds on them. He survived by just paying the minimum charge each month.

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WHISTLEBLOWER: People who have traditionally made the minimum payments, people who are heavy borrowers, people who's repayments are not even covering the interest, never mind the capital that is outstanding on the card, they are the ideal credit card customer. That is the perfect customer, the ones that makes you the most profit. And let's face it, it's an industry that focuses on profit.

MAGNUSSON: RBS knew exactly what Mark's income was. It knew he was making only minimum repayments on the money he owed, yet his credit limits on both cards were increased several times. One was upgraded to platinum which eventually had a credit limit of over £12,000. In the last 12 months of Mark's life, the bank made over £3,000 in interest and charges on the two cards.

MARION: He considered credit cards to have a status, always had, always had, you know, the fact that he could have a card with his name on it, and I think the idea of paying for something with a platinum card seemed to say to him that he.. you know, he was respected and the bank respected him. The platinum card says you've got prestige and a lot of money and it wasn't true. It was just like a sham really.

WHISTLEBLOWER: It is generally felt that in the industry by increasing the customer's credit limit, by upgrading their card to gold or platinum, you are increasing customer loyalty and hitting those marketing targets of retaining profitable customers.

MAGNUSSON: Marion only discovered how much Mark owed after his death.

MARION: He just said he'd got into debt with credit cards, and I knew he had the credit cards so I presumed that was it. It's only looking through finance now that I found out that he also had overdrafts and loans with the bank and loan companies.

MAGNUSSON: Despite his £26,000 income RBS lent Mark huge sums. It allowed him to build up a £6,000 overdraft. The bank lent him £15,000 to pay off his other lenders credit card debts. It let him re-mortgage his and Marion's home to the tune of £80,000 and it didn't end there. By the time he took his own life Mark owed his bank almost £120,000.

MARION: I can remember when I was quite a bit younger and I wanted to buy my first car, I had to sit in front of my bank manager and explain exactly how much the car was going to cost, how much I could afford, what my other outgoings were. But I think now because it's offered, I think people somehow think if they're offered that amount of money, therefore they can afford it.

MAGNUSSON: We showed the whistleblower Mark's financial records.

WHISTLEBLOWER: There were a number of warning signs from a relatively early stage that the bank should have picked up on. Here was a man on a very modest income. He was roughly earning £26,000 a year. He was lent his annual take home pay just on credit cards, on two credit cards. He was making minimum payments on the cards for years. He wrote credit card cheques from one of his RBS cards on a regular basis at exorbitant rates of interest and deposited them into his RBS bank account. The fact that he was overdrawn on his bank account, there are so many things the bank should have picked up on. There is no possible justification for the bank not to have understood that there were serious difficulties in this man's financial position. In my opinion the bank was grossly irresponsible.

MARION: The Royal Bank of Scotland knew exactly what his bank details were. They knew how much he earned, they knew what he was paying out every month, they knew the sort of balance in his account. I can't understand why they would just keep letting him have more and more money.

WHISTLEBLOWER: The banks are basically neglecting their duty of care.

They are putting profits before human life almost. In circumstances like Mark McDonald's, where there has been clear irresponsible lending, in my opinion there should be laws introduced where banks can be prosecuted. This is how serious I believe this is.

MAGNUSSON: In a statement last month the Royal Bank of Scotland said:

"Throughout Mr McDonald's time with RBS we dealt with him in a responsive and professional manner. He had a regular dialogue with his personal banking manager, and the lending decisions on his account were consistently based on strict lending criteria. Mr McDonald managed his current account and maintained regular payments to both of his credit card accounts. He did not exceed his credit limit."

MAGNUSSON: The bank's record show that at no time did Mr McDonald make contact with the bank to inform us that he was in financial difficulty.

MAGNUSSON: That statement is seriously misleading. The bank says that Mark McDonald didn't tell them he was in financial difficulty, but the fact is, the bank knew. We've seen an internal RBS document which makes it clear that Mark's branch was aware of what it refers to, and I quote, as his: "financial difficulties." We've tried repeatedly to get an interview with RBS about their consumer lending decisions but they've turned down all our requests. So I'm heading off to the global headquarters of RBS just outside Edinburgh to see if I can have a word with the Chief Executive, Sir Fred Goodwin. With profits for 2005 of eight billion pounds, and a gleaming modern headquarters, RBS are certainly in no financial difficulty.

Hi there, sorry to bother you. I'm from BBC Panorama. We're hoping to have a word with the Chief Executive, Sir Fred Goodwin.

BANK OFFICIAL: [on forecourt] Is it on spec or are you expected?

MAGNUSSON: The high street banks are constantly adjusting their financial strategy and launching new lending products. It's a fiercely competitive market servicing a UK debt burden currently running at over a trillion pounds.

BANK OFFICIAL2: Excuse me. Is that camera turned off?

BANK OFFICIAL3: [physically blocking camera] Otherwise we'll have to get the police in for you, sorry.

WHISTLEBLOWER: The marketing department is the engine of the business and it will have a whole series of targets. It will have targets to attract new customers which are extremely ambitious, and then you have very aggressive targets to maximise profits on existing customers. Monthly sales targets and meetings are what the marketing department lives for.

MAGNUSSON: Credit cards are banks biggest and most profitable consumer lending product, especially when we can be persuaded to increase our spending and to carry debt over from month to month.

