

32 Pension Book Changes

The Government is changing the way it pays your pension. By April 2005 all pension books will be replaced with the Direct Payment system. This means your pension will be paid straight into a bank, building society or Post Office card account. Direct Payment is generally more safe, secure and convenient than the pension book system. There will be a cheque payment 'exceptions service' for people who can't handle an account because of a disability or illness. This information sheet looks at your choices for Direct Payment, the cheque payment system and answers some common questions.

Index	Page No.
Introduction	2
Why is the government stopping pension books?	2
When will I have to stop using my pension book?	2
What are my account choices for Direct Payment?	3
How do the different accounts work?	3
What do the different accounts offer?	4
- Current accounts	4
- Basic or introductory accounts	5
- How to open a current, basic or introductory account	6
- Post Office card account	7
- How to open a Post Office card account	8
Summary of accounts	9
Cheque payment exceptions service	10
Questions about Direct Payment	11
Useful contacts	17
Glossary	18

Introduction

From April 2003 the Government began phasing out the pension book system and replacing it with Direct Payment. Direct Payment means your pension will be paid straight into an individual account of your choice. A lot of people already get their pension paid into their bank or building society account or a Post Office card account. If you do, these changes will not affect you and you will continue to get your pension in that way. If not, this information sheet will explain your options.

Why is the Government stopping pension books?

The change is part of the Government's Payments Modernisation Programme. The Government says the benefits of choosing Direct Payment over the pension book are:

- It is more secure – books can go missing in the post, get lost or stolen.
- It is safer – you do not have to draw out your whole pension at once or carry more cash than you need.
- Once you get used to the new system it should be easier and more flexible for you.
- It is much cheaper to process payments in this way.

When will I have to stop using my pension book?

The changes won't affect everybody at the same time. The Pension Service began writing to all pensioners in 2003 to explain that the pension book system is being stopped. You probably have received your letter by now. It includes a leaflet and a form for you to fill in with the details of the account you want your pension to be paid into.

A lot of people don't like the idea of not having a pension book. At first, it was possible to ignore the letter from the Pension Service because you could keep using your pension book until at least April 2004. But now the Government has announced that it will stop producing pension books after October 2004. The last books will run out by April 2005. After then

everyone should be receiving their pension by Direct Payment. There will, of course, be people who can't manage an account because of a disability or illness. For these people, the Government is introducing a cheque payment scheme from October 2004. See page 10 for more details.

What are my account choices for Direct Payment?

You can have your pension paid into any of the following types of account:

- a current account with a bank or building society
- a basic or introductory account with a bank or building society
- a Post Office card account

You can pick whichever account suits you best. Even if you already have a bank or building society account, you can still open another one just for your pension. In most cases you will still be able to pick up your pension from your local Post Office, whatever type of account you have.

How do the different accounts work?

Your pension will be paid directly into your account. With all these accounts, you will be given a card and a personal identification number known as a PIN, which you'll use to withdraw money. The PIN will only be four digits long. If you don't find it easy to remember the PIN you are given, you can change it to one that you can remember at any time.

If a carer, relative or friend usually picks up your pension for you, you should be able to make arrangements with your bank, building society or Post Office so that they can continue to do so. Ask your bank or building society how a trusted 'third party' can collect your cash. If you open a Post Office Card Account, a second card and PIN can be issued to someone you trust so that they can collect your money for you. If more than one person needs to collect your money, or you are unable to operate an account because of a disability or illness, see the section on cheque payment on page 10.

What do the different accounts offer?

Current accounts

With a current account you can take money out or check your balance:

- at any 'hole-in-the-wall' cash machine (although a few cash machines charge a fee to use them) whenever you want;
- over the counter at your bank or building society branch; or
- in some cases, at the Post Office.

The following banks will allow you to withdraw money from any Post Office:

- Alliance & Leicester
- Barclays
- The Co-operative Bank
- Lloyds TSB
- Smile
- First Direct (in Scotland only)

These are the only banking groups that have an arrangement with the Post Office at the moment, but more may make similar arrangements in the future.

