

## 50) MONEY MATTERS - The latest in a series of articles by Iain Gregory of Caithness CAB

You may have noticed that it has been a touch wintry recently. Throughout the land we have been variously digging out our driveways, getting stuck in the snow, falling over on pavements or, in my case, all three. On the plus side Caithness looks beautiful in a mantle of white, although it would be nice if some of the side roads were more of a black colour. I note that the Highland Council gritting budget is reportedly already overspent by about £500,000 and various councils in Scotland are also into serious deficits. I hate to mention it, but this is only January and we live in the Highland of Scotland. Winter does tend to continue for quite a while yet so the final figures are going to make uncomfortable reading by the time the temperature finally picks up in April. Many people in the County will remember when it was quite common for the Ord to be closed for days on end and for huge snowbanks to be present at the roadside for weeks. I recall many long nights rescuing people trapped in the snow a couple of decades ago and, on one famous occasion near the Slochd, when our Snowcat broke down, managing to get 13 people into a SWB Landrover and then parking myself on the spare wheel on the bonnet while the driver reversed through drifts for over a mile in a whiteout to get them to safety. This was great fun, but the lack of funds for gritting is not.

So, appropriately, this is a good time to talk about money. You will be aware that the Bank of England raised the interest base rate to 0.5% in November 2017. Panic ensued in the more sensational newspapers with predictions of "misery" for mortgage-payers and it was headlined as a disaster. Well it is of course no such thing. That was the first increase since July 2007 and the previous movement was in August 2016 when rates were cut to 0.25%. These are the lowest rates since the foundation of the BOE in 1694. If you have a look at historical figures you will see that in 1900 the base rate was 4%, it stayed constant at 2% between 1932 and 1952 and spiked at a (truly disastrous) 17% around 1980, but by 2000 it was again sitting at 4%, so the century ended just as it had begun. Half of one per cent is therefore extremely low and it will not stay there. So what does it mean for us? I think that the rate will rise gradually over the next few years and will eventually – maybe well ahead – settle down again in the "normal" 4% to 6% range. Savers will (at long last) start to get a decent return on their savings and mortgages will become much more expensive compared to today, but will actually be perfectly normal in historical average terms. Nobody really knows for certain what is going to happen, but it is a very good idea when taking out a mortgage to do a few sums – what would the cost be if interest rates rose by 1%, 2% or more? Could I afford it? I remember buying our first house in Inverness when rates were at 8% and within a year they were sitting on 16% - luckily we had ignored the "generous" offers from banks to buy an expensive property and had purchased something much cheaper. Even then finding your mortgage doubling (we were on interest-only) was not good news. Always do the sums,

plan for all contingencies and remember it is no fun to have a luxury home but no disposable income.

Due to rates being as low as they currently are, many people are, understandably, tempted to invest in some of the more “exotic” schemes which you might see advertised. The thing to bear in mind is this – if you had a guaranteed and foolproof way to make a fortune would you advertise it and tell everybody about it? Sadly we often see people at CCAB who have been persuaded to part with their hard-earned savings and have found that they have been seriously misled. Always take advice from a trusted and reliable source and if you have any doubts at all contact CCAB and we will signpost you appropriately.

The second big piece of financial news concerns charges made by retailers if you choose to purchase something with your credit or debit card. As we all know you often find yourself having to cough up a “payment surcharge” if you buy something with your card. This can be as much as 3% and on an expensive purchase that amounts to a lot of money. Our colleagues at Trading Standards have advised that as from Saturday 130118 the Consumer Rights (Payment Surcharges) Regulations 2012 (as amended) will ensure that businesses cannot impose ANY surcharge for using:

- consumer credit, debit or charge cards,
- similar payment methods that are not card-based (for example, mobile phone based payment methods),
- electronic payment services (e.g. Paypal).

The ban on surcharges applies to all payments made by these methods, whether or not they are in relation to a contract. So it covers not only payments for goods and services, but also taxes, charitable donations and similar. Payment surcharges are still permitted in relation to other methods of payment such as cash, cheques, standing orders or direct debits (but even then you cannot be made to pay more than it costs the business to process the payment). Remember though that a retailer can still refuse to accept a card at all or can set a minimum transaction value. If a lawful surcharge is to be applied, you must be told about it very early in the buying process to ensure that you are not misled about the total price you will pay. David Mackenzie, Trading Standards Manager at Highland Council explains: “All sorts of purchases that consumers make on a regular basis are covered by the new ban on surcharges. Buying a flight online, paying for a software download, joining a gym and booking concert tickets are typical examples but the list of possibilities is endless really. Consumers should look out and make sure there are not hit with an illegal surcharge.”

You are entitled to seek redress if asked for a payment surcharge that is banned or is more than allowed by the Regulations. If the fee has not yet been paid, then the trader cannot make you pay it and if it has been paid, it must be refunded. Protection can also extend to business buyers in that if a sole trader

is buying for a business but using a personal credit card, then the above rules still apply. The ban on surcharges does not, however, apply to commercial debit or credit cards, i.e. those used by registered companies.

This is all going to prove very interesting – clearly traders need to make a profit and small businesses cannot afford to lose say 2% of the payment so there are going to be price rises in some cases. I would also predict one or two imaginative schemes to get round the law, so please let us know if you come across anything on these lines.

And - a final financial reminder. If you are due to pay your tax bill to HMRC then make sure you do so by January 31st – the taxman is very good at demanding money with menaces if you are late.