

UNITED KINGDOM

ANNUAL REPORT ON CONSUMER POLICY DEVELOPMENTS

2000

Introduction

In its 1999 White Paper, *Modern Markets & Confident Consumers*, the UK Government set out a comprehensive strategy to put consumers centre stage. Informed and demanding consumers spur innovation and help business competitiveness. Consumer policy aims to protect all in society, particularly the disadvantaged, from unsafe products, unfair practices and rogue traders.

The Government is undertaking a fundamental review of existing consumer legislation to identify improvements to consumer protection that are effective without imposing unnecessary burdens on business.

Budget Allocation to Consumer Issues

In 2000/01, the Government contributed GBP23.7m to consumer bodies (National Association of Citizens Advice Bureaux (NACAB), Citizens Advice Scotland (CAS), National Industry Consumer Councils, the Consumer Groups and Councils) of which £18.3m went to NACAB and CAS.

Legislative Developments

Utilities Act 2000: In July 2000, the Utilities Act 2000, which reforms the regulation of the gas and electricity industries, received Royal Assent. The Act established a single Gas and Electricity Markets Authority (GEMA) to regulate the industries and an independent Gas and Electricity Consumer Council (GECC) to represent consumers.

The Consumer Credit (Advertisements and Content of Quotations) (Amendment)

Regulations 2000: The new Regulations came into force in September 2000. They require warning statements in certain categories of advertisements for credit and hire secured by a mortgage, and particularly in relation to the variety of equity release schemes marketed to elderly home owners. The Regulations stipulate a new warning “*Check that this mortgage will meet your needs if you want to move or sell your home or you want your family to inherit it. If you are in doubt, seek independent advice.*”

The Consumer Protection (Distance Selling) Regulations 2000

The UK implemented the EU Directive on the protection of consumers in respect of distance contracts (Directive 97/7/EC) with The Consumer Protection (Distance Selling) Regulations 2000 which came into force on 31 October 2000. The Regulations give new protection to consumers who shop via the internet, by phone, mail order or digital TV. Under the Regulations consumers must be provided with certain information about the trader and the goods and services before deciding to buy, and this must be confirmed in writing after the purchase. The consumer is protected from credit card fraud and has a cooling off period of seven working days in which they can cancel the contract and send back the goods.

Helping consumers get better information and advice

The Department of Trade and Industry plays a major role in supporting the provision of information and advice through its work with Trading Standards Organisations, the National Association of Citizens Advice Bureaux and consumer councils. The Department has taken a number of initiatives to improve further the access to joined-up, quality-assured help.

Consumer Gateway

The Department maintains the award winning Consumer Gateway (www.consumers.gov.uk) which provides easy and intelligent access to the wealth of consumer advice and information available on the internet.

Consumer Helplines

Three pilot consumer helplines were launched in 2000-01, each adopting a different approach to the provision of consumer advice. These will be evaluated in 2001 to assess the case for a national consumer helpline.

Consumer Support Networks

The Department launched the Consumer Support Networks in October 2000. These will improve help and advice for consumers by drawing together at local level Trading Standards Organisations, Citizens Advice Bureaux and other providers of consumer advice and information. The Department has set a target of 25% coverage of the country by June 2001.

A better deal for consumers

Codes of Practice

In the Consumer White Paper, the government reiterated its belief that effective codes of practice will benefit consumers and business alike. DTI has been working with the OFT to develop a scheme that will give approval to codes of practice that put core principles into effect. This will help consumers recognise a good code and make it easier to find a reliable business.

Price Marking

The Price Marking Order (PMO) 1999 came into force on 18 March 2000. The Order covers products, not services, and is limited to sales between retailers and consumers. It requires the selling price, and where appropriate, the unit price of products to be displayed in an unambiguous, easily identifiable and clearly legible manner. The unit price (which is the price per kilogram, litre etc of goods sold by quantity) is required for products sold loose from bulk (eg fruit and vegetables) and pre-packaged products which are required by weights and measures legislation to be marked with quantity or to be made up in a prescribed quantity.

During 2000, the Government consulted on the Review of the Price Marking (Food and Drink on Premises) Order 1979. This followed an independent survey on the pricing of drinks in pubs, restaurants and other establishments. Although the survey was looking particularly at soft drinks, it found a widespread lack of transparency in drink prices across establishments, which is being addressed in the current review.