WHISTLEBLOWER: What one needs to be aware of is the fact that a credit card company has the ability to communicate with its customers once a month. So therefore there is the ability to really target those customers to ensure you're getting maximum profitability.

MAGNUSSON: However sad it is that people get into debt and however much the banks may encourage it, surely it's people's own fault, they're responsible.

WHISTLEBLOWER: The individual always has a responsibility to make sure that they are not borrowing beyond their means and that they are able to repay whatever unsecured lending they take on.

MAGNUSSON: The banks have other techniques to get you to borrow more

from them. Robert Jenkins is another revolver. He's married to Evelyn and they have five children in their teens. He's a school caretaker and he earns £18,000 a year.

ROBERT JENKINS We lived very much hand to mouth. We had to budget carefully. Major bills, unexpected bills were a problem for us.

MAGNUSSON: Robert's take home pay was £250 a week, while Evelyn earned £100 a week in a part-time catering job. For years they were getting by - just. But in the eyes of their bank, Robert and Evelyn needed some financial help. Robert was called in for a meeting. He remembers this as a financial health check, but Lloyds TSB disputes this.

ROBERT: We received a telephone call inviting us along to the bank for a health check which seemed a good idea.

WHISTLEBLOWER: When you are conducting a health check you will look at areas where that person doesn't have perhaps one of the bank's products. They don't have a credit card, they don't have a loan, and in most cases they probably don't need it. But if they don't have it, you're going to try and sell it to them.

MAGNUSSON: Robert and Evelyn left the bank happy. They had a restructured mortgage deal and within a few months Robert had a platinum card with a £6000 credit limit.

ROBERT: It was a good feeling to know that you'd.. you know, you'd got this sort of period of austerity behind you. Your finances are on track and they were so on track that you were credit worthy, not just for a few hundred pounds but for a few thousand pounds and that made me feel very good.

MAGNUSSON: This week the credit card celebrated its 40th birthday. Today there are over 1000 different cards available, and what you may not realise is that 70% of them are owned by the big five high street banks. At any one time a single credit card will have up to 100 different interest rates for purchases, introductory offers and cash. Armed with his new platinum card Robert started to spend, spend, spend.

ROBERT JENKINS If, for example, I went to the garage, whereas before I would have had perhaps ten or twenty pounds in my wallet to use for petrol, I would fill up with the credit card and I would think.. you know, that was a sensible thing to do, I'll pay it off at the end of the month, but of course I didn't. Before long you get to the stage where suddenly you haven't got any credit left on your card, and at that point, although ?? the bank would step in and invite you to increase your credit limit.

WHISTLEBLOWER: Unsolicited increases in your credit limit can take place up to twice a year. In some cases your credit limit could literally double in the space of two years. The customer doesn't really have a say in it. The higher your credit limit the more you're likely to spend.

MAGNUSSON: Robert started with £6000 of credit on his platinum card. Within two years the bank bumped up that figure to £11,000. Then Lloyds TSB gave Evelyn a platinum card. Her credit limit? £4,500! Robert was tempted by other offers that came through the letter box.

EVELYN: You know what it is.

ROBERT: Oh yeah, overall costs for comparison - 7.8% APR. It seemed to indicate to us that we were a much sought after commodity and that we were creditworthy which made you feel good, you know, you feel quite important when they take such an interest in you.

WHISTLEBLOWER: Some companies will send maybe twenty packs of direct mail to one individual so it's bombarding someone with an unsolicited

application to borrow large sums of money without necessarily knowing whether they have the ability to repay the debt.

MAGNUSSON: By now the Jenkins had four new cards.

ROBERT: I was horrified to find that we'd got a total debt of about £29,000 with credit cards and I was absolutely gob smacked.

MAGNUSSON: It had taken less than three years for the Jenkins family to reach a debt crisis.

ROBERT: We'd been meeting the minimum payments but even they added up to somewhere in the region of about six or seven hundred pounds a month, just to keep the credit card companies off your back. It was almost half of my monthly income was being used to service the credit card debts. I woke up about 5 o'clock in the morning and it suddenly dawned on me that I'd put the house at risk, and the problems of bankruptcy would incur, and suddenly.. you know, I really started to suffer a panic attack. My stomach started to churn, I began to suffer a cold sweat, and I curled up in ball, you know, and I thought how do I get out of this.. you know, why has it happened, why have I let it happen? And I felt guilty and I felt all the emotions associated with sheer terror.

MAGNUSSON: This is Trowbridge, Wiltshire. In January 2005 a local mechanic killed himself with the exhaust fumes from his car. The reasons people take their own lives are complex. What's clear is that 65 year old Richard Cullen died with over £100,000 of credit card debt.

WENDY CULLEN At the end of this garden is Richard's workshop and garage, and that's where he was found in the car in the morning, 10 o'clock in the morning. He'd come back overnight some time, and my son found his car down the bottom and we called the police and he was in the garage.

MAGNUSSON: Richard and Wendy were married for 18 years. They had 8 children from previous marriages. Richard earned roughly £15,000 a year and was another revolver, someone who borrowed heavily and never repaid the debt.

WENDY: It was really about two to three months before he died, the telephone was ringing almost sort of maybe 17, 18 times a day sometimes, asking to speak to him, and I used to say, and they would say it was the bank or the credit card, and I'd just give him the message or if he was in the garden I would go and give him the phone, and then he started to walk off with the phone, and I said.. eventually I said: "Why are they calling so often? You must be in trouble." And just before Christmas he admitted that he was terribly in debt. These are some of the statements I've discovered since Richard died. He owed roughly £135,000 on 22 credit cards. It's absolutely unbelievable. Shocking.