As well as giving you better access to your money than the pension book system, a current account has the following features:

- You can have a cheque book or debit card. Making more expensive purchases with cheques and debit cards is safer than carrying large amounts of cash. Also, if they get lost or stolen you can 'put a stop' on them. You can cash cheques or use a debit card at your bank or building society to withdraw money if you have difficulties remembering a PIN number. You can also cash cheques at your Post Office if you bank with:

- Barclays
 - Cahoot
 - The Co-operative Bank
 - Lloyds TSB
 - Smile
- You can arrange for your bank or building society to make regular automatic payments from your account for things like fuel and telephone bills by setting up a 'direct debit'. Paying like this can sometimes qualify you for a discount as well as spreading costs over the year.
 - You can pay cash, cheques and other direct payments into your account as well as your pension.
 - You will be sent regular statements telling you how much money has been paid in, spent and withdrawn.
 - You can ask for a credit card or an overdraft with your account which allows you to borrow money from your bank or building society. (This works best if you can pay the money back quickly to avoid paying interest rates or getting into long term debt.)

You should not have to pay a fee for a normal current account that is not overdrawn. Some banks and building societies offer 'extras' with a current account (like leisure discounts and free travel insurance) for a monthly fee. These are often called 'premium' current accounts and have names that include words like 'premier', 'gold', 'plus', 'additions', or 'more'. If you are offered one of these, you should decide whether you can afford the fee and whether you will get your money's worth from the 'extras'. Don't be afraid to say no. For the purpose of receiving your pension, a normal current account will be fine.

Basic or introductory accounts

A basic or introductory account is a 'no frills' account. It has similar features to a current account (see the summary on page 9). The biggest difference is that you will not usually be able to go overdrawn or arrange an overdraft. Some basic or introductory accounts will offer you a cheque

book, but a lot don't. Not many people know that this type of account exists – including some bank and building society staff. So you may need to be quite determined to get one of these.

If you have a **basic or introductory account** with one of the banks or building societies listed below you can take out cash free at any Post Office counter using your card and PIN:

- Abbey
- Alliance & Leicester
- Bank of Ireland
- Bank of Scotland
- Barclays
- Clydesdale Bank
- The Co-operative Bank
- First Trust Bank
- Halifax
- HSBC
- Lloyds TSB
- Nationwide Building Society
- NatWest
- Northern Bank
- The Royal Bank of Scotland
- Ulster Bank
- Yorkshire Bank

The Financial Services Authority (FSA) produces a leaflet on basic or introductory bank accounts called 'No bank account? Why it could pay you to have one'. You can get a copy by calling the FSA consumer helpline on 0845 606 1234.

How to open a current account or a basic or introductory account

- Decide which bank or building society is best for you.
- Go into your local branch and complete an application form.
- You will need to take proof of identity. Banks and building societies are very strict about what documents they will accept. It may be best to phone in advance to find out what they need. Rather

frustratingly, some banks and building societies will only accept passports and driving licences which a lot of older people don't have.

- If you need to give someone else access to your account (a carer, friend or relative who usually picks up your pension), you should ask the bank or building society for details of how a 'third party' can collect your cash. They will discuss your options with you and help you make the necessary arrangements.
- Once your application has been processed, you'll be sent your card and PIN in the post separately (for security reasons) within a few days of each other.
- You will then be able to give your new current account details to the Pension Service by filling in the form they sent you and returning it in the pre-paid envelope. If you no longer have the form, or have not received one, call the Direct Payment helpline on 0800 107 2000 (or 0800 107 5000 if you are in Northern Ireland).

Post Office card accounts

A Post Office card account is a bit different from a current or basic or introductory account. It is only for your pension and benefits and you can only withdraw money at the Post Office. It would probably suit you best if:

- You don't want all the features you get when you open a current or basic or introductory account like overdrafts and debit cards.
- You are unable to open a current or basic or introductory account – perhaps because you don't have the necessary proof of identity.
- You simply don't want your pension to be paid into a bank or building society account.

