

confident consumers

access to
information

competitive markets

modern **markets**: confident **consumers**

the government's consumer
white paper

dti

Department of Trade and Industry



Modern markets: confident consumers

The Government's Consumer White Paper

Presented to Parliament by
the Secretary of State for Trade and Industry
by Command of Her Majesty
July 1999

foreword by the secretary of state



The Government is determined to build a more prosperous, modern Britain. A Britain in which the benefits of new technology and open markets are widely shared.

The previous Government had a narrow view of

how to promote prosperity and no concern about how widely it was shared. It failed to recognise the reality about modern, successful economies: that business needs well-informed consumers, confident in modern markets, and consumers need competitive, innovative businesses.

This White Paper puts consumers centre stage. It recognises for the first time that confident, demanding consumers are good for business. They promote innovation and stimulate better value and in return they get better products at lower prices.

The Government is committed to making markets work but a *laissez-faire* approach is neither right nor sufficient. We must protect and help the socially excluded. We must

legislate to clamp down swiftly on rogues who prey on consumers, particularly the most vulnerable in our society. And we will not leave anyone exposed to unsafe products. But it does consumers no good to have out-of-date unsuccessful regulation. We will therefore rid business of burdens that prevent innovation and no longer serve the consumer well.

This White Paper has been drawn up in the closest consultation with consumer organisations, business and local authorities. That is how policy should be made. It is also how it should be implemented. DTI will continue to work in partnership with these organisations and ensure that our agenda is properly resourced.

We are all consumers. We all depend on the wealth generated by business. This White Paper will produce tangible benefits to both.

A handwritten signature in black ink that reads "Stephen Byers". The signature is written in a cursive, flowing style.

modern **markets** : confident **consumers**

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promoting performance, providing protection

Aims

We are all consumers and we all want a fair deal. The Government is determined to build a fairer and more prosperous, modern Britain. A fair deal and prosperity go hand in hand.

- 1.1 “A stiff upper lip is not good for upgrading an economy” says Michael Porter in his analysis of international competitiveness¹, pointing out that the British are reluctant to complain and are less demanding as consumers than many other nations. He links demanding consumers in the home market with the competitiveness of a nation’s suppliers. The UK has many innovative businesses that respond to and often anticipate consumer needs. But many others do not. The more informed and demanding we are, the more likely business is to respond, improving its competitiveness in the process and leading to better value for everybody.
- 1.2 Although many measures have been introduced in the past to address consumer issues, they were not co-ordinated and often failed to address the real needs of people. They also overlooked the contribution that consumers can make to competitiveness. The Government will put consumers at the heart of policy-making to ensure such mistakes are not repeated.
- 1.3 The aim of this White Paper is to reinforce this virtuous circle of strong consumers and strong businesses. To achieve this, the Government will:
- identify the main issues facing British consumers and ensure new concerns are addressed
 - introduce new ways to enable consumers to obtain high performance from business
 - ensure consumer protection by public authorities is effective, without imposing unnecessary burdens on business, large or small.
- 1.4 This White Paper is primarily concerned with individual consumers of private sector goods and services. Through its White Paper, *Modernising Government*², the Government has already set out its plans to give a better deal to users of public services.

Opportunity and Challenge

- 1.5 New technologies and the opening of global markets are delivering more choice than ever before as well as falling prices in real terms for many goods and services. The spread of electronic commerce (e-commerce) will speed up these trends. There are new opportunities and new challenges for consumers.

¹ *The Competitive Advantage of Nations*, Michael E Porter

² *Modernising Government* Cm 4310, Cabinet Office

Markets

- The opening of global markets and the Single Market in Europe have brought great benefits to consumers. However, there are still many barriers to trade and investment which need to be removed to ensure markets are open and competitive.
- E-commerce offers more choice, easier access to sellers and lower prices. It is breaking down trade barriers and opening markets. But people are concerned about security of payment, privacy of information and how to get redress.
- Markets are growing in new goods and services. The opening up of utility markets has brought choice but requires more judgement by the individual. People are taking more responsibility for pensions, health and care in old age, involving them in important but complex choices, the success of which may not be known for many years.

Information

- Information on the price and quality of products and services abounds, with IT enabling more and more to be made available. But two-thirds of consumers find the amount of information too hard to handle. A similar proportion do not understand their rights³. Increasing time pressures make it more difficult to gather information, although new

Stronger consumers, stronger businesses

The most successful businesses are those who anticipate consumer needs, but all will face competitive pressures if they fail to respond.

“Diageo’s success owes much to our focus on understanding and meeting consumer needs and expectations. The more demanding consumers are and the more closely we listen to them the more competitive we become.”

Sir Anthony Greener, Diageo

“The customer is simply the most important person in the company. If the customer is not being served well, we are not doing our jobs properly and the company will not survive. Treat the people right and the profits will follow. Putting people first means thinking about long-term development rather than short-term gain.”

Julian Richer, Richer Sounds

“Johnson & Johnson exists to serve our consumers; our success reflects our ability to meet their needs. As people become better informed about products, services and markets, businesses need to work smarter – continually fostering innovation and improvement to meet ever-growing expectations.”

Bruce Collings, Johnson & Johnson

“Today’s market is globalised and competition is now key with both speed and efficiency being the crucial elements of success. Our customers’ expectations grow continually. As they become better informed about what is on the market, both nationally and internationally, so we need to respond quickly to their needs, producing innovative products and giving good value. They force us to keep competitive.”

Reuben Singh, RS Investments

³ Telephone survey of a representative sample of 1,000 people undertaken by MORI for DTI in 1999. Subsequent references to MORI refer to this survey.

services are emerging to help those willing to pay to have the best choices made for them.

- The information revolution enables business to meet the needs of their customers more precisely. But this creates concerns about privacy and some may lose out if business moves out of less profitable markets.
- Consumers are increasingly concerned about health, safety and the environmental impact of products. They have a vital role to play in tackling these major issues. Business is seeking to respond to their demands, drawing on new scientific developments which have the potential to improve the environment and safety whilst enhancing lifestyles. However, consumers can be confused by claims for such products. They find it hard to assess and balance the risk associated with different choices and confidence in scientific information is easily undermined.

Social Exclusion

- More complex markets and the growing amount of information needed to make good choices bear particularly hard on those who have low levels of education and skills and on the socially excluded who get limited help from the community. They are particularly vulnerable to the most unscrupulous trader. The poorest in society are least able to afford the consequences of bad purchases.

A Strategic Approach

- 1.6 This White Paper proposes initiatives to tackle these major issues. As important, however, it establishes a policy framework that will determine the Government's approach to consumer concerns now and in the future. The Government will look first for opportunities to make markets work, including through better information and self-regulation, but will not hesitate to regulate when other options have failed to solve problems or the risks to public health and safety are unacceptable. And it will ensure consumers' concerns are heard in Government.
- **Open and competitive markets** are the best guarantee of a good deal for consumers. They encourage innovation in products and services. They ensure competitive prices. The Government will give priority to ensuring that domestic and international markets are as open as possible. It will monitor price differentials between the UK and other countries as an indicator of the openness of markets, and seek greater trade liberalisation in the World Trade Organisation (WTO) negotiations consistent with safety and the environment. Chapter 2 describes new measures to promote competitive markets.
 - **Good information** helps consumers make the best choices. The better consumers are informed about what the market offers and the readier they are to complain, the more business

Protecting consumers in the Information Age

The volume of Internet traffic doubles every 100 days and the number of users world-wide is set to quadruple by the end of 2001⁴.

E-commerce sales to UK consumers are forecast to rise from £400 million (0.2 per cent of all retail business) in 1998 to £6 billion (2.5 per cent) in 2003⁵.

This rapid expansion offers great benefits to consumers and business.

- Consumers will have much wider choice, competitive prices, the convenience of home shopping and easier access to information about what is available.
- The Internet also enables local and central government to deliver public services more efficiently.
- For business, e-commerce will be the trade route of the new millennium, both in business to business and in retail sales.

There are, however, risks that some people could get left out of this revolution. The Government has therefore introduced measures to help the socially excluded get access to new technology.

The success of e-commerce also depends on consumers being confident that electronic shopping is safe and that they can get redress if something goes wrong. The Government has developed a comprehensive agenda to tackle these issues, and to make the most of the opportunities presented by e-commerce.

- The Government is working with the Alliance of Electronic Businesses and the Consumers' Association, in consultation with the Office of

Fair Trading (OFT), to set up a new body to accredit e-commerce codes, which meet consumer concerns and which will be identified by a "hallmark" (Chapter 4).

- The Government will seek to ensure that the proposed Electronic Commerce Directive provides a clear legal framework which will enable industry to take full advantage of the Single Market and give consumers confidence in e-commerce (Chapter 5).
- The Government is pressing for work to be taken forward in Europe on proposals to ensure that if an on-line trader in one country mistreats consumers in another country, proportionate and effective enforcement action will follow (Chapter 7).
- The Government is consulting on proposals put forward at the Hague Conference on Private International Law that would allow people to sue for a breach of a consumer contract in their own country, rather than in another country.
- The Government has invested £3.5 million to develop new IT systems for Citizens Advice Bureaux (CABx) to give advisers direct access to information on consumer and other issues. These systems are being extended so that the public can gain access at libraries and other public places (Chapter 5).
- The Government is setting up a "Consumer Gateway" web site to enable people to find easily those sites on the World Wide Web that give consumer information (Chapter 3).

⁴ *The Emerging Digital Economy*, US Department of Commerce 1998

⁵ Datamonitor and NOP 1999

will be under pressure to improve performance and customer services. Chapter 3 proposes measures to ensure consumers have the information they need to make good choices – understanding the price, quality and safety of products – and so enhance competitiveness.

- Even with open markets and good information, transactions can go wrong. The consumer then wants **speedy redress**. At present, many consumers are uncertain of their rights, business can sometimes be obstructive and redress mechanisms can be cumbersome. The Government is determined to ensure consumers can easily get redress by promoting best practice in business and through better information on their rights. Proposals are set out in Chapters 4 and 5.
- **Consumer law must be modernised** and take account of the risk to consumers. Consumer legislation is well developed and needs little extension but in some areas it is out of date. The Government will reduce burdens where regulation has ceased to generate benefits that outweigh the costs to business and may, in particular, restrict the development of products and markets that could benefit consumers. When new legislation is required, action will be targeted, proportionate and cost effective. It must not deter the growth of small businesses – they have the potential to offer consumers innovative products and services. Proposals are set out in Chapter 6.
- **Rogue traders** who prey on the most vulnerable and provide unfair competition to legitimate business must be stopped. The damage caused by such traders is done before market forces and the spread of information take effect. The Government is determined that the public should be properly protected by the law and by its effective enforcement. New proposals are described in Chapter 7.
- **The consumer voice** must be heard in Government and consumer representation must be effective. The Government will seek consumer views before decisions are taken on relevant industrial, trade and social policy issues. It will ensure that the development of consumer policies is based on sound evidence and will put additional resources into research and regularly poll consumers directly. Specific measures are set out in Chapter 8.
- The Government will also promote a **joined-up, coherent approach** to the development of consumer policies and to the work of protection agencies. Chapter 9 describes ways to achieve this. The Government will promote partnership at local as well as national level. Local authorities and other agencies have a key role in consumer protection and in working with business.

The European dimension

- 1.7 The Single Market in the European Union has already brought significant gains to consumers. But its further development offers even greater potential to ensure substantial benefits for consumers.
- 1.8 A consistent pattern of consumer rights is an important component of the Single Market. The Government therefore welcomes the European Commission's Consumer Policy Action Plan⁶ which emphasises the role of markets and information. The Government believes that with some exceptions, such as on e-commerce, the need for further development of new consumer legislation across Europe is limited. The task is to ensure that existing legislation is consistently enforced and to concentrate on using existing powers to open markets and promote better information flows across the EU. In considering any new legislative proposals in the EU, the Government will apply the principles set out in this White Paper.