MAGNUSSON: Several lenders had issued more than one credit card to Richard Cullen. The market leader, the Royal Bank of Scotland Group lent him over £35,000. They have issued him with four cards under different brand names - Mint, Tesco Personal Finance and two NatWest cards, which together generated the RBS Group over £4,000 in interest and charges in the last 12 months of Richard's life. We took the statements to the whistleblower.

WHISTLEBLOWER: This is one of the worst cases of irresponsible lending that I have ever seen. Customers like Richard Cullen, they are the ideal customer. They hold multiple brands with one institution. In this case credit cards are pushed all the way to the limits. Throughout his whole payment history he's only making minimum repayments. He takes cash out. There are no interest free periods. This is your perfect customer. He spends on the card every single month. He's a regular user. He was earning a very modest income of £15,000. The bank knows that they lent him £35,000. If that's not an alarm bell then what is? There is an inconsistency in these statements in that there are credit limit increases at the same time as we're seeing a history of arrears and minimum repayments. It's completely inconsistent. This is just a very, very

good example of why the banks cannot be trusted to self-regulate. Why do they do it? Because they know they can get away with it.

WENDY: I'm angry at Richard and I'm angry at the banks. Richard had a responsibility, he took out the credit cards and the loans. But surely the bank must take responsibility as well for allowing him to go on and on getting deeper and deeper into debt.

MAGNUSSON: Several months after Richard's death RBS agreed to write off his outstanding debt of £35,000.

WENDY: It's a very, very different life now. One day you're happy. The next day, there's nothing! You're just on your own.

MAGNUSSON: RBS told Panorama they were not aware that Mr Cullen had a serious debt problem and hadn't made any errors in handling him or his accounts. We took our evidence to the man responsible for policing the banking code of practice.

Hello, hi. Mr Fortescue, let me show you these: 5th November 2004 Richard Cullen is being chased for arrears on his Mint card which is operated by the Royal Bank of Scotland. Two weeks later, his credit limit has been increased on his Tesco Personal Finance Card to £7,700. Tesco Personal Finance Card also run by the Royal Bank of Scotland. The letters have been sent from the same address, the same PO box even. Isn't that a clear violation of the banking code?

SEYMOUR FORTESCUE

Chief Executive

Banking Code Standards Board

Well I find it extraordinary that this has happened. I think it's a case of the right hand not knowing what the left hand is doing, there is no excuse for that. But it was clearly very strange indeed for them to be increasing his card limit on the one side and the other side trying to ask for their money back.

MAGNUSSON: This is within one bank, this is inexcusable surely.

FORTESCUE: I agree, I think this is wrong. I will investigate to see whether there's been a breach of the banking code. We will need Mrs Cullen's authority to do that but I will gladly do that.

MAGNUSSON: In Norfolk Mark McDonald's widow remains angry with RBS. Despite the circumstances of his death, the bank chose to pursue his estate for the money he owed them.

MARION: After my husband's death, I received letters from them basically saying he owed them money and implying that I should pay it. They wanted their money.

WHISTLEBLOWER: Every major bank will have what they call a special recovery unit or debt collection Department, and the job of that Department is to recover repayments from those people who have fallen into arrears. At the end of the day, if they don't recover that debt, the bank will have to write it off. So they have extremely aggressive targets and this is why such aggressive tactics are employed to ensure the bank recovers its money at almost any cost.

MAGNUSSON: Mark McDonald's insurance policies had enabled RBS to recover over £90,000, but it still wanted full payment of its remaining £27,000 when other creditors were prepared to settle for a percentage of the money he owed.

WHISTLEBLOWER: There have been many other similar cases where the banks, including the Royal Bank of Scotland, have chosen to write off the debt. In the case of Mark McDonald the Royal Bank of Scotland chose to pursue his estate. This is an obvious case of irresponsible lending, so I'm very surprised.

I'm shocked.

MAGNUSSON: It was a slow process. A year after Mark's death the bank still wouldn't agree to a compromised settlement.

MARION MCDONALD It's still a millstone round my neck basically. If I have to pay it I have to pay it, but I just want it to be gone, and it's not, and I'm constantly having to be brought back to the situation.

MAGNUSSON: Six months ago the Jenkins started to sort out their financial problems and to clear the £29,000 owing on their credit cards. They turned to National Debt Line, a charity that helps people in crisis. They now have a repayment plan. Any interest is frozen, but they still have to pay their creditors £180 a month out of their modest take home pay. Looking back, Robert accepts that he was financially naïve, but he also feels his bank was equally responsible for lending him more than he could afford.

ROBERT JENKINS I spent the money, that was my responsibility. But I seemed to be doing it with their agreement so that's how it went. There's something immoral about the way that the banks are doing their business these days. They're making it far too easy for people to get into debt and that's irresponsible. You should be able to trust your bank. You should be able to believe that you're a valued customer and not a means of deriving a higher profit margin.