Government Consultation on UK timeshare laws

In April 2000, the Government published a consultation paper reviewing whether aspects of timeshare legislation needed updating and improving information given to timeshare buyers to improve their rights. The paper covered issues which had arisen since the introduction of the Timeshare Regulations 1999 (implementing the EU Timeshare Directive (94/47/EC)) and

the Timeshare Act 1992, including new products not covered under the legislation such as holiday clubs, post-contractual problems, and timeshare resales.

Securing Compliance

In February 2000 the Department issued proposals on implementing the Injunctions Directive, which will give consumer bodies the power to seek injunctions in the UK and elsewhere in the EU to stop traders infringing the collective interests of consumers.

Also in February, the OFT, Local Authorities Co-ordinating Body on Food and Trading Standards [LACOTS] and four local government Trading Standards Departments participated in a global internet surf. The surf, organised by the US Federal Trade Commission, targeted websites promoting potentially misleading “get-rich-quick” scams.

In June 2000, a DTI Scholarship was launched to help those wishing to train as trading standards officers and enforcement officers who wish to enhance their current expertise.

Tackling Consumer Problems

The Minister for Consumer and Corporate Affairs hosted a conference on 30 October 2000 for representatives of the credit industry, consumer bodies and advice agencies. Its remit was to identify practical ways of encouraging more responsible lending and borrowing, so reducing the scope for consumers to become overindebted. As a result a task force led by the Department of Trade and Industry will produce a report during the first half of 2001 on ways to improve information provided to consumers and the adoption of core principles of lending practice.

Following research into current protection against extortionate credit, the Government is reviewing whether improvements need to be made to ensure consumers are adequately protected, particularly those who are under financial pressure or otherwise vulnerable at the time of taking out a loan.

Switching Suppliers

The Department of Trade and Industry’s report on *Switching Suppliers* (November 2000) examined why consumer switching activity across a range of markets, including utilities, banking and home and car insurance, was at variable but generally disappointing levels. While consumer apathy and lack of information were key factors, switching was more prevalent where comparative information was easily available, effective triggers existed and the perception of risk was minimised, as in car and home insurance, energy and mobile phones. In the light of the report’s findings, ways of encouraging switching and making markets more open and competitive are being explored.

Mobile Phone Price Transparency

The DTI commissioned research into how easily consumers could get best value for money, and whether the format of presented information helped or hindered the process.

A better deal for e-shoppers

The Government has taken steps to help ensure that consumers can shop on line with confidence. As well as introducing the Distance Selling Regulations, it has promoted codes of practice for internet retailers and in this context has encouraged development of alternative dispute resolution (ADR) schemes to address shoppers’ concerns when things go wrong. Recognising that people are increasingly buying from traders in other countries, the

Government has been active in Europe and in the wider international arena on protection for consumers engaging in on line purchases, and on cooperation between national enforcement authorities in the consumer field.

Codes of Practice for e-commerce: In July 2000, the Alliance for Electronic Business and Consumers' Association, in consultation with the DTI and the Office of Fair Trading, launched TrustUK. This is a scheme to approve codes of practice for internet retailing, such as codes run by trade associations or other subscriber bodies. Webtraders who subscribe to approved codes can display the TrustUK hallmark. To date, three code owners have received TrustUK approval - Which?Web Trader, the Direct Marketing Association and the Association of British Travel Agents.

Alternative Dispute Resolution: TrustUK will only approve codes which make provision for Alternative Dispute Resolution (ADR) (eg arbitration, ombudsmen). ADR offers low cost, user-friendly ways of settling disputes. In the EU, the Government has strongly supported the initiative of the Portuguese Presidency and the Commission to develop the European Extra-Judicial Network (EEJ-Net) which will give consumers access to ADR schemes in other Member States through national clearing houses. The Network is due to be launched in October 2001.

European Community Regulation on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (the "Brussels Regulation"): The Regulation, which comes into force in March 2002, sets the rules on which EU Member State's court has jurisdiction in contractual and other disputes between litigants. It covers business to business and business to consumer disputes. Consumers will be able to sue at home in certain cases, where the trader directed his activities to the consumer's state. The Regulation will largely replace the 1968 Brussels Convention, which contains similar provisions.