As with the other accounts, you will get a card and a four digit PIN. You can go into any Post Office, hand your card to the cashier and tap in your PIN into the keypad at the counter. The cashier will then give you as much or as little cash as you want (providing you have enough money in your account to cover that amount). You can also get a statement of how much money is in there.

With a Post Office Card Account:

- Only your pension and benefits can go into it. You cannot pay in any other cash or cheques.
- You can only check your balance and withdraw cash from a Post Office. But the good news is that it doesn't have to be your local Post Office – it could be any of them, wherever you happen to be.
- You will not get paid interest on your money or be allowed to go overdrawn.
- You can arrange for a second card and PIN to be issued to someone you trust, so that they can collect your money for you. If more than one person needs to collect your pension, it would probably be best to ask for cheque payment - see page 10.

How to open a Post Office Card Account:

- Call the Direct Payment Information Line on 0800 107 2000 (or 0800 107 5000 if you are in Northern Ireland).
- Tell the operator that you want to open a Post Office Card Account to receive your pension. Remember, even if you already have a bank account, you are entitled to choose to have your pension paid into a Post Office Card Account.
- You will then be sent a 'personal invitation document'. Fill this in and take it to a Post Office. If you are not sure how to fill it in, someone at the Post Office should be able to help you.
- The Post Office will send you a 'pick-up letter' to let you know when your card has arrived at the Post Office. They will also send you a personal identification number (PIN). For security reasons they will arrive separately within a few days of each other.
- Take both of these back to the Post Office where you filled in your personal invitation document and collect your card. Your new account is ready. If you lose your card, the Post Office can issue a new one within four to five working days (see page 11).

Summary of what the different accounts offer

Will this account allow me to:	Current account	Basic account or introductory account	Post Office Card Account
withdraw cash at the post office?	Depends on which bank or building society your account is with	Yes	Yes
withdraw cash from cash machines?	Yes	Yes	No
have a cheque book?	Yes	Depends on which bank or building society your account is with	No
set up Direct Debits	Yes	Yes	No
check my balance at the post office?	Depends on which bank or building society your account is with	Yes	Yes
check my balance at cash machines?	Yes	Yes	No
arrange for an overdraft or go overdrawn?	Yes	No	No
Pay in cash, cheques or other direct payments?	Yes	Yes	State pension and benefits only

Cheque payment exceptions service

Some people will not be able to manage a bank, building society or Post Office account because of disability or illness. Other people may have times when they cannot use an account - perhaps because of a short illness or when a regular carer is not around. From October 2004 people who are unable to use Direct Payment will be able get their pension paid as a cheque once their pension book runs out. The cheque payment system is for people who:

- would have difficulty remembering and using a PIN number;
- could not manage using a key pad at a cash machine or at the Post Office to access their money; or
- need different carers or helpers to collect their pension.

How will the cheque payment work?

Cheques will be sent to you through the post weekly or monthly depending on how often you receive payment at the moment. The cheques can be cashed at the Post Office like a giro cheque or paid into a bank account. Like the pension book system, a carer or helper can collect your pension for you if you sign the back of the cheque. But they will need to give proof of identity for you and themselves.

How do I arrange cheque payment?

If you or someone you care for needs this method of payment, you should tell the Department for Work and Pensions (DWP) by calling the Direct Payment information line on 0800 107 2000 (or 0800 107 5000 if you are in Northern Ireland). You will need to briefly explain to the operator why you (or the person you are calling for) cannot use Direct Payment. The DWP will then mark you down as needing cheque payment and will send you cheques after your pension book runs out. Once you have arranged this, you can ignore any further letters from the DWP requesting account details for Direct Payment.