MAGNUSSON: In a statement Lloyds TSB said:

"We've made considerable efforts to help the Jenkins address their financial problems. By consolidating their external debts and re-mortgaging with us we were able to reduce their outgoings by around £400 a month. We've suspended all interest on their credit cards and overdraft and agreed their request for a three month mortgage repayment holiday. We have tried to contact the couple to discuss how we might offer them further assistance, however, they have chosen not to take us up on our offer."

MAGNUSSON: The consequences of Britain's borrowing crisis are so serious that they're now hitting the banks themselves. They're facing a mountain of bad personal debt. So four of the high street banks, including Lloyds TSB and RBS, have launched an initiative to identify customers in trouble. They'll now share information on clients income as well as their credit history to inform their lending decisions.

WHISTLEBLOWER: It is certainly a step in the right direction, but I do remain very sceptical. I really believe the banks have had all along the information they need to make decisions about whether individuals were at risk of falling into dangerous debt levels, but this comes too late. Can the banks really change a lifetime of habits of irresponsible lending. At the end of the day, that's what's made them their profits.

MARION: So we're going shopping for some shoes. Anything else? Matt, you don't want me to buy you anything else? That's unusual.

DAUGHTER: I'll ask you when I get there.

MARION: Oh I thought you might.

You don't think you can carry on to start with but you have to, I have to think of my children and I have to think that they've got their whole life ahead of them. If I'm strong, they'll be strong. I think he blamed himself totally. I think he felt he'd let us down very badly. You know, he loved his family and he loved me and I think he couldn't find words to say: "I've let you down. I've got into all this debt I've not admitted to."

MAGNUSSON: After almost a year and a half of negotiations RBS settled for a fraction of the remaining £27,000 Mark owed on credit cards and an

overdraft. Since then, and after we contacted the bank, the debt has been written off. RBS told us that this was in response to finding out that an earlier offer letter to Mrs McDonald's solicitor was never received. For Marion and her family, these long months of worry have been hard to bear.

MARION: It's destroyed our life, destroyed the marriage that we had, destroyed the family life we had. It's all gone.

RBS BANK OFFICIALS: [on forecourt] So Fred isn't actually here and there's nothing we can do about that. If you want to have an interview with somebody we'll try and do it, but what we would appreciate is if you held the cameras to the ground.

MAGNUSSON: So Fred Goodwin wasn't there today, neither was any of the other senior executives apparently. I had a very long conversation with somebody from Group Communications by phone who is in London, and tells me that she'll try and fix up an interview for me in London tomorrow. So we'll see what we can do. In the meantime we're being moved on again. Tomorrow came but no interview. RBS didn't make it happen.

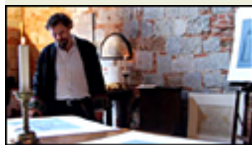
WHISTLEBLOWER: Over indebtedness has become a cancer in British society. It affects every one of us. The banking industry is fully aware of the reasons why people are falling into severe financial difficulty and I felt that not enough was being done about it. And in many cases a blind eye was being turned to these issues. I would say that consumers should be very, very wary of their banks.

MAGNUSSON: If you've been affected by any of the issues in tonight's programme and would like to talk to someone in confidence, please call the BBC Action Line on 08000 680 661. The Action Line is open seven days a week from 7.30am until midnight. All calls are free.

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The money trap: Transcript

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PANORAMA
RECORDED FROM TRANSMISSION: BBC-1
DATE: 2:07:06

SALLY MAGNUSSON: This is the story of how high street banks can lure their customers into debt; it's told by a powerful insider.

WHISTLEBLOWER: In all my years of experience in the banking industry I would say that consumers should be very, very wary of their banks. They put profits before the customer at every given opportunity.

MAGNUSSON: It's the story of how banks routinely encourage customers to borrow more than they can afford, sometimes with fatal consequences.

MARION MCDONALD: They told me he'd been found on the railway line in the morning. I can't even begin to describe how I felt. I had my children to deal with and I had to tell his family and it's like the world just stopped.

RBS BANK OFFICIAL: [on forecourt] As long as the cameras are not running; We'll have to get the police.

MAGNUSSON: The bank with the biggest slice of our credit card business doesn't want to talk about debt suicide. But this top executive from one of the biggest financial institutions in the UK is prepared to speak out.

WHISTLEBLOWER: I am a senior executive working in the banking and credit card industry and I have decided to blow the whistle on this industry.

MAGNUSSON: Late at night in January last year a body lies by a railway line. The only clue to the death is a bag nearby. Inside - dozens of credit card statements detailing a mountain of debt. Mark McDonald, who was 43, had thrown himself under a train leaving a widow and two children. Mark was one of at least 17 debt related suicides across Britain in the last 3 years. His story was first highlighted a month ago by our colleagues on Britain's streets of debt. Now Panorama has fresh revelations about the lending practices of the high street banks.

WHISTLEBLOWER: These tragic cases where people have taken their own lives are the cost that is paid for irresponsible lending practices, and this is exactly why they need to be curbed. These suicides have been an inconvenience to the industry as a whole and they have exposed the practices that the banking industry have got away with for years and years and years.

SALLY MAGNUSSON Those are the words of someone who knows. She's a senior executive who works here in the very heart of the banking world in the City of London, and she's the first high-ranking whistleblower prepared - in fact she felt compelled - to break the bank's code of silence and reveal the industry's inner workings. Today she tells us how the high street banks precisely target customers for borrowing, and how they profit from those in financial difficulty.