Devolution

- 1.9 The issues in this White Paper cover some matters which are reserved to the UK Government under the new devolution arrangements as well as others which are devolved. It sets

out commitments on behalf of the UK Government, some of which apply only in England. Where appropriate, these are commended to the administrations in Scotland, Wales and Northern Ireland for consideration in their areas of responsibility. The administrations are being invited to join in taking forward the programme, including through close co-operation in areas which straddle respective responsibilities.

Next steps

- 1.10 This White Paper sets out to show consumers what action they can expect from Government; provides greater certainty to business about the development of regulation; and guides enforcement agencies on their performance in protecting the public. It is the start of a process, not the end. Progress will be monitored, and policies reviewed and changed as new needs are identified. The Government will report on the implementation of its proposals. But the best indicator of success is whether a stronger culture of customer service is developing in business. The Government intends to monitor consumer satisfaction on a regular basis to identify the extent of progress and to highlight specific concerns. It will then raise these with business, its own agencies, local government and consumer representatives.

⁶ COM/98/696

open & competitive markets

Open and competitive markets are essential both for UK consumers to get the best deal and for UK business to win in world markets. They promote innovation and efficiency in business, bringing consumers higher quality products and better services at lower prices. This White Paper emphasises the Government's commitment to making markets work. The Government is determined to remove barriers to trade and investment, and deliver a strong and effective competition policy, which stimulates open and competitive markets, and brings benefits to consumers.

A strong legal framework for competition

2.1 The Government's role is to set a legal framework for markets that allows free and fair competition to thrive and is tough on those who seek to impair the competitive process. The Government inherited competition laws which were outmoded, ineffective and a "soft touch" by international standards. The Government has already acted quickly and decisively to put this right.

2.2 The Competition Act 1998 will come into force on 1 March 2000. It provides real deterrence against behaviour that hurts competition and consumers. It will prohibit:

- agreements that are significantly anti-competitive and which do not benefit consumers, such as price fixing
- abuses of a dominant market position, such as predatory pricing to force out competitors.

2.3 The Act gives the OFT and the utility regulators:

- stronger powers to investigate anti-competitive activities

- tougher enforcement powers – the OFT can impose financial penalties on businesses in breach of the law
- powers to stop anti-competitive behaviour that is causing serious damage to firms and consumers while an investigation is under way.

The OFT has made clear that its overriding priority under the Act will be to seek out cartels and serious abuses of market powers.

2.4 Competition policy exists to protect consumers and businesses against anti-competitive behaviour. They should therefore have a strong voice in competition decisions and assurance of compensation. The Government is therefore:

- giving consumers, their representatives and businesses suffering from anti-competitive practices a right to challenge decisions by the OFT, as well as giving the parties involved the right to appeal
- giving those who have suffered loss the right to claim damages in the courts. These damages will run from when the illegal activity started, not just from when it was first detected. These changes will put an end to the great difficulty people have had in getting fair compensation.

2.5 Alongside the Competition Act 1998, the Government has strengthened the monopoly provisions of the Fair Trading Act 1973. These allow investigation of markets where a number of companies may be distorting the market but where there is no actual agreement between them. They enable the competition authorities to tackle more effectively markets with inadequate competition where the market structure is at fault.

2.6 Making the new regime work effectively requires:

- a well-resourced and proactive competition authority, committed to using its new powers and able to do so. The Government has set aside an additional £15 million over the next three years to ensure that the OFT is properly geared up to apply the prohibition regime when it comes into force. Fifty new staff will be taken on to work on the application and enforcement of the new Act. Staff who will be responsible for this area of work are already undergoing an intensive training programme
- greater public understanding of the new system, so that more people send in complaints and information about anti-competitive behaviour. The OFT is already putting considerable resources into its education and publicity campaign and both OFT¹ and the Competition Commission are consulting on ways of achieving greater transparency. The Competition Commission will make procedures

clearer and more open: it has held its first public hearing as part of the new cars inquiry.

Price comparisons

2.7 Many believe the prices of UK goods are higher than equivalent goods in other countries, particularly in the US. This does not necessarily mean firms are making monopoly profits. Their unit costs may be higher because our market is smaller than others or because of differences in technical and safety specifications. Taxes, exchange rates or barriers to trade may be a factor. However, higher prices may also be due to anti-competitive behaviour which the competition authorities should tackle. The Government is determined to get at the facts and act accordingly. Following an initial feasibility study, the Government has decided to undertake a survey of international price comparisons to provide hard evidence of international price differences.

2.8 The survey will look at some 100 products in France, Germany, the US and the UK. The results will be published by January 2000. These will be used by the competition authorities to identify markets which require detailed investigation and, if necessary, action to end anti-competitive practices. The Secretary of State has a power under the Competition Act 1980 to ask the OFT to investigate particular prices and, if necessary, to make its findings public.

¹ *Opening the door on fair trading – A consultation paper on improving transparency in the operations of the OFT*, Office of Fair Trading, July 1999

Mergers

2.9 An effective merger regime is a key part of the regulatory framework protecting open and competitive markets. The Government is considering whether the system could be improved if merger decisions were normally taken by the independent competition authorities, rather than by Ministers, against a more clearly competition-based test. DTI will publish a consultation paper with proposals for change.



The regulated utilities

2.10 The previous Government put utility services in the private sector. But the competition between companies was initially often limited and insufficient attention was given to consumer interests. As soon as it came into power, the Government initiated a review of utility regulation. More competition is now being introduced to bring the maximum benefits for consumers. The Government has decided that the utility regulators should be given a new primary duty to protect consumers. This will shift the balance of economic regulation in favour of the consumer. Wherever possible and appropriate, this will be done by promoting or facilitating competition. In some sectors, effective competition will take time to achieve. In these areas, the Government will ensure regulation is tough and targeted at the interests of consumers.

- 2.11 The Government also intends to set up independent consumer councils for each of the utility sectors (see Chapter 8). A number of these changes will require legislation which the Government plans to introduce at the earliest opportunity. A small minority of cases will raise important wider public interest issues, such as those involving the defence industries, and Ministers will continue to have a role in such cases.
- 2.12 The introduction of competition in the utilities sectors has benefited all consumers but some have gained more than others. At present, some of those on pre-payment meters may not be able to make significant savings by switching suppliers. The Government is determined that liberalisation should not create two tiers of consumers. It will ensure that all consumers, including those on lower incomes, enjoy a fair share of the benefits of increased competition.

2.13 The Utilities Review looked at the regulation of the telecoms, gas, electricity and water industries. The Government is now reviewing competition in airports and in the water industry. The Government has also carried out a review of railways and announced its conclusions in *A New Deal for Railways*² in July 1998.

Competitive international markets

In Europe

2.14 Competition is important in international markets, as well as in the UK. The European Commission has developed proposals for modernising EU competition law procedures, with the aim of achieving a simpler and more effective regulatory regime. The Government believes these proposals could bring about significant improvements to the competition regime. The Government will discuss these proposals with the European Commission and other member states, and will take into account the views of a wide range of interested parties, including consumer organisations.

2.15 The Government is determined to ensure that the European Commission's evaluation of the Motor Vehicles Block Exemption is as open and thorough as possible and gives full weight to the interests of consumers. Car distribution



Telecoms

The UK has one of the most competitive telecoms markets in the world. New operators are bringing new services to the market and forcing existing firms to up their game to the benefit of consumers. More than 400 operators have been licensed. Consumers have a wide choice of international and long-distance carriers and most have a choice of local operator too.

Energy

In the energy sector, consumers are now seeing real benefits in terms of lower prices and more choice:

- since April 1999 all domestic electricity and gas consumers have had a choice of suppliers
- the Government is tackling inadequate competition in the electricity generating market which accounts for around half of the final price of electricity to consumers.



Post Office

In the postal sector, the Government plans to set up an independent regulator to protect consumer interests, to regulate prices and to promote fair competition by progressively liberalising the postal monopoly. It will also strengthen consumer representation.

² *A New Deal for Railways* Cm 3950, DETR



agreements between manufacturers and their dealers are exempt from the general prohibition against anti-competitive agreements. The Commission will be collecting evidence and views this autumn. A report is due by December 2000. The Government also intends to lift restrictions on commercial imports of motor vehicles that have not been type approved in Europe into the UK by modifying the Single Vehicle Approval Scheme. At present only 50 cars a year from each individual model can be imported commercially into the UK; starting in March 2000 the restrictions will be progressively removed and end entirely by January 2001.

In the World Trade Organisation

- 2.16 The UK will seek greater trade liberalisation in the next round of World Trade Organisation (WTO) negotiations. This will lead to more choice and better value for the consumer.
- 2.17 In the process of developing policy for the next round, Ministers have met a number of consumer groups. This process will continue, and information will be made publicly available as negotiations progress. Ministers have also published an introduction to the WTO and the UK's priorities for the future negotiations on which comments and views are sought³.
- 2.18 But the commitment to trade liberation does not mean a free-for-all. Although the Government will not use consumer interests as a cover for building unjustified protectionist trade barriers, it will be resolute in exercising the UK's right to take measures where sound scientific analysis or technical evidence shows that there is a risk of products being unsafe or damaging the environment in their production, use or disposal.

³ Available on the World Wide Web at <http://www.dti.gov.uk/worldtrade> or from the Trade Policy Communications Unit, Bay 345, DTI, Kingsgate House, 66-74 Victoria Street, London SW1E 6SW (tel 0171 215 4583; fax 0171 215 4577).

knowledgeable & demanding consumers

Well-informed consumers help markets work effectively. Consumers who can assert their needs clearly and make the best choices spur business to become more competitive and raise productivity. Consumers benefit from this through lower prices, increased choice and more innovative products. This chapter sets out how the Government will help this process by equipping consumers to look out for their own interests, through information, education and advice.

Information gaps

- 3.1 Good, reliable information is essential if consumers are to make the right choice. They need to know the price and the quality of competing products. In many cases, they need to know whether they are safe, the quantity is accurate and the meaning of contract terms (including the costs of add-ons and the nature of guarantees). The Government can help by establishing a framework that provides information to enable consumers to decide which goods or services they wish to buy.
- 3.2 Information needs to be accurate, easy to understand and accessible. But different people have different information needs, reflecting what they are buying, time pressures, their understanding and tolerance of risk and their skills in using information. Increasingly markets reward the more knowledgeable. But many people cannot cope with the amount of information that is available, particularly those with poor reading or numeracy skills. And some disabled people will need information in alternative formats¹.
- 3.3 If goods or services are complicated or are provided together, such as computer sales backed by support packages, it can often be difficult to assess the options. The Government will initiate a

rolling review of areas of particular complexity and risk to find ways in which business can present information more clearly and simply. In response to views expressed by consumers, DTI will consider with OFTEL whether price transparency in the market for mobile phones and airtime should be included in this. The Government will work with consumer and industry groups to improve the provision of information.

Product labelling

- 3.4 Consumers get their information about products from many sources. But the most important is often that supplied by the producer on the product itself, either in the form of a label or warning on the packaging of the product itself, or in instructions supplied with the product. It is essential if consumers are to have confidence in products that such information is comprehensible, accurate and relevant.
- 3.5 Consumer pressure can encourage businesses to provide clear information about their products. However, they do not always do so in a way that is useful to the consumer. The Government therefore sets a legislative framework which defines the minimum level of information, the format where consistency is important, and standards

¹ Code of practice – Rights of Access – Goods, Facilities, Services and Premises (ISBN 0-11-271055-7)



The Food Standards Agency

Subject to Parliament's approval of the legislation currently before it, the Food Standards Agency will deliver consistent standards of food safety throughout the UK, in the interests of consumers and food producers, manufacturers and retailers. It will:

- have a clear focus on protecting public health
- have powers to act anywhere in the food chain to protect food safety
- monitor and audit enforcement by local authorities to ensure consistent application of food law
- act openly, in a responsible and balanced manner and in the light of the best available scientific knowledge
- facilitate the provision of more and better information about food safety and standards, so that consumers can make informed choices
- give independent advice to the Government and the devolved administrations on food safety issues.

for measurement and declaration of content. The law also prohibits false descriptions and misleading claims. For example, detailed regulations control the labelling of foods and the use of claims on food labels and in advertising.