Problems with cheque payment

Cheque payment is less secure than Direct Payment. Probably the biggest problem with cheque payment is that you will have to rely on the post to get it to you on time. Cheques could get lost in the post or be stolen. The Government has promised that there will be no question of people not getting money if cheques go missing or if there is a postal strike. They have told us that they have plans to deal with this if it happens depending on the needs of each person.

Questions about Direct Payment

If you have any questions about Direct Payment, call the Direct Payment information line on 0800 107 2000 (or 0800 107 5000 if you are in Northern Ireland). The DWP leaflet 'A guide to Direct Payment' answers a lot of questions. The Direct Payment information line can send you a copy.

Your local CAB may also be able to help you choose the right account for you. Or call SeniorLine on 0808 800 6565 (or 0808 808 7575 if you are in Northern Ireland).

Here are some common comments and questions that Help the Aged has been asked:

What if I lose my card?

- Your bank (or building society) will have a system in place to help you if you lose your card or think it has been stolen. You should tell them immediately if you think this has happened. Go into your bank or give them a call. There will usually be a customer service or a 'lost card' telephone number on your bank statement. The card will then be stopped so no-one else can use it and you will be sent a new card and PIN. Your bank can usually arrange for you to get money out without your card until the new one arrives, but ask them how you would go about this. If you find your card after you have reported it lost or stolen, you won't be able to use it again. So it is best destroy it and wait for your new one to arrive.

- If you have a Post Office card account you should tell the Post Office immediately if you lose your card. You can report it lost or stolen by calling the Post Office's lost card line for free on 0800 389 2101. The operator will arrange for you to get a new card in one of two ways:
 - If you have money in your account, the operator will give you a reference number and then contact your Post Office to tell them to give you a new card (sometimes called a 'vault card'). You will then be able to go into your Post Office, give the cashier your reference number, pick up your new card and use it with your existing PIN as normal. This can often be done on the same day you report your card missing (as long as there is enough time to sort it out before your Post Office closes for the day).
 - If you have no money in your account when you report your card lost or stolen, then a new card will be sent to your Post Office in four to six working days. You will be sent a letter when it is ready to collect.
- If you find your card after you have reported it lost or stolen you won't be able to use again. So it is best to destroy it and wait for the new one to arrive.

What if I forget my PIN?

Your PIN will only be four digits long and you can change it to a number that you think you will remember any time you use your card. If you do forget it, tell you bank, building society or Post Office immediately. They will then arrange to send you a new one. While you are waiting for a new PIN:

- If you have a bank or building society account you can use your debit card (or cheque book and card) to withdraw money at the counter of any branch of your bank without needing to use your PIN. You may be able to draw cash at the Post Office if your bank or building society has an arrangement with the Post Office (see pages 4 to 6).

- If you need smaller amounts of money (say up to £50) you can get 'cash back' at some shops using your bank or building society debit card. Most supermarkets give 'cash back'. You will just need to pay for your purchase with your debit card and ask for an amount of 'cash back'. (You will be charged for your purchase and the amount of cash you ask for).
- If you have a Post Office card account tell the Post Office immediately if you forget your PIN by calling their helpline on 08457 22 33 44. You should get a new PIN sent to you in four to five working days. You will not be able to access your account while you wait for your new PIN. So it is a good idea to change it to one you are less likely to forget as soon as you can to avoid this inconvenience.

I don't think I will be able to use the key pad at the Post Office.

The Post Office has tried to make the keypads easy to use by working with the Royal National Institute for the Blind (RNIB). The key pads make 'beep' sounds and have markers to guide people with visual impairment. Check out the keypads when you go to the Post Office. If you do not think you will manage with the key pad, then it may be best for you to get cheque payment of your pension (See page10).

Does my carer need Power of Attorney to draw out my pension?

Not necessarily. There are a few options when it comes to another person or 'agent' getting access to your account. In every case you must make sure it is someone you can trust.