WHISTLEBLOWER: I cannot overemphasise the focus on profits, and it simply gets to the point where when you see real life cases of people who are really suffering, or who lose a loved one, and you just, you just can't take it anymore.

MAGNUSSON: By speaking out our top banking executive has risked her livelihood and career because she's signed an agreement never to disclose publicly details of the bank's lending strategy. In order to protect her, we've agreed to disguise her, and her words are spoken by an actor.

WHISTLEBLOWER: My experience is with the big banks in this country, the high street banks that 80% of us bank with. I don't think any bank wants its internal procedures exposed. Maybe the reason for that is that some of them are quite questionable.

MAGNUSSON: The banking industry is a giant machine that pushes borrowing and makes enormous profits. Staff tend not to be paid particularly well.

WHISTLEBLOWER: Every branch of any bank and every individual who works in a bank has very ambitious sales targets to sell you more products, effectively to make you borrow money and to get you into further debt. They will have targets on every product that is available through the branch and they will have commissions or bonuses on every product. It's a very, very sophisticated, tailored, tested marketing strategy, and sales pitch to a public that have very little knowledge of what's going on. Effectively though, the most profitable customers are perhaps the most vulnerable.

MAGNUSSON: Customers like Mark McDonald who stepped in front of that train one night late last January.

MARION MCDONALD It was midday the next day when they came and told that they'd found him. They told me he'd been found on the railway line in the morning. He'd left the back pack at the side of the railway track and it was full of bills, credit card bills, loans, all the evidence of the debt.

MAGNUSSON: To the industry, Mark was a revolver, someone who borrows heavily, makes minimum payments and never fully repays their debts.

WHISTLEBLOWER: The revolvers are the customers who borrow money month in month out. They're the people who are paying very high interest charges. They're the people who are likely to pay extra fees when they go over their credit limit. They're the people most likely to pay penalty charges, so you want to retain these customers at all costs.

MAGNUSSON: Mark had been a revolver for years. He lived in Downham Market in Norfolk where he worked as a writer of technical manuals. His wife Marion had given up work to have two children. The family relied on his income of roughly £26,000 a year, and they struggled.

MARION: He would occasionally say things like: "We can't afford that this month." And he would say: "I've got the gas bill and the phone bill to pay." And I'd say okay, well.. you know: "We'll wait, we'll do that next month."

MAGNUSSON: In the space of ten years Mark had acquired eight credit cards, two of which were issued by his own bank, the Royal Bank of Scotland, and he owed thousands of pounds on them. He survived by just paying the minimum charge each month.

WHISTLEBLOWER: People who have traditionally made the minimum payments, people who are heavy borrowers, people who's repayments are not even covering the interest, never mind the capital that is outstanding on the card, they are the ideal credit card customer. That is the perfect customer, the ones that makes you the most profit. And let's face it, it's an industry that focuses on profit.

MAGNUSSON: RBS knew exactly what Mark's income was. It knew he was making only minimum repayments on the money he owed, yet his credit limits on both cards were increased several times. One was upgraded to platinum which eventually had a credit limit of over £12,000. In the last 12 months of Mark's life, the bank made over £3,000 in interest and charges on the two cards.

MARION: He considered credit cards to have a status, always had, always had; you know, the fact that he could have a card with his name on it, and I think the idea of paying for something with a platinum card seemed to say to him that he.. you know, he was respected and the bank respected him. The platinum card says you've got prestige and a lot of money and it wasn't true. It was just like a sham really.

WHISTLEBLOWER: It is generally felt that in the industry by increasing the customer's credit limit, by upgrading their card to gold or platinum, you are increasing customer loyalty and hitting those marketing targets of retaining profitable customers.

MAGNUSSON: Marion only discovered how much Mark owed after his death.

MARION: He just said he'd got into debt with credit cards, and I knew he had the credit cards so I presumed that was it. It's only looking through finance now that I found out that he also had overdrafts and loans with the bank and loan

companies.

MAGNUSSON: Despite his £26,000 income RBS lent Mark huge sums. It allowed him to build up a £6,000 overdraft. The bank lent him £15,000 to pay off his other lenders credit card debts. It let him re-mortgage his and Marion's home to the tune of £80,000 and it didn't end there. By the time he took his own life Mark owed his bank almost £120,000.

MARION: I can remember when I was quite a bit younger and I wanted to buy my first car, I had to sit in front of my bank manager and explain exactly how much the car was going to cost, how much I could afford, what my other outgoings were. But I think now because it's offered, I think people somehow think if they're offered that amount of money, therefore they can afford it.

MAGNUSSON: We showed the whistleblower Mark's financial records.

WHISTLEBLOWER: There were a number of warning signs from a relatively early stage that the bank should have picked up on. Here was a man on a very modest income. He was roughly earning £26,000 a year. He was lent his annual take home pay just on credit cards, on two credit cards. He was making minimum payments on the cards for years. He wrote credit card cheques from one of his RBS cards on a regular basis at exorbitant rates of interest and deposited them into his RBS bank account. The fact that he was overdrawn on his bank account, there are so many things the bank should have picked up on. There is no possible justification for the bank not to have understood that there were serious difficulties in this man's financial position. In my opinion the bank was grossly irresponsible.

MARION: The Royal Bank of Scotland knew exactly what his bank details were. They knew how much he earned, they knew what he was paying out every month, they knew the sort of balance in his account. I can't understand why they would just keep letting him have more and more money.