Enforcement Cooperation: A big challenge in the legal field is to achieve closer day to day co-operation between regulatory authorities across the EU and beyond to tackle cross-border scams and other breaches of consumer law. In November 2000, the Secretary of State and the Director General of Fair Trading signed a Memorandum of Understanding with the Chairman of the US Federal Trade Commission. The Government hopes to make similar arrangements with other OECD countries.

Improving consumer access to information about online shopping: Information for consumers is available from many sources, including the Government's Consumer Gateway which signposts other sites run by the Office of Fair Trading, consumer organisations, magazines and other media. The Government has been reviewing the availability of information about online shopping to ensure that information covering the full range of consumer concerns (payments, data protection, illegal content, redress etc) is more easily available from authoritative sources. This process started in the run up to Christmas 2000 with a campaign setting out simple do's and don'ts for safe internet present buying.

Modernising Consumer Institutions

In September 2000, the Government issued a consultation document on proposals to strengthen the Office of Fair Trading by giving it a statutory Board. The Board would be led by the Director General of Fair Trading, and would have members with expertise in competition, consumer and management issues. The new Board would have a duty to make

public its main deliberations. The aim of introducing this new structure would be to broaden the base of knowledge and experience at the top of the OFT, to strengthen its independence and increase the transparency of its actions and decisions. It is also proposed to give the Office of Fair Trading new powers in relation to local trading standards departments.

The Consumer White Paper announced the creation of a high level forum to bring together representatives of the various enforcement agencies with links to consumer protection. Its mandate is to consider matters of common interest, to develop consistent approaches to enforcement, to look at ways of cooperating at the working level and to exchange best practice. The Forum meets every six months (its first meeting took place in May 2000) to explore current issues and to develop proposals for action. A wide spectrum of private and public sector organisations and individuals attend, including enforcement agencies, trade and consumer associations, business organisations and individual business representatives. Issues being tackled include cross boundary enforcement, enforcement agencies working in partnership and the sharing of good practice for effective enforcement.

Under the Utilities Act 2000 and the Postal Services Act 2000, the Department has taken the lead in establishing two new consumer councils; the Gas and Electricity Consumer Council (GECC) and The Consumer Council for Postal Services (CCPS). Both councils have a particular focus on the needs of vulnerable consumers; the elderly, those with disabilities etc. They will deal with complaints, represent consumer views, offer advice to Government and work directly with companies to ensure that consumers receive better services. They will also work to ensure that competition is promoted through better education and awareness programmes aimed at consumers.

Office of Fair Trading Report on Car Servicing

An OFT study, published in August 2000, into the car servicing and repair industry revealed that poor workmanship is causing consumers some 1.3million problems a year. Common problems included final bills being higher than expected, garages being vague about costs and the precise details of what was included in a service, consumers not having enough information to help them shop around for reliable garages and owners incorrectly believing that warranties always tie them into servicing by the franchised dealer who sold the car or to franchised dealers for the same manufacturer.

Amongst the OFT's key recommendations were a high level task force to prepare an agenda for action, manufacturers should be required to provide new owners with servicing checklists, fixed-price quotes should be given to consumers before work takes place on a vehicle and mechanisms put in place to ensure that additional work is not done without authorisation, and greater investment should be made by the industry in staff training.

OFT Debt Campaign

In December 2000, the Office of Fair Trading launched a major campaign, *Don't let credit turn into debt*. The campaign warned people of the dangers of excess debt and signposted sources of advice for those already experiencing problems.

Financial Services

New rules on the new complaint handling arrangements were published by the Financial Services Authority and the Financial Services Ombudsman. The rules require financial services firms to deal properly and promptly with consumer complaints and they set out the scope and operation of the Ombudsman service.

“Money Counts”, a new aid to teaching personal finance in primary schools was issued by the Financial Services Authority. The book marks the introduction of personal finance into the new curriculum from this year.

Relations between consumer policy and other aspects of government policy

Environmental policies

The UK Government set up the Advisory Committee on Consumer Products and the Environment (ACCPE) in 1999 to advise on policies to reduce the environmental impacts associated with the consumption of goods and services. In its first year the Committee considered ways to improve the environmental information available to consumers. It has recommended setting up a stakeholder panel to adjudicate and provide advice on environmental claims about products; developing a set of standardised labels, based on the EU Energy Label, to cover cars, homes and other domestic equipment; and setting up an Internet site to guide consumers on the impacts of products and the choices which can help to reduce them. The UK Government has responded positively to the Committee’s first set of recommendations and is studying how they can be implemented.