- If you want your pension to be paid into a bank or building society account, you could set up a joint account with your 'agent' – particularly if your spouse draws your pension for you.
- If an 'agent' is needed for a limited amount of time, for example, if you can't collect your pension because of illness or a spell in hospital, your bank or building society may ask you to fill out a 'third party mandate' form. You can then name a person to use your account for you.
- If your needs are long term then you could consider granting someone Power of Attorney so they can manage your bank or

building society account for you. There are different types of Power of Attorney - it is important to choose the right one for your 'agent'. For more information contact **SeniorLine on 0808 800 6565 (or 0808 808 7575 if you are in Northern Ireland)** or get advice from your local CAB.

- If you have a Post Office Card Account you can arrange for your agent to get a second card and PIN that will give them access to your account. If you have granted someone Power of Attorney, that person cannot open a new Post Office Card Account in their name to receive your pension. They can only gain access to your Post Office Card Account if they are a second cardholder.
- If you need more than one person to manage your account for you, it may be simpler to request cheque payment of your pension through the exceptions service (see page 10). It can be complicated if you have more than one person with Power of Attorney.

I don't want an account because I don't want people knowing how much money I have.

The only people who will know how much money is in your account is you, your bank and any trusted person you have asked to use your account for you. Your bank cannot disclose information about your account to anyone unless you have agreed. However, there are some very exceptional circumstances when the bank has to do so by law. For example, if the information is required for a court case or it becomes a public duty (like if you have been trading with the enemy during wartime) – but these are not very likely.

If my pension builds up in my account will I lose my Pension Credit, Council Tax Benefit and Housing Benefit?

Direct Payment is just a different way to the pension book of getting your pension. You can still draw out and spend your full pension weekly if you want or save a bit in your account – it's up to you. Any savings you have would need to exceed £6,000 in total before they started affecting entitlement to these benefits. Even if you did choose to save more than this you may still get some help. For more information on working out how much Pension Credit, Council Tax Benefit and Housing Benefit you should

get, see our free advice leaflet 'Can You Claim It?'. Or, call **SeniorLine on 0808 800 6565 (0808 808 7575 if you are in Northern Ireland)**.

I use my pension book as proof that I receive benefits so I can get concessions. What will I do now?

Your local social security office or Pension Service can give you a letter confirming you get a pension or benefits. This can be used to prove your right to any concessions for people on pension or benefits.

I don't want to have my pension paid into my current account because I like to keep it separate from my other money.

You don't have to get your pension paid into your any existing account – you can open a new one for the sole purpose of receiving your pension. Even if you already have, say, a disability benefit paid straight into a current account, you may decide that you want to open a Post Office Card Account just for your Pension. You may feel you would be better off with cheque payment of your pension, even if you already have an account, because it has become impractical for you to use your account since you opened it. It is up to you, not the DWP, which account you use or whether or not you need cheque payment.

I wanted to keep my pension book, so I ignored all the letters the Pension Service sent me about Direct Payment – what do I do now?

The Government is going to stop sending out pension books after October 2004. There are many pensioners who have not informed the Department for Work and Pensions (DWP) of bank or building society account details for Direct Payment of pension. The Government will continue to try and contact everybody they haven't heard from. You will get a new opportunity to move over to Direct Payment of pension. Remember, the cheque payment system is available for those who cannot manage accounts, cards and PIN numbers.

It is best not to ignore the letters from the Pension Service. If you can operate an account it is probably a good idea to think about your Direct Payment options. But do not feel bullied or hurried into making a decision

about Direct Payment – there are plenty of people who still have not moved over to this method of payment. If you haven't given account details for Direct Payment by the time your pension book ends, you will be moved over to cheque payment. At some point, however, the DWP may want to check that they have your correct address details.

I don't want to give up my pension book because I want to support my local Post Office so it doesn't close down.

If you want to continue to use your Post Office to collect your pension money you could:

- open a Post Office Card Account to get your pension paid into (see pages 7 to 8); or
- open a basic, introductory or current account which allows you to take money out at the Post Office (see pages 4 to 6); or
- arrange for the cheque payment of pension if you cannot operate an account because of disability or illness (see pages 10 to 11).*

* Anyone who has not given account details for Direct Payment by the time their pension books run out will also be moved over to cheque payment.