WHISTLEBLOWER: The banks are basically neglecting their duty of care. They are putting profits before human life almost. In circumstances like Mark McDonald's, where there has been clear irresponsible lending, in my opinion there should be laws introduced where banks can be prosecuted. This is how serious I believe this is.

MAGNUSSON: In a statement last month the Royal Bank of Scotland said:

"Throughout Mr McDonald's time with RBS we dealt with him in a responsive and professional manner. He had a regular dialogue with his personal banking manager, and the lending decisions on his account were consistently based on strict lending criteria. Mr McDonald managed his current account and maintained regular payments to both of his credit card accounts. He did not exceed his credit limit."

MAGNUSSON: The bank's record show that at no time did Mr McDonald make contact with the bank to inform us that he was in financial difficulty.

MAGNUSSON: That statement is seriously misleading. The bank says that Mark McDonald didn't tell them he was in financial difficulty, but the fact is, the bank knew. We've seen an internal RBS document which makes it clear that Mark's branch was aware of what it refers to, and I quote, as his: "financial difficulties." We've tried repeatedly to get an interview with RBS about their consumer lending decisions but they've turned down all our requests. So I'm heading off to the global headquarters of RBS just outside Edinburgh to see if I can have a word with the Chief Executive, Sir Fred Goodwin. With profits for 2005 of eight billion pounds, and a gleaming modern headquarters, RBS are certainly in no financial difficulty.

Hi there, sorry to bother you. I'm from BBC Panorama. We're hoping to have a word with the Chief Executive, Sir Fred Goodwin.

BANK OFFICIAL: [on forecourt] Is it on spec or are you expected?

MAGNUSSON: The high street banks are constantly adjusting their financial strategy and launching new lending products. It's a fiercely competitive market servicing a UK debt burden currently running at over a trillion pounds.

BANK OFFICIAL2: Excuse me. Is that camera turned off?

BANK OFFICIAL3: [physically blocking camera] Otherwise we'll have to get the police in for you, sorry.

WHISTLEBLOWER: The marketing department is the engine of the business and it will have a whole series of targets. It will have targets to attract new customers which are extremely ambitious, and then you have very aggressive targets to maximise profits on existing customers. Monthly sales targets and meetings are what the marketing department lives for.

MAGNUSSON: Credit cards are banks biggest and most profitable consumer lending product, especially when we can be persuaded to increase our spending and to carry debt over from month to month.

WHISTLEBLOWER: What one needs to be aware of is the fact that a credit card company has the ability to communicate with its customers once a month. So therefore there is the ability to really target those customers to ensure you're getting maximum profitability.

MAGNUSSON: However sad it is that people get into debt and however much the banks may encourage it, surely it's people's own fault, they're responsible.

WHISTLEBLOWER: The individual always has a responsibility to make sure that they are not borrowing beyond their means and that they are able to repay whatever unsecured lending they take on.

MAGNUSSON: The banks have other techniques to get you to borrow more from them. Robert Jenkins is another revolver. He's married to Evelyn and they have five children in their teens. He's a school caretaker and he earns £18,000 a

year.

ROBERT JENKINS We lived very much hand to mouth. We had to budget carefully. Major bills, unexpected bills were a problem for us.

MAGNUSSON: Robert's take home pay was £250 a week, while Evelyn earned £100 a week in a part-time catering job. For years they were getting by - just. But in the eyes of their bank, Robert and Evelyn needed some financial help. Robert was called in for a meeting. He remembers this as a financial health check, but Lloyds TSB disputes this.

ROBERT: We received a telephone call inviting us along to the bank for a health check which seemed a good idea.

WHISTLEBLOWER: When you are conducting a health check you will look at areas where that person doesn't have perhaps one of the bank's products. They don't have a credit card, they don't have a loan, and in most cases they probably don't need it. But if they don't have it, you're going to try and sell it to them.

MAGNUSSON: Robert and Evelyn left the bank happy. They had a restructured mortgage deal and within a few months Robert had a platinum card with a £6000 credit limit.

ROBERT: It was a good feeling to know that you'd.. you know, you'd got this sort of period of austerity behind you. Your finances are on track and they were so on track that you were credit worthy, not just for a few hundred pounds but for a few thousand pounds and that made me feel very good.

MAGNUSSON: This week the credit card celebrated its 40th birthday. Today there are over 1000 different cards available, and what you may not realise is that 70% of them are owned by the big five high street banks. At any one time a single credit card will have up to 100 different interest rates for purchases, introductory offers and cash. Armed with his new platinum card Robert started to spend, spend, spend.

ROBERT JENKINS If, for example, I went to the garage, whereas before I would have had perhaps ten or twenty pounds in my wallet to use for petrol, I would fill up with the credit card and I would think.. you know, that was a sensible thing to do, I'll pay it off at the end of the month, but of course I didn't. Before long you get to the stage where suddenly you haven't got any credit left on your card, and at that point, although ?? the bank would step in and invite you to increase your credit limit.

WHISTLEBLOWER: Unsolicited increases in your credit limit can take place up to twice a year. In some cases your credit limit could literally double in the space of two years. The customer doesn't really have a say in it. The higher your credit limit the more you're likely to spend.

MAGNUSSON: Robert started with £6000 of credit on his platinum card. Within two years the bank bumped up that figure to £11,000. Then Lloyds TSB gave

Evelyn a platinum card. Her credit limit? £4,500! Robert was tempted by other offers that came through the letter box.