- 3.6 Warning labels and requirements for safety instructions are already a feature of a number of safety standards for products. In some cases, there are specific regulations. In other cases, manufacturers have recognised the need to agree a common approach more quickly than the standards-making process allows.
- 3.7 Whether product information is provided voluntarily or compulsorily there are two principles that apply. First, the information must not be false or misleading. This is effectively covered by existing legislation. Second and more difficult, the information must be understandable and relevant to consumers' needs. It is therefore important to research these needs and to test the proposed warnings, instructions, etc. This is the approach recently adopted for warnings on abusable solvents and being developed for matchboxes, both of which have drawn on research by the DTI. The DTI has also produced studies on safety instructions and warning symbols for use by both business and policy-makers.
- 3.8 The Government is keen to work with manufacturers and retailers to improve the quality of information and, in

particular, to examine the scope for further voluntary arrangements. In general, the Government will prefer to follow the voluntary route to improve product information. However, if this approach does not supply consumers with clear information on which they can rely, the Government will consider whether a regulatory approach would be more appropriate.

Better information on prices

3.9 Price is key to purchasing decisions, especially for those on low incomes. Prices are, however, not always easy to compare, particularly when package sizes vary. The Government is

introducing a series of measures to make prices clearer for consumers.

3.10 Prices are not always visible. Sometimes this is a deliberate selling tactic to draw the customer into negotiations. The Government believes price information should be readily available to allow customers to make informed, unpressurised decisions. The Government will amend the rules on price marking, by March 2000, so that goods offered for sale within a shop will have an easily identifiable price without the consumer having to ask for it.

3.11 Information to enable consumers to compare prices is often not adequate. For example, similar goods may be sold in different quantities or the packaging

Hotel charges

Charges for telephone calls made from hotel bedrooms are often not made clear. The Government is developing with the hotel industry a new harmonised accommodation grading scheme which will require participating hotels to display rate cards illustrating typical charges for calls from bedroom telephones, as opposed to largely unexplained "unit" price charges indicated in far too many hotel rooms at present. The Government will continue to explore with the industry how price information can be presented in the clearest way possible.

Single users of hotel accommodation are often required to pay supplements and sometimes the accommodation provided for them is of inferior quality. The reasons for this are not always clear. The Government is exploring with



the industry how better information on single person supplements can be provided and whether the supply and quality of hotel accommodation allocated for people travelling alone can be improved.



The Euro and consumers

The National Changeover Plan set out the Government's approach to preparations for joining the Euro, should the UK decide to do so. Consumer confidence would be vital during a changeover period. Consumers would need straightforward, clear information about prices so that they would be reassured that they were being treated fairly. There are various ways of doing this, including dual pricing, conversion charts and ready reckoners.

The Government is working with retailers, utilities and consumer groups to develop a set of core principles applicable to all sectors who deal with consumers. These principles will feed into specific codes of practice for retailers, and other key groups.

The Government's main aim will be to help produce a framework within which consumers' interests would be protected and their confidence maintained if the UK were to decide to join the Euro.

might give a misleading impression of the quantity inside. To improve clarity, unit pricing of pre-packaged quantity-marked products will be extended by March 2000. This will enable consumers to compare easily and accurately the prices of products in different types and sizes of container.

- 3.12 Large supermarkets already unit price most goods. However, in some cases it is difficult to make comparisons as different units are used for similar products. This will be ended. The Government will, however, exempt smaller shops from this requirement

where it would be an excessive burden. Imposing excessive burdens on smaller shops would not be in the interests of consumers. It might lead to increased prices or even to some shops closing.

- 3.13 The Government is also reviewing:

- the regulations on displaying food and drinks prices in bars and restaurants. Customers often find that soft drinks are more expensive than they expect and that price information may not be as

A full pint

Court judgments have created uncertainty about the quantity people should receive when they buy a pint in a bar. Surveys by local authorities show there is widespread disregard of the trade's voluntary guidelines to serve not less than ninety-five per cent of a pint. The Government regrets that Dennis Turner MP's Bill (the Weights and Measures [Beer and Cider] Bill) was not adopted in the last Session of Parliament. The Government will therefore bring forward proposals, on which it will consult, to ensure that the consumer is protected from short measure.



readily available as for alcoholic drinks. As part of the review, the Government has commissioned a survey on the pricing of soft drinks. The results will be published later this year

- the guidance to traders on how to avoid giving misleading prices. A revised version will be published early in 2000.

Advertising and claims

- 3.14 Advertising is important to the effectiveness of markets. It is the most visible way that companies promote their products and services. But consumer confidence depends on advertising claims being true. The Government strongly supports the self-regulatory controls on advertising in the United Kingdom run by the Advertising Standards Authority. These have gained world-wide recognition as a good example of how self regulation can work effectively to address consumer problems. The self-regulatory system is backed up by the Control of Misleading Advertisements Regulations 1988, which allow the OFT to seek an injunction to prevent the publication of misleading advertisements. Among other things, the Regulations allow a court to require a claim to be justified.
- 3.15 Advertising which compares a company's product with those of a competitor has always been accepted in the UK. A system of voluntary controls ensures that any comparison is accurate and fair so that consumers are able to



Advertising Standards Authority

After Air Passenger Duty was introduced, travellers often had to pay more than the advertised price. The ASA decided these advertisements were misleading. Following consultation, the ASA agreed with the travel industry that, from 1 January 1998, the advertising should be changed so that all non-optional extras such as Air Passenger Duty would be included in the headline price.

During 1998, the ASA also had to answer the question "When is an instant access account not actually instant?" Many banks or building societies advertised instant access accounts, but in most cases it took people three days to get their money because it had to be transferred to another account first. The ASA issued guidance on the minimum criteria that accounts should satisfy to be described in advertising literature as instant. If an account is now described as instant access, people should be able to get their funds as soon as they want to.

judge the relative merits of products. However, it is important there is a level playing field across Europe for those who wish to advertise by objectively comparing their products with those of a competitor. At present this does not exist because of different regulations across the EU. The Government

therefore welcomes the Comparative Advertising Directive² which will permit comparative advertising throughout the European Community on an equal basis. It will be implemented across the EU by April 2000.

3.16 Claims about certain aspects of products can also be vague and meaningless – for example, claims about the performance of products or about their endorsement by experts. Such claims can usually be dealt with effectively by the self-regulatory system for advertising, under which the maker of a claim can be required to justify it. However, the self-regulatory system does not extend to on-pack claims (for example, on labels) and it is not easy to prove that vague and meaningless claims are false or misleading in order to prosecute successfully under the Trade Descriptions Act.

3.17 One area in which this presents particular problems is that of on-pack claims about the environmental impact of products. Consumers have a vital role to play in ensuring that our economic development is environmentally sustainable. Their choices in the market are the best signal to manufacturers of their concern for the environment. If this market mechanism were able to operate with reliable information, it could be one of the most efficient ways of promoting sustainable development. However, the market continues to operate with many vague

or meaningless claims being made about the environmental performance of products, which confuse consumers and discourage them from exercising informed choices which would be beneficial to the environment. To deal with this:

- in February 1998, the Government launched a Code of Practice on Green Claims³ to provide manufacturers and traders with an indication of the expected standard of environmental claims
- the European Commission has begun consultation on ways of improving the quality of green claims across the single market⁴
- at the international level, detailed industry standards on environmental declarations are now being finalised⁵.

3.18 The Government is currently assessing how effective the voluntary Green Claims Code has been. DTI and DETR will work with the OFT and the trading standards service to see whether the Director General of Fair Trading's powers under the Control of Misleading Advertisements Regulations can be used more effectively to combat misleading on-pack claims, especially green claims. However, if these and the other developments mentioned above do not look like succeeding, the Government will need to consider whether further regulatory action would be appropriate.

² 97/55/EC

³ *Green Claims Code* is available from DETR Publications Despatch Centre, Blackhorse Road, London SE99 6TT

⁴ Consultation document (28 May 1998) available from European Commission, DGXXIV, unit A4.

⁵ Standards ISO 14020, 14021, and 14024 in final preparation by the International Organisation for Standardisation (ISO).

Consistency of treatment: description of goods and services

3.19 The Trade Descriptions Act 1968 prohibits misdescription. At present, the Act treats goods and services differently. If a trader misdescribes goods he has committed an offence. However, if a trader misdescribes services, he has committed an offence only if it can be proved that he did so knowingly or recklessly. There is no good reason for this difference, particularly as an increasingly large share of our income is spent on services. It is also important to ensure that consumers can have confidence in descriptions of services delivered electronically. The Government proposes, subject to consultation, to align the provisions relating to services with those relating to goods.

Counterfeit goods

3.20 Selling fake goods and pirated software is among the most serious of deceptive practices. Some consumers may believe that buying goods they know or believe to be counterfeit or pirated saves them money and does no damage, but fake goods can be dangerous or destructive, ranging from defective brake pads to virus-infested computer software. Moreover, traders who sell fake goods



Car clocking

Selling a car with a false mileage reading is fraudulent. The key to combating this is to ensure that buyers have access to information on a vehicle's history and the DTI has been working with DETR on ways to improve this. As a result the DVLA is considering proposals to make available more information on mileages by requiring the mileage to be reported on vehicle registration and vehicle licence renewal forms. Also, plans to computerise the MOT testing system mean that mileage information collected at test stations will become more accessible. The availability of this information, together with data from other sources such as service records, should provide consumers with a good indication of whether a mileage reading has been altered.

will not offer a genuine manufacturer's guarantee or after-sales service.

3.21 The Government welcomes the report⁶ of the Trade and Industry Committee which highlights the role which consumers themselves can play in tackling these problems. The Intellectual Property Sub-Group of the Creative Industries Task Force, chaired by a DTI Minister, is already investigating ways of increasing awareness and improving education in this area, with consumers one of the groups likely to be targeted.

⁶ *Trade Marks, Fakes and Consumers*, 8th Report of the Trade and Industry Committee, HC380, July 1999 (ISBN 010 556 232 7)

Consumer credit and other financial services

- 3.22 The Government wants to ensure that regulations are genuinely valuable to consumers. Some of the current requirements placed on business to provide information only confuse consumers.
- 3.23 Few people take notice of the wealth warning "Your home is at risk if you do not keep up repayments on a mortgage or other loan secured on it" that they hear in radio, television and cinema advertising. After consultation, the Government has concluded it would be more effective if the warning was given when people were actively considering taking out a loan secured on property, when they would have time to read it carefully. The Government therefore will amend the Regulations so that the warning does not have to be broadcast but will feature clearly and prominently in documents given to prospective customers about the terms on which mortgage lenders are prepared to do business. The Regulations will be amended in September 1999 to come into force in February 2000, giving firms plenty of notice to ensure that existing documents do not have to be scrapped.
- 3.24 Equity release schemes enable home owners to exchange the equity they hold in their home for a regular income or a lump sum loan. Advertisements for these schemes are currently required to carry a wealth warning, but for many schemes there is no possibility of the property being repossessed during the lifetime of the borrower and therefore the warning is misleading. The Government will amend, in December 1999, the warning to one that asks borrowers to consider if the plan will still meet their needs if they do not go on living in their home. This warning will feature clearly in appropriate documents so that home owners have a chance to consider it properly.
- 3.25 In order to secure the benefits of a single European market in financial services, consumers need to be able to make more meaningful comparisons between credit rates in different countries. The annual percentage rate (APR) of the total charge of credit is included in credit agreements and advertisements to give consumers an idea of the cost of different credit rates which they can then use to find the best deal. The Government will change the way the APR is calculated in the UK, so that it is calculated on the same basis throughout the European Union.
- 3.26 It is not always clear how the advertised APR should be calculated for low-start mortgages. We will change the law to ensure that the APR reflects the total charge for the credit over the full period of the loan and not just the initial discounted period.

