

CHANCERY MANAGEMENT NEWS UPDATE

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On This Day In 2003

The Columbia shuttle disintegrates killing seven on board.

Statutory Redundancy Payments Increased

Effective today the Statutory Redundancy Payments increased to £350.00 per week.

Post Office Savings Not Covered By UK Scheme

The Post Office has written to 500,000 account holders telling them their money is no longer covered by the UK savings protection scheme. Therefore, they will have to put their trust in the Irish protection system. With banks in Ireland in a similar or worse state as some of our own banks and the economy probably worse it may be worth considering transferring your money to the UK.

Over recent years Anglo Irish has offered best buy fixed rate bonds and Bank of Ireland through its joint venture with the Post Office has hundreds of thousands of UK account holders, with more than £6 billion in cash ISAs, bonds and easy access accounts.

The systems to safeguard these deposits are complex and have changed in recent months. Protection for savers with those two banks now depends solely on the strength of the Irish economy, which is being questioned more than ever.

The Dublin Government went further than the UK in offering guarantees to its savers.

In the UK, protection was increased to a maximum of £50,000 per person per licensed bank or building society.

Ireland eventually promised to protect deposits unlimited up to September 30 2010. This protection has been extended to UK customers saving with Irish banks.

The Post Office and other Irish banks enjoyed a flow of fresh money from British savers, partly because of anxiety about the Halifax, Royal Bank of Scotland and some other troubled UK banks and financial institutions.

However, since September the Irish economy and its banking system have rapidly deteriorated and Anglo Irish has been nationalized and the other two banks, Bank of Ireland and Allied Irish, are being supported with Government cash. Last week the Irish economy was forecast to shrink faster than any other country in the wider EU region with the exception of Latvia.

At the same time UK savers with money in the Post Office accounts were receiving letters alerting them to the fact that their cash was no longer protected by the UK Financial Services

Compensation Scheme.

Technically UK depositors with Post Office accounts or accounts with Anglo Irish will not receive any help from the UK authorities. They will have to rely wholly on the Irish depositor scheme and the assurances from Dublin that it can meet its bank liabilities. The same applies to any bank operation from countries within the European Economic Area if the local depositor protection scheme exceeds our own £50,000 protection limit.

One exception is Allied Irish Bank GB which set up as a UK subsidiary and is therefore protected here.

The problem for savers locked into deals with the Post Office or Anglo Irish is especially acute. They must decide whether to risk losing their money against the higher returns they may receive which they would lose if they pulled out their money and put it in a UK bank. Furthermore, although the Irish Government currently has an unlimited scheme of protection, that may not be renewed after 30 September 2010 and nobody knows what would happen if the Irish Government failed to keep its banks afloat.

The Financial Services Compensation Scheme and the Financial Services Authority say that legally they can take no responsibility in cases where banks are not part of the UK scheme.

Some financial journalists are of the opinion that if the Irish Government failed to keep its banks afloat the European Central Bank would assist because Ireland is in Euroland.

Safe Savings

The Financial Services Authority (FSA) has stepped in to help people who have money in building societies that have merged or are about to. Under previous rules when societies merged they could only trade under one banking authorization, so anyone with money in both was only covered by the Financial Services Compensation Scheme up to a total of £50,000 in both the merged societies.

That meant that someone with £50,000 in each society before the merger would have to move half their money to another provider to be sure that all their funds were covered. However, the FSA now says if one building society merges with another, people in both societies will have separate cover of £50,000 provided always the following conditions are met.

The conditions are:

The funds must have been in each society before the merger. The date is the formal transfer of the separate societies into one.

The merged societies must continue to trade under their old separate names. For example, Nationwide has kept the Cheshire and Derbyshire brands and Yorkshire has kept the Barnsley brand. Skipton will also keep the brands separate when its merger with the Scarborough is finalized at the end of February 2009. However, Chelsea Building Society absorbed the Catholic Building Society on 31 December and its brand no longer exists.

These rules only apply to building societies. Banks that have merged are already free to trade as separate entities and some such as Royal Bank of Scotland and NatWest do so.

The new rule only lasts until September 2009. However, the FSA is consulting on whether the £50,000 limit should apply to separate brands even when they are owned by the same bank or building society. It is also considering the amount of the limit, which may be increased.

Changes To The National Minimum Wage (NMW)

The Employment Act 2008 (the Act) contains a range of measures affecting the (NMW).

Arrears of NMW:

A new method of calculating is applicable effective 6 April 2009.

Workers receiving arrears will be entitled to have any arrears due to them paid at the new rate if these are higher than those when the arrears arose. These are usually known as fair arrears.