EVELYN: You know what it is.

ROBERT: Oh yeah, overall costs for comparison - 7.8% APR. It seemed to indicate to us that we were a much sought after commodity and that we were creditworthy which made you feel good, you know, you feel quite important when they take such an interest in you.

WHISTLEBLOWER: Some companies will send maybe twenty packs of direct mail to one individual so it's bombarding someone with an unsolicited application to borrow large sums of money without necessarily knowing whether they have the ability to repay the debt.

MAGNUSSON: By now the Jenkins had four new cards.

ROBERT: I was horrified to find that we'd got a total debt of about £29,000 with credit cards and I was absolutely gob smacked.

MAGNUSSON: It had taken less than three years for the Jenkins family to reach a debt crisis.

ROBERT: We'd been meeting the minimum payments but even they added up to somewhere in the region of about six or seven hundred pounds a month, just to keep the credit card companies off your back. It was almost half of my monthly income was being used to service the credit card debts. I woke up about 5 o'clock in the morning and it suddenly dawned on me that I'd put the house at risk, and the problems of bankruptcy would incur, and suddenly.. you know, I really started to suffer a panic attack. My stomach started to churn, I began to suffer a cold sweat, and I curled up in ball, you know, and I thought how do I get out of this.. you know, why has it happened, why have I let it happen? And I felt guilty and I felt all the emotions associated with sheer terror.

MAGNUSSON: This is Trowbridge, Wiltshire. In January 2005 a local mechanic killed himself with the exhaust fumes from his car. The reasons people take their own lives are complex. What's clear is that 65 year old Richard Cullen died with over £100,000 of credit card debt.

WENDY CULLEN At the end of this garden is Richard's workshop and garage, and that's where he was found in the car in the morning, 10 o'clock in the morning. He'd come back overnight some time, and my son found his car down the bottom and we called the police and he was in the garage.

MAGNUSSON: Richard and Wendy were married for 18 years. They had 8 children from previous marriages. Richard earned roughly £15,000 a year and was another revolver, someone who borrowed heavily and never repaid the debt.

WENDY: It was really about two to three months before he died, the telephone

was ringing almost sort of maybe 17, 18 times a day sometimes, asking to speak to him, and I used to say, and they would say it was the bank or the credit card, and I'd just give him the message or if he was in the garden I would go and give him the phone, and then he started to walk off with the phone, and I said.. eventually I said: "Why are they calling so often? You must be in trouble." And just before Christmas he admitted that he was terribly in debt. These are some of the statements I've discovered since Richard died. He owed roughly £135,000 on 22 credit cards. It's absolutely unbelievable. Shocking.

MAGNUSSON: Several lenders had issued more than one credit card to Richard Cullen. The market leader, the Royal Bank of Scotland Group lent him over £35,000. They have issued him with four cards under different brand names - Mint, Tesco Personal Finance and two NatWest cards, which together generated the RBS Group over £4,000 in interest and charges in the last 12 months of Richard's life. We took the statements to the whistleblower.

WHISTLEBLOWER: This is one of the worst cases of irresponsible lending that I have ever seen. Customers like Richard Cullen, they are the ideal customer. They hold multiple brands with one institution. In this case credit cards are pushed all the way to the limits. Throughout his whole payment history he's only making minimum repayments. He takes cash out. There are no interest free periods. This is your perfect customer. He spends on the card every single month. He's a regular user. He was earning a very modest income of £15,000. The bank knows that they lent him £35,000. If that's not an alarm bell then what is? There is an inconsistency in these statements in that there are credit limit increases at the same time as we're seeing a history of arrears and minimum repayments. It's completely inconsistent. This is just a very, very good example of why the banks cannot be trusted to self-regulate. Why do they do it? Because they know they can get away with it.

WENDY: I'm angry at Richard and I'm angry at the banks. Richard had a responsibility, he took out the credit cards and the loans. But surely the bank must take responsibility as well for allowing him to go on and on getting deeper and deeper into debt.

MAGNUSSON: Several months after Richard's death RBS agreed to write off his outstanding debt of £35,000.

WENDY: It's a very, very different life now. One day you're happy. The next day; there's nothing! You're just on your own.

MAGNUSSON: RBS told Panorama they were not aware that Mr Cullen had a serious debt problem and hadn't made any errors in handling him or his accounts. We took our evidence to the man responsible for policing the banking code of practice.

Hello, hi. Mr Fortescue, let me show you these: 5th November 2004 Richard Cullen is being chased for arrears on his Mint card which is operated by the Royal Bank of Scotland. Two weeks later, his credit limit has been increased on his Tesco Personal Finance Card to £7,700. Tesco Personal Finance Card also run by the Royal Bank of Scotland. The letters have been sent from the same address, the same PO box even. Isn't that a clear violation of the banking code?

SEYMOUR FORTESCUE

Chief Executive

Banking Code Standards Board

Well I find it extraordinary that this has happened. I think it's a case of the right hand not knowing what the left hand is doing, there is no excuse for that. But it was clearly very strange indeed for them to be increasing his card limit on the one side and the other side trying to ask for their money back.

MAGNUSSON: This is within one bank, this is inexcusable surely.

FORTESCUE: I agree, I think this is wrong. I will investigate to see whether there's been a breach of the banking code. We will need Mrs Cullen's authority to do that but I will gladly do that.