Distance selling

3.27 When buying in shops, people can examine goods and check prices. It is more difficult to make the best decision when buying at a distance. Such purchasing is growing in volume because of e-commerce. The Distance Selling Directive⁷ gives basic legal protection to people who buy goods and services through mail order, telephone sales and e-commerce. The Government will implement the Directive, in June 2000, so that consumers have the right to:

- basic pre-contract information
- written or other durable confirmation of the consumer's order
- a cooling-off period of seven working days in which to withdraw from the contract, starting from when the goods are received
- the contract to be carried out within 30 days unless otherwise agreed
- an opt-out from receiving unsolicited junk or spam mail, or telephone calls.

3.28 A separate draft directive is under discussion aimed at ensuring a high level of protection for consumers of retail financial services sold by telephone, through e-commerce or by post. The Government wants this to be drawn up in a way that helps the development of innovative forms of trade in financial services within the EU and makes it easier for consumers to undertake cross-border shopping for financial services.

Trading schemes

3.29 There are many schemes claiming that those who take part can make a quick and effortless income. This is impossible for most participants to achieve. These schemes are targeted particularly at the poor and socially excluded. DTI will:

- publish proposals by October 1999 to amend the current rules on such trading schemes to require greater honesty and realism on likely returns
- make clear in guidance to participants that they should seek independent business advice before taking part in any business venture.

Timeshare

3.30 The Government plans to improve information given to timeshare buyers about their rights, as well as review whether aspects of timeshare legislation need up-dating. The Government will publish proposals by December 1999.



Consumer education

3.31 Information is not on its own a remedy for all problems. People need skills to convert information into effective knowledge. These need to be updated as markets develop. With such skills comes

⁷ 97/7/EC

Targeted safety awareness campaigns

Powerful partnerships linking consumer groups and business as well as local and central government are already saving lives. Such co-ordinated efforts help consumers to manage the risks that they face every day. Campaigns target older people, those on low incomes and children.

The 1998 Fireworks Safety Campaign developed a large number of powerful partnerships to help promote safety messages. The key message on sparkler safety was repeated and reinforced throughout the country. The result was a 36 per cent reduction in the injuries caused by sparklers

– families and their children enjoyed bonfire night more safely than for many years.

The biggest single problem in home safety is falls, and the main group affected are older people. DTI has joined the Health Education Authority to launch a new three-year initiative to tackle this issue.



the confidence to demand good levels of service from business. High among these skill needs are basic literacy and numeracy. A quarter of adults have difficulty in finding an entry in the Yellow Pages⁸. They are unlikely to understand complex contractual provisions.

- 3.32 Adult education is therefore important in this area. A good deal of work is already being done, through effective partnerships involving educationalists, business and central and local government. For example, the National Consumer Education Partnership (NCEP) is an alliance of UK consumer, education and trade organisations who have developed a proposed programme for consumer education. In addition, DTI has joined with the Consumers' Association, the Financial Services Authority, the Basic Skills Agency and the Institute

of Trading Standards Administration (ITSA) to bid for funding from the European Union to develop, by March 2001, teaching material for adults.

- 3.33 The Basic Skills Agency is already producing new material to improve basic skills for adults. This will include reading and understanding mail-order catalogues, filling in forms and keeping records, and writing letters of complaint.
- 3.34 It is also important to teach children about the increasingly complex products and services they will face. The Department for Education and Employment has proposed that, at secondary school level, Citizenship should be a statutory foundation subject in the National

⁸ *Improving literacy and numeracy – A fresh start; the report of the working group chaired by Sir Claus Moser (ISBN 1 84185 005 5)*

Learning to manage money

The Financial Services Authority has a statutory objective to promote public understanding of the financial system. It published its policy statement on the consumer education on 26 May 1999. The FSA will work alongside government departments, business and consumer groups to promote:

- financial literacy – to help provide people with the knowledge and skills needed to become demanding and informed consumers of financial services
- consumer information and advice – to provide impartial information and generic advice to allow people to plan their finances and make informed choices.

The FSA is working on league tables for the costs and terms of key retail financial products.

Curriculum in order for pupils to become better informed and responsible citizens.⁹ As part of this they will learn how to make good purchasing choices and the effective use of different channels to seek redress.

comparisons on specific products.

There are already numerous Internet sites providing more general consumer information. However, it is not always easy for people to find their way around these sites, not least because not all are linked to others. The Government is setting up a “Consumer Gateway” site (<http://www.consumer.gov.uk>).

This will enable ready access to key consumer sites by:

- providing a one-stop shop for individuals and advisers
- joining up information services to cover both the Government’s own and those provided by private sector organisations, consumer groups and enforcement agencies.

- 3.36 The Government plans to develop the Consumer Gateway further to provide a more sophisticated and interactive means of providing consumer information. It will use the Gateway to seek views from consumers and advisers on what information they would like to see added to it.

Consumer Gateway

- 3.35 The Internet opens up access to a wealth of information about goods and services. It enables people to find out about prices and the range of products on offer, not only in the UK but internationally. Searching for information from a number of suppliers is easier. Specialist sites are being set up to provide price



⁹ *The review of the national curriculum in England: The Secretary of State's proposals* published by QCA and DfEE; available on the Internet at <http://www.qca.org.uk>. The National Curriculum does not cover Scotland, where consumer education is already an integral part of the curriculum.

promoting **customer service** in business

The UK economy faces increasing competitive pressures, including from e-commerce which enables consumers easily to shop elsewhere in their search for the best and most innovative products, price and service. Demanding consumers provide a competitive spur that will help business respond. This chapter sets out how the Government will lift the quality of consumer demand and help business meet the challenge.

The challenge to business

- 4.1 How do consumers know which businesses offer good value and service?
- Word of mouth and reputation works for local firms or those with famous names. Indeed, over half of adults rely on recommendations and information from friends and relatives when choosing where to buy¹.
 - Yet there is less reliable information available to help consumers when they choose goods and services through other routes, such as Yellow Pages, e-commerce or suppliers' catalogues.
- 4.2 Businesses too are concerned that consumers do not know how to find reliable suppliers and that they may buy at the lowest price without appreciating that this may not provide the best value. The challenge is to:
- *business*, both to be reliable and to help consumers identify reliable suppliers
 - *consumers*, to recognise why they will benefit from dealing with businesses that deliver the best customer care
 - *government*, not to impede business, or unnecessarily burden it with regulation, in delivering the improvements in customer service that consumers want and need.
- 4.3 Codes of practice can play an important part in protecting consumers' rights and in offering a higher level of consumer protection and service than the basics set down in law. Consumers with a complaint to make overwhelmingly turn first, as they should, to the seller for a solution. Codes are a way for:
- *business* to assure customers that they will get value and that, if there is a problem, there is an effective way to solve it. And for business to gain a marketing advantage by using a code's logo in their advertising
 - *consumers* to know that they are dealing with a reliable supplier, and that redress is accessible if something goes wrong.
- 4.4 There are many examples of codes working in the UK and codes are used successfully too in other countries, such as the United States, Australia and the Netherlands. In Europe, the Commission recognises the value of using codes as an effective and more flexible alternative to regulation and the Government will continue to support this. But unfortunately there are also some unsatisfactory codes that are little more than sales devices, do not provide effective redress and are not properly enforced by their issuers.
- 4.5 There are many calls on business time and money. Making the commitment to a demanding code, with all that entails, may seem like one call too many. The

¹ MORI

best businesses do not take this view. Meeting consumer needs, including offering a guarantee of good service, should attract new custom and make business more competitive, at home and abroad. Displaying the logo of an effective code is a particularly good way for new, small businesses to tell potential customers that it is safe to buy from them. The Government intends to create a climate where consumers' natural choice is to seek out a business that meets the terms of a good code or has its own reputation for equal or higher standards.

4.6 This means enabling customers to know whether a code is a good one – before they find out the hard way that it is not effective when something goes wrong.

Government, consumer groups, business (including small business) and local authorities have worked together to address that problem. The Government proposes to:

- provide core principles for effective codes of practice, designed wherever possible to prevent problems happening in the first place
- encourage trade associations to tailor the principles to the specific circumstances of their industries or selling methods, ensure that members stick to them, and take effective action if they do not
- enable the OFT to approve codes which are effective in protecting consumer interests.

Outline core **principles** for codes

Consumers should see:

- truthful adverts
- clear, helpful and adequate pre-contractual information
- clear, fair contracts
- staff who know about and meet the terms of the code as well as their legal responsibilities
- an effective complaints handling system run by the business
- if problems cannot be resolved in-house, an effective and low cost redress mechanism
- publicity about the code from the business and the sponsors, including a report on the operation of the code.

Behind the scenes

- the sponsor should have a supervisory body for the code made up of people from the sector and consumers, with some independent members

- the sponsor should tailor the core principles to develop its own code, taking into account the needs and characteristics of the sector such as the size of businesses within it, and keep it up to date
- businesses in the sector should agree to deliver on the principles in the tailored code and report regularly to the sponsor on the operation of the code
- the sponsor should provide an effective and low cost redress mechanism in the event of an unresolved dispute between a member and a consumer
- the sponsor should put into place an effective system to underpin compliance and to address breaches by members
- the redress and compliance systems should, wherever necessary or possible, include an independent element
- the sponsor should publish a report on compliance with the code and on complaints about its operation.

The challenge to consumers and government

4.7 It is a major challenge to make this work. The OFT's approval will be crucial in giving consumers confidence that they can trust codes and in assuring business that consumers will understand the benefits to them of dealing with suppliers that operate codes.

4.8 To help consumers find the codes, and thus the businesses they can more readily trust, the Government proposes, subject to further consultation, to change the law to give the OFT a power to give a seal of approval to codes that put the core principles into effect. The seal of approval will enable everyone – including those who have poor literacy or who do not speak English – to see at a glance where it has been given. The OFT will:

- *promote* the core principles and encourage good practice by keeping them up to date
- *approve* or reject codes and publicise these decisions
- *publicise* to consumers the benefits of the overall scheme and the benefits of dealing with businesses that comply with approved codes
- provide and market a *seal of approval* for approved codes so that consumers can see whether a trader is committed to code standards

- *remove* the seal from codes that fail to deliver.

4.9 For these powers to work properly there needs to be a continuing dialogue.

- *Business bodies*, such as the CBI, British Retail Consortium, British Chambers of Commerce and other bodies representing small business, will be crucial in helping business of all sizes to understand the advantages of robust codes and reassuring them about the way that the OFT will use its new powers. They will need to explain the benefits of approved codes to their members.
- *Consumer bodies* will have an equally vital role in helping consumers understand the benefits to them of shopping where there are good codes.
- *The OFT* will discuss the operation of the proposed power and its procedures with business and consumer bodies, to help ensure that it is operated in both a business and consumer-friendly way. It will focus on:
 - the development of the detail of the core principles including looking particularly at their application to small businesses
 - how to help code sponsors for a particular sector, who may but need not be trade associations, to meet the core principles and to make sure that participation in the code is open to traders in other countries

- how to help companies that are not members of trade associations, or other suitable bodies, but which wish to operate effective codes, to do so
- how to deal with approval of codes for sectors where protection for consumers can be delivered even though, for some reason, one or more of the core principles will not work
- how to give sponsors sufficient time to bring their codes in line before refusing the seal of approval
- reviewing the operation of codes to ensure they are delivering benefits to consumers.