What will happen if the Post Office computer breaks down?

The Post Office now uses a computer to give you money from your account. If it breaks down, then you should still be able to get some money.

- If you have a bank or building society account that you are using through the Post Office, you will be able to use any cash machine to get your money. If you don't want to use a cash machine, you will need to go to a branch of your bank or building society.
- If you have a Post Office card account and you desperately need your money there and then, your Post Office should be able to give you an emergency payment of up to £20.

Useful contacts

- **Citizens Advice**

For free information on the pension book changes and how they may affect you. Check the phone book or the library for your local Citizens Advice Bureau.

- **Department for Work and Pensions**

Call the Direct Payment information line for free on 0800 107 2000 (or 0800 107 5000 if you are in Northern Ireland) for general information on Direct Payment.

- **Financial Services Authority**

For a copy of the free leaflet about basic or introductory accounts called 'No bank account? Why it could pay to have one' call 0845 606 1234.

- **Help the Aged SeniorLine**

For information on the pension book changes and how they may affect you and all welfare benefit advice. Call **0808 800 6565 (or 0808 808 7575 if you are in Northern Ireland)**.

- **The Post Office**

If you have questions about collecting your money at a Post Office or for a copy of the leaflet 'But you can still collect your state pension at the Post Office' call the Post Office helpline on 08457 22 33 44.

Glossary

balance	This is the amount of money you have in your account at a particular time.
basic or introductory account	A 'no frills' account you can pay money into, get cash out by card and use to pay bills directly. You can only spend or take out money if there is enough in your account.
credit card	A plastic card which you use to make purchases now with the bank's money and pay them back later.
current account	An account for day to day money management which has all the features of a basic or introductory account and more including a cheque book and overdraft facility (if arranged).
debit card	A plastic card that you can use to pay for goods or services. The money is taken straight from your account. It is an alternative to paying with cash or cheque.
Direct Debit	A system for paying bills straight from your account. You sign an agreement with the organisation who gets the payment, for example, your power supplier, and they arrange the transfer of money from your account at regular intervals. You have a right to cancel the agreement at any time and will be refunded money if an error is made.
overdraft	This is a facility offered by many current accounts to let you 'go into the red' by an agreed amount. Charges for this facility vary from bank to bank. If you spend more than your agreed overdraft limit, or, if you go into the red without arranging an overdraft first you are likely to be charged extra (for example, an admin fee and high interest rates).

overdrawn	Going 'into the red' by spending more money than you have.
PIN	PIN stands for Personal Identification Number. It is your secret code for your account and protects your money if your card is lost or stolen. You have to remember your PIN to get access to your account with your card at a cash machine or the Post Office (depending on which account you have).
Post Office Card Account	A new Post Office account which you can get your pension and certain benefits paid into only. It can only be accessed at the counter at the Post Office.
Power of Attorney	This is a legal arrangement where you give someone the power to manage your affairs.
third party	In this case it means a person who acts as a 'go between' between you and your bank, for example, a friend, carer or relative.

For further information contact:

Information Resources Team
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People with access to the Internet can download our information sheets and advice leaflets by logging on to: **www.helptheaged.org.uk**

SeniorLine is the **free** welfare rights advice and information service run by Help the Aged for older people. It is free, confidential and impartial. Trained advice workers can help with the following:

- Welfare and disability benefits
- Community and residential care
- Housing options and adaptations
- Access to health and community services
- Equipment to assist independence
- Support for carers
- Agencies offering local practical help

Telephone: **0808 800 6565** Minicom: **0800 26 96 26**
9am to 4pm, Monday to Friday. Your call will be free of charge.

If you are in **Northern Ireland**, call SeniorLine on **0808 808 7575**.

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Help the Aged is a registered charity No. 272786, registered in England at the above address.