Fair arrears must be calculated according a formula set out in the Act and this change applies retrospectively.

Therefore, from 6 April 2009 workers are entitled to fair arrears for all periods that they have been underpaid, including all periods prior to 6 April 2009.

Enforcement:

In addition to the changes in which arrears are calculated effective 6 April 2009, if HM Revenue & Customs find there has been an underpayment of the NMW they may issue a notice of underpayment requiring the employer to repay arrears to the worker or workers and to also pay a financial penalty to the Secretary of State. Employers can appeal against the notice of underpayment to the Employment Tribunal or (Industrial Tribunal in Northern Ireland).

A financial penalty will only be charged in respect of underpayments of the NMW occurring in pay reference periods commencing on or after 6 April 2009 and these will not be applied to underpayments occurring prior to this date. However, the penalty is quite punitive and is set at 50% of the total underpayment of the NMW for pay reference periods on or after 6 April 2009. There is a minimum penalty of £100 and a maximum penalty of £5,000.

Employers who comply fully with the notice of underpayment within 14 days of service will receive a discount of 50% on the penalty.

The New NMW Tool:

The Department for Business, Enterprise & Regulatory Reform (BERR) has recently introduced an interactive tool, hosted on the Business Link website, which will help employers understand and comply with the changes made by the Act.

The tool is part of a package of measures including updated guidance, which BERR is introducing to help employers pay their workers at least the NMW

The tool enables employers to check:

- Whether an individual is entitled to the NMW and if so at what rate.
- Whether arrears are due to a particular worker in respect of a specified pay reference period.

The tool takes the user through the rules that appear to apply to the worker based on information that the user has provided. Therefore, the answer obtained from the tool will only be as good as the information that the user enters.

Employers who owe arrears of the NMW to a worker on or after 6 April 2009 can use the tool to help them calculate how much they need to pay by selecting "calculate fair arrears" on the enquiry screen.

If an employer wants to check whether a worker has been paid the NMW, interactive guidance explains how things like accommodation affects NMW pay.

There is also a helpful summary at the end of the tool which draws together the various answers that the user has given to show how the arrears have been calculated. If the user does not have time to work through all the screens in the tool the answers can be saved online at any time and returned to later.

Claim Back Your Tax

HM Revenue & Customs (HMRC) has £250 million which belongs to the public and it is giving it back. Tax is deducted automatically at 20% from interest on savings.

The banks or building societies then pass that money to HMRC which says that about 3 million people most of whom are pensioners can claim their share of this large amount of money.

In the main, there are two groups of people that can claim.

The first group was those who have not used up all their tax allowance.

If their income is below their tax allowance they can claim. Allowances can vary according to age. If their total annual income is less than their allowance they may claim all the deducted tax back to 2003-2004.

The second group of people that can claim are those who have a total income just above the allowance who should only have paid 10% instead of the rate of 20% which is the standard rate used for the deduction.

Therefore, people whose income was less than the total of their tax allowance and the lower rate limit can claim up to half the tax deducted.

To get the higher allowances your birthday can be as late as 5 April. Historic and current tax allowances can be found on the HMRC website.

A separate form, R40 has to be completed for each tax year for which a claim is made. A claim can be made either at the end of each tax year or at any time when at least £10 tax is due and you will get interest. Find the form at www.hmrc.gov.uk/tdsi/claim-tax-back.htm or call 0845 366 7850.

Claiming is only part of the process. Anyone whose income is less than their tax allowance in the current year can register to have their interest paid gross without the tax deducted. That is done on a form R85. There is a separate website, www.hmrc.gov.uk/tdsi/key-info.htm and a different helpline 0845 980 0645.

Once the form has been returned your interest will be paid gross every year. If your income is above your allowances but within the lower rate limit you cannot have it paid gross. You have to claim back the 10% tax using form R40.

Quotations of the Month

How lucky I am. Whenever I make a mistake people are sure to discover it.

It is a funny old world a person is lucky if they get out of it alive.

A good argument has no need of a loud voice.

Money is better than poverty if only for financial reasons.

Life is blighted by the tyranny of the urgent over the important.

Before you embark on a journey of revenge, dig two graves.

We are all manufacturers, making good, making trouble and making excuses.

Happiness is not inherited it has to be earned.

War will cease when people refuse to fight.

Source: The CML collection

Statistics of the Month

The Department of Education spent £72m last year on consultants, enough to pay for an extra 2,000 teachers. Source: Daily Mail.

In 1976 the poorest 50% of the population owned 12% of the nation's housing stock. By 2003, they owned just 1%. Source: The Sunday Times.

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