4.10 The Government recognises that the work on approving codes and marketing the seal of approval needs to be adequately resourced and will consider the amount of funding necessary for it following the consultation.

4.11 The Government has considered how to deal with sectors where the voluntary approach does not work and consumers persistently suffer as a result. The option of creating a reserve power to impose a code, as in Australia, was rejected. Codes need the support of businesses if they are to be truly effective and an imposed code would not have that support.

4.12 The Government believes that, with the new approval mechanism and an effective marketing campaign on the value of codes, businesses in most sectors will want to sign up to and

Dealing with cowboy builders

Cowboy builders in the home repair and maintenance market cause difficult problems. In April 1998 Nick Raynsford, Construction Minister at the Department of the Environment, Transport and the Regions launched a consultation paper aimed at raising standards and helping consumers to identify good builders. In close co-operation with DTI, a working group drawn from industry, consumer groups and government developed this initiative. Its draft recommendations include:

- a quality mark scheme under which firms are assessed for a range of criteria, including technical competence, financial probity and adherence to a code of practice
- an insurance-backed warranty, linked to an effective complaints and discipline procedure
- a national “approved list” of builders available to consumers, through a low cost telephone number, local authorities and other agencies
- a high profile publicity campaign to educate both consumers and builders about the benefits of the quality mark.

The Government will implement the scheme, initially on a pilot basis, taking account of comments received, once the working group produces its final report.

comply with effective codes. However, if the OFT reports that a problem sector will not or cannot put its own house in order, and other powers are ineffective, the Government will not hesitate to use the new, speedy procedure for dealing with unfair trading practices described in Chapter 7.

Codes for e-commerce

- 4.13 The risks and benefits of e-commerce make it ideally suited to an approach where the Government sets the policy framework and business develops the market solutions. Consumers want to be sure that the payments they make electronically are secure and that extra and unknown entries will not suddenly appear on their statements. They will not buy electronically unless they are reasonably confident that what they have ordered will turn up, and will be as described, or that they have an easy means of sorting problems out or getting their money back. They want to know that there is reasonable privacy about the records of what they buy or look at.
- 4.14 None of this is easy to deliver across borders. In Europe, the Commission is reviewing the European consumer protection legislative framework to see if any changes are needed to take account of e-commerce. The Government is working with others to improve cross-border redress and enforcement. These steps are described in Chapter 5.
- 4.15 The Government believes that many consumer concerns can be met by the development of e-commerce codes which comply with the core principles for codes outlined above, and also meet additional requirements to allay consumers' specific concerns about possible risks when they buy goods or

Additional principles for e-commerce codes

Consumers will see:

- an e-hallmark which cannot be used by unauthorised traders:
 - guaranteeing that its users are legitimate traders
 - assuring that the trader will not use marketing techniques that take advantage of children or other vulnerable consumers
- clear, accurate and not misleading information about:
 - goods and services
 - price, including taxes
 - delivery costs
 - returns policy
 - other contractual rights
 - how to order (and how not to order)
- confirmation of the contract
- assurance that payments can be made safely and, where necessary, communications kept secure
- arrangements for protecting personal data
- how to avoid unsolicited e-mail
- how to contact the trader including a terrestrial address and telephone number.

services on-line. The Government is working with the Alliance for Electronic Business (AEB) and the Consumers' Association, in consultation with the OFT, to develop by end 1999:

- additional core principles to meet consumer concerns about e-commerce which will be developed further by the AEB and other bodies that issue e-commerce codes
- a new body, with the working title of *TrustUK*, to accredit e-commerce codes that also accord with the core principles for codes described above
- a "hallmark" that accredited codes may use on their web sites or incorporate into their logos
- the use of existing links to establish international complaints handling networks
- a way to market the e-commerce hallmark internationally.

4.16 The Government will also work in Europe to encourage the development of an EU-wide code and with the OECD on its guidelines for consumer protection in e-commerce.

4.17 This is an important step towards the fulfilment of the commitment in the Competitiveness White Paper² to develop a hallmark. It should also help in the aim of ensuring that the UK provides the best environment in the world for electronic trading.

Developing consumer safety standards

4.18 Safety standards are another important element governing the relationship between consumers and business. Consumer safety has long combined a statutory framework with voluntary action by industry, of which British Standards are the most well known. Partnership between business, consumers and government in making standards has been successful in the UK and the Government will encourage a similar approach in the development of international standards, and in the expected review of the European General Product Safety Directive.

Product recall

When an unsafe product is discovered, withdrawing it from the distribution chain is the obvious first step. But there is often also the problem of products that consumers have already bought. To deal with this, it is vital that, where appropriate, businesses carry out a rapid and thorough recall. This is the only way to sustain both consumer safety and the sound reputation of UK business.

Later this year, DTI will publish a "good practice" guide on product recall. Developed with industry, it will help businesses which supply consumer products by putting forward ideas and advice on how to improve product recalls.

² *Our Competitive Future – Building the Knowledge Driven Economy*, Cm 4176 1998

4.19 The process of developing standards can, however, be too slow and inflexible to deal with some safety issues. The Government will, where appropriate, promote the alternatives of voluntary industry agreements, such as for labelling solvents, or the spread of best practice, such as on safer packaging.

Promoting good practice

4.20 Codes are a necessary building block by which companies can tap into the competitive challenge of meeting customer demand. But, as consumers are becoming more mobile and better informed, businesses need to know how to harness growing customer expectation to their market success. Research sponsored by the DTI benchmarked 310 UK and USA service organisations³. It showed that the use of best practice in service management led to improved service and business performance. It also found that UK consumers tended to be less demanding than US ones and that the latter are more willing to express their needs and praise good service. It suggested that UK consumers may also have lower expectations than those in the US, that they seem to be more easily satisfied and less likely to give positive reinforcement to good service. These differences in customer expectations and behaviour, the study

argued, help to explain performance differences between the UK and the US.

4.21 The Government supports businesses in benchmarking themselves against leading market performers to achieve a competitive edge, but it is concerned that some benchmarking schemes are too narrowly focused. Business success in identifying and satisfying consumer expectations needs to feature more significantly in such schemes. The Government will therefore assist in identifying and developing, by early 2000, consumer-orientated indices and encourage their inclusion in existing and future benchmarking schemes. It will publish a list of all the schemes, such as Service PROBE and the UNISYS Service Excellence Benchmark, that focus on customer needs.

4.22 The UK already has companies that are "consumer champions" in the way that they deal with their customers, and seek and learn from their customer expectations. The initiatives described here will help more companies to describe themselves justifiably as consumer champions.

³ *Achieving world-class service: an Anglo-American benchmark comparison of service practice and performance*, London Business School, University of Southern Carolina and University of North Carolina 1998

Two consumer champion companies

First Direct

First Direct's reputation for customer service has been achieved by developing an exceptional understanding of customer needs, both now and in the future. The company is determined not to let complacency set in but to keep focused on customer service.

Independent research is carried out by MORI and NOP. Every new customer is surveyed three months after opening an account and over 9,000 customers are surveyed or take part in focus groups every year. According to independent measures of customer service 90 per cent of customers express themselves as extremely or very satisfied with the service they receive. Many express their satisfaction by recommending the bank to others. It was for their understanding of customer needs that First Direct won the overall UNISYS Service Excellence Award.



Lakeland

Lakeland Limited, the creative kitchenware company which comprises its original mail-order operation and a chain of 20 retail stores, is a family business run by three brothers. Under their direction a strong reputation for innovative and dependable kitchen and homeware products backed by a total commitment to customer service has been built. Standards which were first set by the then Lakeland Plastics are taken as given by the industry today. Delivering consistently high standards of products and service to upwards of a million people a year is made possible by creating a close relationship with their customers. Staff are given the training, the product knowledge and the authority to do whatever it takes to deal effectively with customers. Customers frequently write to say that they regard Lakeland Limited as the benchmark by which they judge the performance of every company with whom they deal.



Business ⁴	Consumer	
✓	The Trades Descriptions Act 1968	✓
✓	Unsolicited Goods and Services Acts 1971 and 1975	✓
	Fair Trading Act 1973	
	Part I (the OFT's powers)	✓
	Part II (trade practices)	✓
	Part III (persons acting detrimentally)	✓
✓	Part XI (trading schemes)	✓
✓	Supply of Goods (Implied Terms) Act 1973	✓
✓	Hallmarking Act 1973	✓
Unincorporated bodies only	Consumer Credit Act 1974	✓
✓	Prices Act 1974	✓
✓	The Unfair Contract Terms Act 1977	✓
✓	Sale of Goods Act 1979	✓
✓	Supply of Goods and Services Act 1982	✓
✓	Weights and Measures Act 1985	✓
	Consumer Protection Act 1987	
✓	Part I – liability for death or injury	✓
	Part I – liability for damage to property	✓
	Part II – general safety	✓
	Part III – Misleading Price Indications	✓
✓	Textile Labelling	✓
	The Consumer Protection (Cancellation of Contracts Concluded away from Business Premises) Regulations 1987	✓
✓	The Control of Misleading Advertisements Regulations 1988	✓
✓	The Food Safety Act 1990	✓
	Price Marking Order 1991	✓
✓	The Property Misdescriptions Act 1991	✓
	Timeshare Act 1992	✓
✓	Package Travel, Package Holidays and Package Tours Regulations 1992	✓
	The General Product Safety Regulations 1994	✓
	The Unfair Terms in Consumer Contracts Regulations 1999	✓

⁴ Where a ✓ is shown it is for illustrative purposes only as not all of the provisions protect business or apply to all business situations.

More help for business?

4.23 The Government has considered the particular problems that some small businesses themselves face in the market place as purchasers of goods and services. Some consumer protection legislation serves to protect business as much as people buying for their private use, but other legislation (including regulations which implement European Directives) is not designed for that purpose. The extent to which consumer protection legislation does or does not apply to transactions between businesses is illustrated in the box on page 34.

4.24 The smallest businesses may have no more purchasing skills or expertise than some private consumers. But extending consumer protection legislation to small businesses might end up harming them if other businesses refused to deal with them. It might also impose additional burdens

on all businesses, both large and small, particularly those who mainly supply other businesses and do not have significant dealings with consumers. The Government would welcome comments on:

- the problems faced by small businesses that might be solved by action to extend consumer protection legislation
- the scale of the problem and possible solutions to it
- the type and size of business that is most affected
- whether, on balance, businesses would be helped or damaged by the extension of specific pieces of consumer protection legislation
- the costs and benefits of such an extension
- any other views on this issue.

Comments should be sent to the address given in Chapter 9 by 29 October, 1999.

helping consumers to get **redress**

When things go wrong people want to get redress quickly and easily. The best businesses learn from complaints and improve their performance in the process. In doing so, they build people's confidence in the market. This chapter explains what the Government is doing to help consumers to understand and use their rights, particularly in new markets.

Sources of advice

- 5.1 The number of consumer complaints has been rising.
- In 1998, 900,000 complaints were reported to the trading standards service¹.
 - Citizens Advice Bureaux (CABx) dealt with over six million problems in 1998, of which one million were consumer-related².
 - Over a fifth of people have had reason to complain about goods and services in the last six months³.
- 5.2 Many consumers with a complaint rightly approach the seller first. The British Standard on complaints management systems⁴ should help improve the way that companies deal with complaints. The Government will also ensure that companies in the water, electricity and gas industries are obliged by their licences to have adequate complaints procedures. Businesses that sign up to approved codes will also need such procedures.
- 5.3 However, if approaching the seller fails to solve problems, many people are unclear where to go or what to do.
- Two-thirds of people are concerned that they do not understand their rights as consumers⁵.
- Over half are concerned that they do not know where to go for help and advice⁶.
- 5.4 There are many organisations which offer advice to consumers on their rights and responsibilities. The quality and availability of advice varies, however, across the country. Not all local

Improving advice provision

Following extensive consultations within the community, Butetown Citizens Advice Bureau used a £30,000 grant from the Cardiff Bay Development Corporation to refurbish a derelict building located at the heart of an estate. This not only improved a much disliked eyesore but, more importantly, provided residents with much needed access to advice. It also succeeded in attracting many new clients who previously would not have felt able to use the Bureau, despite their pressing need for advice. They included women from the large Muslim community who were allocated a women-only waiting room.