MAGNUSSON: In Norfolk Mark McDonald's widow remains angry with RBS. Despite the circumstances of his death, the bank chose to pursue his estate for the money he owed them.

MARION: After my husband's death, I received letters from them basically saying he owed them money and implying that I should pay it. They wanted their money.

WHISTLEBLOWER: Every major bank will have what they call a special recovery unit or debt collection Department, and the job of that Department is to recover repayments from those people who have fallen into arrears. At the end of the day, if they don't recover that debt, the bank will have to write it off. So they have extremely aggressive targets and this is why such aggressive tactics are employed to ensure the bank recovers it's money at almost any cost.

MAGNUSSON: Mark McDonald's insurance policies had enabled RBS to recover over £90,000, but it still wanted full payment of its remaining £27,000 when other creditors were prepared to settle for a percentage of the money he owed.

WHISTLEBLOWER: There have been many other similar cases where the banks, including the Royal Bank of Scotland, have chosen to write off the debt. In the case of Mark McDonald the Royal Bank of Scotland chose to pursue his estate. This is an obvious case of irresponsible lending, so I'm very surprised. I'm shocked.

MAGNUSSON: It was a slow process. A year after Mark's death the bank still wouldn't agree to a compromised settlement.

MARION MCDONALD It's still a millstone round my neck basically. If I have to pay it I have to pay it, but I just want it to be gone, and it's not, and I'm constantly having to be brought back to the situation.

MAGNUSSON: Six months ago the Jenkins started to sort out their financial problems and to clear the £29,000 owing on their credit cards. They turned to National Debt Line, a charity that helps people in crisis. They now have a

repayment plan. Any interest is frozen, but they still have to pay their creditors £180 a month out of their modest take home pay. Looking back, Robert accepts that he was financially naïve, but he also feels his bank was equally responsible for lending him more than he could afford.

ROBERT JENKINS I spent the money, that was my responsibility. But I seemed to be doing it with their agreement so that's how it went. There's something immoral about the way that the banks are doing their business these days. They're making it far too easy for people to get into debt and that's irresponsible. You should be able to trust your bank. You should be able to believe that you're a valued customer and not a means of deriving a higher profit margin.

MAGNUSSON: In a statement Lloyds TSB said:

"We've made considerable efforts to help the Jenkins address their financial problems. By consolidating their external debts and re-mortgaging with us we were able to reduce their outgoings by around £400 a month. We've suspended all interest on their credit cards and overdraft and agreed their request for a three month mortgage repayment holiday. We have tried to contact the couple to discuss how we might offer them further assistance, however, they have chosen not to take us up on our offer."

MAGNUSSON: The consequences of Britain's borrowing crisis are so serious that they're now hitting the banks themselves. They're facing a mountain of bad personal debt. So four of the high street banks, including Lloyds TSB and RBS, have launched an initiative to identify customers in trouble. They'll now share information on clients income as well as their credit history to inform their lending decisions.

WHISTLEBLOWER: It is certainly a step in the right direction, but I do remain very sceptical. I really believe the banks have had all along the information they need to make decisions about whether individuals were at risk of falling into dangerous debt levels, but this comes too late. Can the banks really change a lifetime of habits of irresponsible lending. At the end of the day, that's what's made them their profits.

MARION: So we're going shopping for some shoes. Anything else? Matt, you don't want me to buy you anything else? That's unusual.

DAUGHTER: I'll ask you when I get there.

MARION: Oh I thought you might.

You don't think you can carry on to start with but you have to, I have to think of my children and I have to think that they've got their whole life ahead of them. If I'm strong, they'll be strong. I think he blamed himself totally. I think he felt he'd let us down very badly. You know, he loved his family and he loved me and I think he couldn't find words to say: "I've let you down. I've got into all this debt I've not admitted to."

MAGNUSSON: After almost a year and a half of negotiations RBS settled for a fraction of the remaining £27,000 Mark owed on credit cards and an overdraft. Since then, and after we contacted the bank, the debt has been written off. RBS told us that this was in response to finding out that an earlier offer letter to Mrs McDonald's solicitor was never received. For Marion and her family, these long months of worry have been hard to bear.

MARION: It's destroyed our life, destroyed the marriage that we had, destroyed the family life we had. It's all gone.

RBS BANK OFFICIALS: [on forecourt] So Fred isn't actually here and there's nothing we can do about that. If you want to have an interview with somebody we'll try and do it, but what we would appreciate is if you held the cameras to the ground.

MAGNUSSON: So Fred Goodwin wasn't there today, neither was any of the other senior executives apparently. I had a very long conversation with somebody from Group Communications by phone who is in London, and tells me that she'll try and fix up an interview for me in London tomorrow. So we'll see what we can do. In the meantime we're being moved on again. Tomorrow came but no interview. RBS didn't make it happen.

WHISTLEBLOWER: Over indebtedness has become a cancer in British society. It affects every one of us. The banking industry is fully aware of the reasons why people are falling into severe financial difficulty and I felt that not enough was being done about it. And in many cases a blind eye was being turned to these issues. I would say that consumers should be very, very wary of their banks.

MAGNUSSON: If you've been affected by any of the issues in tonight's programme and would like to talk to someone in confidence, please call the BBC Action Line on 08000 680 661. The Action Line is open seven days a week from 7.30am until midnight. All calls are free.

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