¹ Annual Report of the Director General of Fair Trading 1998
² National Association of Citizens Advice Bureaux Annual Report 1997-98
³ MORI
⁴ BS 8600
⁵ MORI
⁶ MORI

authorities offer consumer advisory services. CABx report considerable pressure on the service; one survey found that some CABx do not have the resources to answer 80 per cent of telephone calls received⁷.

Joined-up consumer advice

5.5 To ensure that people have easier access to high quality advice, the Government will promote the development of a new network of

advice agencies, building on the existing infrastructure of advice services but working more effectively with consumers. The Government will work with the providers of advice services in developing the network, using, for example, the Quality Criteria and benchmarking described later in this chapter. The Government's aim is to ensure that people get quick, accurate answers to their questions on consumer issues.

5.6 CABx, trading standards services in local authorities, independent advice centres and money advice centres will all be invited to join the new network providing high quality services. The network will link with the Community Legal Service (CLS), the framework of local networks which the Government is developing to provide easier and more co-ordinated access to legal advice and information.

- At a local level, Community Legal Service Partnerships will map needs for such services, and their work will cover consumer issues, in particular debt and money advice.
- At a national level, the CLS web site will provide links and directions to legal advice and information, including consumer issues, debt and money advice. The services within CLS will be quality-assessed. These steps will ensure that consumer issues are fully covered as the legal advice network develops.

Joined-up advice and assistance

Leicester Consumer Advice Centre works closely with different local government, business and community bodies, to deliver a coherent consumer protection service from a high street location. By combining consumer advice and enforcement activities, Leicester gives its consumers practical assistance. Its staff receive valuable information on local trade practices which leads to better enforcement.



⁷ Lines of enquiry: a model for a regional telephone advice service JFB Partnership, April 1996.

- 5.7 The advice network will aim to achieve high performance standards. A quality checklist will set out minimum requirements which agencies should seek to achieve, including on quality of advice and speed of referral. This will complement work being done by the National Consumer Council and trading standards service to establish good practice in advice services. The checklist will provide:
- a management tool for centres, allowing them to measure themselves against minimum standards and to identify areas for improvement

Quality Criteria

- **quality:** consumers should be given expert, accurate and timely advice
- **accessibility:** all consumers should be able to access advice
- **customer-focus:** provision should be targeted to consumers' needs
- **management:** both consumers and providers should feel they are involved in a "professional" operation
- **connected:** providers should be able to refer consumers to the most appropriate source of help
- **effective:** providers should be able to measure their own performance
- **value:** consumers and funders should be satisfied that they are getting the best service available within the resource allocation
- **proactive:** consumers should be encouraged to be more knowledgeable and demanding in exercising their rights.

- an evaluation tool for funders, allowing them to check the performance of advice providers against accepted criteria (and to help identify where funding constraints are preventing full achievement of these criteria).

- 5.8 To help put the quality checklist in place the Government will promote benchmarking of providers of consumer information and advice. This will help centres learn from each other, spread best practice and improve standards. With advisory services, the Government will develop a benchmarking module and launch it, with the quality checklist, at a National Conference it will organise in spring 2000. The Conference will be followed up by a series of regional workshops to embed this approach to improving the quality of consumer advice.
- 5.9 All centres which meet the quality criteria will be clearly badged, so that consumers can be confident that they will get quality advice.

A telephone helpline

- 5.10 A major criticism of existing advice provision is that consumers do not know where to find it. One way to tackle this is to provide a telephone helpline, based on call-centre technology. This will assist the joining-up of advice agencies and improve access to them. It will help advisers use their resources more efficiently and

refer callers to points of expertise within the new network, to the relevant ombudsman schemes, to trade associations or to other sources of advice such as the new consumer bodies set up for the public utilities.

5.11 The Government wishes to test the effectiveness of this approach, the scope of the service to consumers, whether it provides an efficient use of resources and whether a national helpline would be practical and provide added value. It will therefore pilot a local helpline offering initial advice and information on:

- rights when buying goods or services
- how rights can be enforced
- consumer credit and debt
- consumer safety.

5.12 The helpline will be available to consumers, general advisers and businesses. CABx, local advice agencies, the trading standards service and others who provide advice and information on consumer issues will be involved.

Increasing access to information

5.13 The Government has invested £3.5 million to develop new IT systems for CABx which provide their advisers with direct access to information on consumer and other issues. These

systems will also be available to other advice-giving agencies, and are being further extended so that the public can gain access through the Internet at libraries and other IT access points.

5.14 The Government's Consumer Gateway, as described in Chapter 3, will provide a further way to find out information through the Internet. It will enable people to access easily a wide range of consumer web sites including government departments, private sector bodies, consumer organisations and enforcement authorities. Consumer Gateway can be found at <http://www.consumer.gov.uk>



Providing clear information on rights

5.15 Information needs to be presented simply and clearly. DTI commissioned research to find the best means of informing the public on consumer rights and providing safety advice⁸. The report identified, in particular, that information is not always reaching the most disadvantaged. DTI accepts the recommendations, many of which have been foreshadowed in recent safety awareness campaigns. DTI will convert the research into a best practice guide for the Department and all providers of consumer information, to be published in October 1999.

⁸ *Most Effective Means of Informing Consumers MVA May 1999.*

- 5.16 The recommendations of the research are:
- DTI should plan information campaigns in a more systematic way
 - co-ordination of information campaigns with other organisations needs to be improved (for example, the trading standards service, CABx and charities, but also the media)
 - local media (especially radio and newspapers) could be given more targeted information relevant to the locality
 - “trusted intermediaries” in local areas (such as charities) should be better used to convey messages to vulnerable groups
 - more use should be made of interactive formats (both Internet sites and one-to-one advice)
 - leaflets should be used to back up campaigns, rather than on their own, and should be clearly dated so that it is obvious when they are outdated
 - more use should be made of Braille and large print in leaflets
 - DTI should monitor the take-up of new technology and its penetration within target groups of consumers, in order to identify when electronic means of providing information should be used.

Enforcing rights through the courts

- 5.17 Good, clear advice helps many people sort out their problems. However, some disputes will stay unresolved. It is important that consumers and businesses can get simple and quick decisions without large costs to either party.
- 5.18 The small claims system is informal, relatively low cost and does not require legal representation. As part of the Lord Chancellor’s civil justice reforms:
- the small claims limit in England and Wales has been raised from £3,000 to £5,000 for most cases⁹
 - a fast track has been introduced for most cases between £5,000 and £15,000 – with a standard timetable and fixed costs
 - new plain English rules for civil courts have been published.
- 5.19 The Arbitration Act 1996 protects consumers’ rights to use the small claims procedure if they choose. The Government will raise the limit in the Act from £3,000 to £5,000 to bring it into line with the new limit for small claims in the county courts in England and Wales. This means that consumers who have claims against traders of up to £5,000 cannot be bound by an agreement, even in a contract, that disputes should go exclusively to arbitration.

⁹ Scotland and Northern Ireland are considering their respective limits of £750 and £1,000.

www.adviceguide.org.uk

CABx information is now available on the Internet. It was launched as a pilot in partnership with Oracle in May 1999. After the second week it was already being accessed by up to 60 simultaneous users. It is based on the information system used by CABx advisers and is a useful resource for those who find it difficult to get to a Bureau. It provides a good starting point for solving problems. Users are being asked for feedback to ensure the information provided is what is wanted and easy to find.



- 5.20 Even when a court judgment has been obtained, consumers may face problems enforcing it. The Lord Chancellor's Department is currently consulting on proposals to help more people recover money owed to them. The review will be completed by June 2000 and the first changes are expected in November 2001.

- 5.21 At the moment, the courts cannot review the terms on which credit deals have been agreed unless specifically asked to do so by the borrowers. The Government is looking at the rules on extortionate credit to make sure that consumers are adequately protected. It has commissioned research to examine the extent to which extortionate credit is a problem in the UK. The research will assess whether changes are needed, particularly to protect those who are under financial pressure or otherwise vulnerable at the time of taking out a loan.

- 5.22 When the trading standards service takes legal action to enforce consumer protection legislation, the courts have powers to order traders to make compensation payments to consumers who have suffered loss. There may be scope for greater use of compensation orders to ensure redress. The Government has drawn the matter to the attention of the Magistrates' Association, which is currently reviewing its sentencing guidelines.

Alternative dispute resolution (ADR)

- 5.23 The Government's core principles for codes require effective and low-cost redress mechanisms. ADR – for example mediation, conciliation, arbitration and ombudsman schemes – offers consumers advantages over the

courts. The process is informal and cheaper. But there can be drawbacks. Enforcing an agreement or decision can be hard. Arbitration may still be costly. Some ombudsman schemes are slow. In addition, many people are not aware of ADR or may have concerns about impartiality.

- 5.24 The Government is issuing a discussion paper on the provision of information on ADR and the possibility of creating a list of approved providers. This complements a recent European Commission Recommendation¹⁰ on principles for out-of-court dispute settlement.

Multi-party situations

- 5.25 The Lord Chancellor will introduce new rules setting out how courts might manage numerous claims that have common features (for example, against the maker of a faulty product).

Cross-border disputes

- 5.26 Cross-border shopping is increasing, particularly with the growth in e-commerce. However, if consumers are to exploit fully the potential of e-commerce, they need to be assured that they will be able to get redress

The Financial Services Ombudsman

Subject to Parliamentary approval, the Financial Services and Markets Bill will provide for a single, compulsory ombudsman scheme, replacing eight existing schemes, some of which are voluntary. The new Financial Services Ombudsman Scheme will seek the speedy and informal resolution of disputes between authorised firms and their customers. Unauthorised firms can volunteer to submit to the ombudsman's jurisdiction.

The detailed operation of the single ombudsman scheme will be determined by the Financial Services Authority after consultation. It will help provide consumers with an effective means of redress for unfair or unreasonable behaviour by the industry. Firms will be bound by the ombudsman's decision – complainants will be free to seek alternative restitution through the courts if they wish.

if problems arise. The Brussels and Lugano Conventions¹¹ allow people within the EU and EFTA in certain circumstances to sue for breach of a consumer contract in their own country, rather than have to take action in another country. Both Conventions have recently been reviewed.

- 5.27 The Hague Conference on Private International Law is developing a world-wide convention on jurisdiction

¹⁰ SEC (1998) 578

¹¹ *Brussels Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters* – 27 September 1968
The Lugano Convention on Jurisdiction and Enforcement of Judgments in Civil and Criminal Matters – 16 September 1988

and the recognition and enforcement of judgments in civil and commercial matters. The Government is consulting on whether this should include similar provisions to those contained in the Brussels and Lugano Conventions. E-commerce is global, and consumers need assurance of redress wherever traders are based.

- 5.28 Even where people have a legal right to sue in their own countries, problems of expense and delay arise when the judgment has to be enforced in another country. At a practical level, it is often uneconomic to pursue small claims across borders. Working with its EU partners, the Government wants to see new ideas pursued to make it easier, quicker and cheaper for consumers in one member state to bring claims in another. This will include looking at ways that new technology, including the further development of video conferencing, might make it possible for consumers to pursue cases without having to be physically present during hearings.

Rights when buying goods

- 5.29 Common minimum rights in Europe will give consumers more confidence in the single market. The Government welcomes the Directive on the Sale of Goods¹² which means that if goods bought within the EU are found to be faulty or do not match up to the contract, shoppers will be able to have them repaired or replaced, or if this is unreasonable or not possible, obtain a full or part refund. The Government will implement the Directive by January 2002, after full consultation.

¹² Directive on the Sale of Goods and Associated Guarantees, 99/44/EC

keeping **consumer law** up to date

Consumer law is well developed but markets evolve and it needs to be kept up to date to maintain consumer confidence and protection and to ensure that business can focus on what matters, meeting customer needs. This chapter describes the Government's approach to that process.

Targeted and proportionate rules

- 6.1 The UK has a well-established and mature framework of consumer legislation. It ensures that consumers can understand the nature of the goods and services being provided and the standards they can expect from business. It would be unrealistic for consumers and business to have to sort these things out by individual negotiation.
- 6.2 The Government believes that the main body of consumer law will be adequate for the foreseeable future. However, in some important areas, such as financial services and food safety, new frameworks for regulation are being constructed. The Government also intends to use the opportunity of recently adopted EU directives to look at the laws on sale of goods and price marking.
- 6.3 The current body of rules cannot be left to ossify, however. Markets change. Rules become outdated. Sometimes they become unnecessary and need to be swept away. At the same time, new needs arise and new risks appear.

Meeting new needs

- 6.4 The challenge for the Government is to meet new needs, without distracting business from their focus on consumers

by imposing unnecessary regulatory burdens. That is not in the interests of consumers, who would suffer through either higher prices or reduced choice. Measures therefore need to be proportionate and targeted. They need to be understandable by those they are aimed at, and they need to take account of the views of those they will affect.

- 6.5 The system of regulatory impact assessments builds on this by focusing attention on how far the harm identified will be reduced by a proposed measure, and comparing that to its expected costs both to business and the rest of society. The Government will continue to develop techniques for identifying, measuring and considering how consumers will be affected – the risks and benefits – by individual proposals for change. DTI will publish the criteria it uses for risk assessment by October 1999.

Assessing risk

- 6.6 A major concern for consumers is the safety of products, particularly food. Product safety is not absolute – there are always risks. The Government therefore needs to ensure that the regulatory framework protects consumers against unacceptable levels of risk to their health and well-being. The starting point for considering action has to be proper risk assessment –

what is the nature of the problem, what are the possible hazards or detriments, how likely are they to occur and how serious are they when they occur?

- 6.7 Nevertheless, in some cases conclusions are hard to reach because the risks or the seriousness of the hazards are uncertain, even to experts. Where there is the risk of serious or irreversible damage, it may be necessary to take a “precautionary approach” but decisions should be based on an objective assessment of associated uncertainties and the costs and benefits of action, and have to be reviewed as knowledge improves – disproportionate action simply stifles innovation for no benefit.
- 6.8 Consumers need good quality information if they are to form a view of the safety of products. Individuals have different risk thresholds in deciding whether to purchase goods. The Government is therefore committed to clear product labelling enabling consumers to make properly informed choices (see Chapter 3).
- 6.9 The Government is also seeking to promote better understanding of scientific analysis. This involves ensuring that research into health and consumer concerns takes place at an early stage alongside new scientific developments. In addition, in the Foresight programme, the Government is building a dialogue between the scientific community, consumers and business. It is doing this through a research programme aimed at identifying the consumer interest in

relevant scientific developments. These steps are designed to provide confidence in the development of new products and services which will benefit consumers.

Assessing consumer safety issues

DTI's safety research programme is planned to meet the concerns of consumers, businesses and local authorities, and the results are disseminated widely.

High quality information on risks to consumer safety is needed to inform decisions both nationally and internationally. As part of its safety research programme, DTI gathers statistics on injuries which involve consumer products, using the Home Accident Surveillance System. This system, which draws data from a representative sample of UK hospitals, is currently being upgraded.

In addition, there is a programme of in-depth research to identify the precise nature of specific risks and help policy-makers choose the best way to deal with them.

Reducing burdens

- 6.10 The Government believes that there is scope for removing burdensome or unnecessary regulations, while protecting consumer interests. In some cases the conditions which gave rise to the need for the regulations have changed. In others the regulations themselves were not prepared with the rigour that the Government now intends to adopt. The consequence is that such

regulations can act as obstacles to the competitiveness of businesses – particularly small firms – that trade fairly and provide safe, quality products and services. They make it more difficult for businesses to focus on their customers and meeting their needs.

- 6.11 The Government proposes to update and simplify weights and measures law. At present this consists of a mass of regulations, mandatory codes, bylaws and guidance. The legislation itself runs to 100 pages and there are another 70 pages in the Schedule on goods which, when pre-packed, must be marked with an indication of quantity or, when sold loose, must be sold by weight or measure. It confuses business and it confuses consumers who have little, if any, idea of what they should see. The Government is publishing a consultation document on its proposals to simplify the law and back it up with good quality, simple and clear guidance.



- 6.12 The Consumer Credit Act 1974 is often criticised for its complexity. It was one of the areas singled out by the Better Regulation Task Force in its 1998 report on consumer affairs. Much of the legislation provides valuable protection

to consumers but it is difficult to understand. In Europe, the Commission has indicated that it intends to review the Consumer Credit Directive which underpins the domestic legislation. In preparation for such a review, the Government would welcome views as to changes that consumer and business groups would like to see.

- 6.13 The Government would also like to look now at the current operation of the domestic licensing system which, although self-financing, takes up considerable resources both in OFT and in business. The Government wants to see if these resources could be more effectively targeted to deal with real abuses and less on the mechanics of licensing clearly legitimate businesses. In particular, a new system should enable credit businesses to focus on their lending work without having to go back to OFT every time their licence needs changing.
- 6.14 Chapter 7 sets out how the Government plans to target enforcement action more precisely on rogue traders. This provides an opportunity to review offences and penalties in other parts of consumer protection legislation to see if they are still necessary and, if so, whether the type and level of penalty is appropriate. The Government proposes to review all offences and penalties and, where these need to be retained, consult on whether criminal or civil penalties are most appropriate in each case. The Government will also reinforce the drive towards securing compliance through guidance rather than

enforcement through prosecution for the majority of businesses that make the occasional mistake.

- 6.15 The Unfair Contract Terms Act 1977 and the Unfair Terms in Consumer Contracts Regulations 1999 (following a European Directive) cover some of the same ground:
- the Regulations apply only to standard terms in contracts between businesses and consumers
 - the Act applies mainly to terms excluding liability and also covers such terms in contracts between businesses
 - there are slightly different tests on which the courts will work out whether a contract term is unreasonable or unfair
 - businesses have to incur costs working out which apply in each case and keeping up to date with two sets of provisions
 - consumers, too, will be uncertain whether clauses are unenforceable under the Act or unfair under the Regulations

Consolidating them will not be easy because of the underlying European legislation but research has been started to identify the best way to change the law to achieve this.

- 6.16 The Government intends to consult, in 2000, on removing the outdated, unnecessary requirements for trading stamps to indicate the cash redemption values. This is a 1964 Act¹ drawn up to deal with *Green Shield* and other stamps. It is now being used to cater

for loyalty schemes. The Government intends to preserve those parts of the Act that give consumers the same rights they would have if they paid in cash for goods and services rather than through cashing in loyalty points.

- 6.17 The Unsolicited Goods and Services Act 1971 set out detailed provisions on charging for entries in trade directories. The Government will, in 2000, simplify these so they are not a barrier to e-commerce and do not disadvantage UK firms relative to European ones. It also intends to remove certain regulations under this Act which specify the format of invoices.
- 6.18 This is the first stage of the Review. The Government intends to mount a rolling programme to review all consumer protection legislation to check that it is still delivering its intended effect, that the legislation remains necessary and that the costs to business do not outweigh the benefits to consumers.
- 6.19 The Government will continue to press for European Directives to include review clauses so that their worth can be checked at regular intervals. It will, where appropriate, include expiry dates (sunset clauses) in new domestic consumer legislation or set specific dates when the legislation will be reviewed.
- 6.20 The Government would welcome other suggestions as to areas of consumer protection legislation that may be causing particular problems for consumers or businesses.

¹ Trading Stamps Act 1964

securing compliance

Consumers need adequate protection. Legitimate businesses need assurance they will not be undermined by competitors who cut corners (including through counterfeiting, software piracy, etc). Businesses and consumers alike need to know where they stand. It is, therefore, important that public law is effective and is enforced efficiently and consistently. This chapter proposes new ways to secure compliance with consumer law.

Effective enforcement

- 7.1 Rules and regulations are of no value if they are widely disregarded. Statutory regulation must be effectively enforced. This mainly falls to local authorities and national bodies such as the OFT, the Food Standards Agency and the Financial Services Authority, although the Government also recognises that there is a role for bodies outside the public sector to take cases to court. Enforcement agencies need to:
- educate traders on the law to encourage compliance
 - clamp down firmly on those who refuse to comply
 - improve their effectiveness, which at local level varies across the country.

The Financial Services Authority

Subject to Parliamentary approval, the Financial Services and Markets Bill will provide powers for the Financial Services Authority (FSA) to make rules and provide guidance for authorised firms. The FSA's proposed powers are designed to ensure that firms treat consumers in a fair and reasonable way, and to detect and deal with breaches of rules in a fair and effective manner. The FSA's new powers would also enable it to impose financial penalties for market abuse.

Persuasion and education of traders

- 7.2 Reliance on legal powers is a last resort. Most businesses want to comply with their obligations and look to the authorities to assist them in doing so. In recent years enforcement authorities have increasingly offered advice and guidance to business. The Government welcomes this and endorses the Better Regulation Task Force's report¹ on enforcement which aims to consolidate and extend this approach.
- 7.3 Any enforcement regime should be fair to traders as well as ensuring that consumers are protected. To that end, the Enforcement Concordat aims to encourage co-operation with business and fair and consistent enforcement practice by local authorities and central government. Many local authorities have already signed up to the Concordat. The Government urges all enforcement authorities who have not to do so within the next year.

Dealing with the rogues

- 7.4 A small number of traders never respond to education or even stronger measures. Some repeatedly exploit consumers, particularly the most

¹ *Review and Recommendations on Good Enforcement Practice*, Better Regulation Task Force, April 1999

The Enforcement Concordat

The Enforcement Concordat sets out what business and others being regulated can expect from enforcement officers:

- **standards** – the level of service and performance the public and business people can expect to see
- **openness** – wide dissemination of information in plain language, full consultation and discussion of problems with those experiencing difficulties
- **helpfulness** – a courteous, prompt and efficient service, with contact details provided for further dealings
- **complaints** – well-publicised, effective and timely complaints procedures
- **proportionality** – minimising the cost of compliance to business by ensuring any action taken is proportionate to the risk
- **consistency** – duties will be carried out in a fair, equitable and consistent manner.

Before formal enforcement action is taken, there will be an opportunity to discuss the circumstances of the case and, if possible, resolve points of difference, unless immediate action is required (for example, in the interests of health and safety).

vulnerable, and damage confidence in markets to the detriment of other businesses. Others are prepared to deal in counterfeit or pirated goods, unconcerned at the hazards they may cause. Current legislation does not deal effectively with those who demonstrate their lack of regard for legislation aimed at protecting consumers.

7.5 There are three problem areas.

- The level of criminal sanctions, and the risk of civil action by consumers, do not deter determined rogues who continue to carry on unlawful conduct where the profits outweigh the occasional judicial setback and where they can live with an adverse effect on their reputation. This problem is compounded by the time it takes to enforce some of the existing legislative provisions. This enables the rogue trader to keep ahead of the authorities.
- Outside areas where there are specific licensing regimes (consumer credit, financial services), there is no means of preventing a rogue trader from continuing to pose a threat to consumers by moving from one dishonest practice to another.
- A number of trading practices which cause harm to consumers are still legal.

7.6 The Government believes the answer is a much clearer targeting of rogue traders and specific unfair trade practices. It proposes to amend the Fair Trading Act 1973 when Parliamentary time allows to provide:

- a power for the courts to grant injunctions against specific practices carried out by specified traders
- a power for the courts to ban from trading for a period traders with a history of disregarding their legal obligations
- a power for the Secretary of State to make orders by secondary legislation to specify that certain unfair practices

Examples of rogue traders which cannot be dealt with adequately under the Fair Trading Act at present:

A saleswoman selling budget flights sold two tickets to a consumer who paid £540 by cheque. The purchaser later found that her Switch number had been used to obtain a further £500 for flight tickets – in effect she paid twice. The saleswoman had IATA and ATOL certificates on the wall, which were found to be false. The saleswoman was arrested and charged with deception. She is, however, still trading and the money owed to the consumer has not been returned. The saleswoman is known to the local trading standards service and owes money to several companies, but at present there is nothing that can be done to stop her trading (and possibly cheating others).

A company held what was described as an auction in a respectable hotel, but was in fact a typical bogus “one day sale”. The crowd were shown a pile of camcorders and were asked who would give the auctioneer £100. Several people raised their hands for what seemed like a good deal. Their credit cards were collected and processed. The auctioneer then presented normal photographic cameras to those who had paid. They felt seriously misled, but were unable to get a refund.

(for instance those associated with so-called “one day sales”) should become criminal offences, so ensuring they are not carried out by traders in general.

- 7.7 The Government recognises that rogue traders usually operate at a local level. Accordingly, it proposes that the new powers should be available to the trading standards services in local authorities as well as the OFT which

Adverts were placed in shop windows asking for people to work from home. Those who responded were sent details of a number of kits that were described as simple to make and promised payment for each one that was satisfactorily assembled. To join cost up to £40 for each scheme. The consumers received their kits plus instructions and sent the finished articles back. They were all told that their work was not up to standard and they had lost their enrolment fee. Trading standards officers from North Yorkshire posed as consumers and joined the scheme. The kits were assembled by professionals but were still rejected.

An electrical appliance repairer in the West Midlands consistently failed to carry out expensive repairs properly. Around 60 complaints were received – none revealed a breach of any criminal legislation and the trading standards service were unable to take formal action.

A car repairer in the North West failed to repair cars and threatened those who complained. The judge said that he would like to ban him from trading but had no power to do so. The repairer received a suspended sentence but is still trading, over 15 years after coming to the attention of the OFT.

is currently responsible for taking cases to court under Part III of the 1973 Act. The Government also believes there is a case for the new powers generally being exercised in local courts.

- 7.8 Homeworking scams prey on the vulnerable, in particular the unemployed and those seeking work. Such scams are distinct from genuine homeworking, for which money is not required in

advance. The Government will take action to stop these scams. It will publish a consultation paper exploring options such as prohibiting the seeking or taking of advance payments in connection with homeworking schemes.

- 7.9 The precise way in which these powers are formulated will need careful consideration. Honest, reliable businesses need to be assured that they will not be unintentionally caught by measures aimed at their dishonest or seriously incompetent competitors. This is particularly important for small traders who may find it harder to challenge the actions of the authorities. The Government intends, therefore, that consultation on these changes will be based on draft legislation which can be looked at in detail in advance of its introduction into Parliament.

Counterfeit goods and pirated software

The battle against traders who deal in counterfeit goods and pirated software involves more than just the protection of trademarks and copyright. Those who are prepared to ignore the law in these areas are rarely concerned with their other legal obligations, notably to supply safe products. Pirated videos can damage video recorders or contain offensive material. Improving the effectiveness of enforcement will assist the fight against fake goods.

Broadening the enforcement base

- 7.10 The Government is for the first time enabling more groups to act on behalf of consumers.
- Under Regulations² being laid with this White Paper, the trading standards service, statutory regulators and the Consumers' Association will be able to take action to prevent the continued use of unfair terms in standard consumer contracts. Until now only the OFT could take action to prevent the continued use of such terms. It will still have to consider all complaints made about unfair terms, unless one of the authorised bodies has said it will deal with it.
 - Through implementation of the Injunctions Directive³ in 2000, the Government will give consumer bodies the power to seek injunctions in the UK and elsewhere in the European Union to stop traders infringing the interests of consumers under nine existing consumer protection directives⁴.
 - The Government is proposing to empower a wider range of bodies to take action in the courts on behalf of those they represent, and the Lord Chancellor will issue a consultation paper on representative actions by December 1999.

² Unfair Terms in Consumer Contracts Regulations 1999

³ 98/27/EC

⁴ Misleading advertising (Directive 84/450/EEC), doorstep selling (Directive 85/577/EEC), consumer credit (Directive 87/102/EEC), television broadcasting (Directive 89/552/EEC), package travel (Directive 90/341/EEC), medicines advertising (Directive 92/28/EEC), unfair contract terms (Directive 93/13/EEC), timeshare (Directive 94/47/EC), distance selling (Directive 97/7/EC). A tenth will be added when the Directive on Sales of Goods and Associated Guarantees is implemented.

Electronic commerce

7.11 The rapid growth of e-commerce as a means of trading makes it all the more important that consumer protection rules are properly enforced across Europe. Focusing specifically on e-commerce, the Government is pressing for work to be taken forward in Europe on proposals to ensure that if an on-line trader in one country mistreats consumers in another country, proportionate and effective enforcement action will follow. The Finnish Presidency of the EU has recently announced that e-commerce will be one of its chief priorities.

A modern trading standards service

7.12 Enforcement of much consumer protection legislation is in the hands of the trading standards services in local authorities. The Government's radical new approach to local government, notably Best Value, will deliver substantial improvements in the way local services meet the needs of communities. One of the great strengths of the trading standards service is that it operates at the local level, close to the issues of real concern both to consumers and business. The new powers to replace Part III of the Fair Trading Act underline the Government's commitment to this local presence.

7.13 On the other hand, it is clear that the service faces a number of pressures. Local government re-organisation has increased the number of authorities with trading standards functions to over 200, with some serving only a small population. There is a risk that the trading standards service in smaller authorities will have fewer opportunities to develop the expertise necessary to deal with the more specialised areas of consumer protection law. They may also face difficulties in supporting the training of new staff which is vital for the future. The increased number of authorities poses problems for business too, since it increases the risk of inconsistent enforcement.

7.14 Local government has for several years sought to tackle these issues through the Local Authorities Co-ordinating Body on Food and Trading Standards (LACOTS), in the main successfully. LACOTS has recently developed a demanding Improvement Agenda in response to the challenges facing regulatory services, in particular that of Best Value but also addressing the important aims of contributing to national standards whilst safeguarding local communities.

7.15 At the same time, the trading standards services in all authorities, regardless of size, face the problem of continued pressure on budgets common to both local and central government. Since they will always be a very small part of local authority expenditure and will often have a lower political profile, the budgetary pressures they face are often relatively heavy.

LACOTS – the Local Authorities Co-ordinating Body on Food and Trading Standards

LACOTS aims to achieve high standards of regulatory good practice in the UK, by promoting consistency and better co-ordination between local authorities. It also provides a technical input to legislative proposals. LACOTS has developed an Improvement Agenda in response to the challenges facing local regulatory services. High up that agenda are issues such as the Home Authority Principle, inter-authority auditing, the development and sharing of good practice, the enhancement of regional liaison groups and improved information networks.

LACOTS oversees the **Home Authority Principle** which allows businesses which trade across local authority boundaries to receive advice and guidance from a single authority, usually where the business headquarters is based. The Principle has attracted interest within the EU as a means of improving inter-state collaboration. LACOTS is currently consulting on how the Principle might be strengthened, not least to meet the emerging demands on local regulatory services in consumer affairs, such as the formation of the Food Standards Agency.

7.16 The challenge therefore is to find ways of combining the advantages of *local presence* with the need for *co-operation* and *national consistency*. The Government propose to tackle this in four ways:

- the development of clear and transparent performance measures which encourage local accountability
- better training to ensure a higher quality service across the country and to provide more officers qualified to carry out enforcement of consumer protection law
- closer co-operation between local authorities
- new funding to develop and promote best practice in these areas.

Together these measures will create a modern trading standards service, capable of meeting the expectations of consumers in the next century.

Performance measurement

7.17 With the arrival of Best Value, services which cannot demonstrate the value of their activities are always going to struggle for funds. Performance measurement of regulatory services is notoriously difficult, since the obvious measures (response time, complaints, inspections, prosecutions etc) invariably fail to capture the whole picture and may even skew activities in undesirable ways.

7.18 In May 1999, the Cabinet Office produced an introductory guide⁵. Using this as a starting point, the Government is considering:

- encouraging local authorities to prepare a standard report about their regulatory services (ie trading standards and environmental health) which will be published locally to enable consumers and businesses to judge how effectively the services meet their own needs and priorities
- developing a national indicator under the Best Value regime covering both trading standards and environmental health. Since there is more work needed before departments, HSE and the Food Standards Agency can be confident that they have a measure which will capture the quality and balance of service provision and assist the prioritisation of audit. It is proposed to consult on the indicator early next year with a view to introducing it as part of the national Best Value suite from 2001/2002
- long-term development of measures of consumer confidence and business satisfaction to supplement the crude input (staff numbers, expenditure) and output (inspections) data, which will be rationalised
- encouraging authorities to use the full range of tools available to assess and improve performance, including peer review, the Charter Mark and the Business Excellence Model.

Training, recruitment and development of trading standards staff

7.19 There are currently about 1,500 fully-qualified trading standards officers employed in Great Britain. Maintaining an adequate service, based on current responsibilities, realistically requires some 60 additional trainees a year, yet only 22 people registered in 1996 to study for the relevant professional qualification. The profession has responded to this by reviewing the syllabus and structure of the qualification, which should make it more relevant and more flexible.

7.20 The heavy cost of training is one reason for the recruitment shortage. The Government plans to provide funds, rising to £1.5 million annually, to assist local authorities to sponsor potential candidates through first degree courses and to subsidise the cost of post-graduate in-work study. The Government will also invest £0.5 million to improve distance learning material to assist existing unqualified staff to convert to a new diploma course.

Closer co-operation

7.21 The wide range of duties expected of trading standards services, coupled with pressure on resources, particularly in smaller authorities,

⁵ *An Introductory Guide to Performance Management in Local Authority Trading Standards and Environmental Health Enforcement Services* Cabinet Office, May 1999 (ISBN 0 7115 0381 8)

means that new methods of co-operation and collaboration have to be considered, including in some cases the pooling or sharing of services. Good communication and co-ordination between authorities is also important to guarantee consistent enforcement across the country, and thereby bring greater certainty to, and reduce burdens on, businesses.

- 7.22 A number of possibilities exist, ranging from ad hoc co-operation between authorities through contractual arrangements to formal regional groupings. Local authorities in the West Midlands (through the Crossing the Boundaries project) and in the Eastern Region are examining the scope for achieving better value in the provision of their trading standards services from increased cross-boundary co-operation. While large authorities are well placed to take part in such initiatives, smaller authorities may lack the resources to contribute effectively. The Government plans to launch a new fund of £500,000 to support projects which introduce better co-ordination between authorities, making full use of information technology. The performance measurement machinery will be used to monitor the success of such projects.
- 7.23 Many issues require close co-operation between different enforcement bodies. These include:
- the trading standards service
 - the OFT, which has its own enforcement responsibilities for consumer credit, unfair contract terms and misleading advertisements
 - HM Customs & Excise, when dealing with the import of unsafe or counterfeit goods
 - in cases of serious crime or large-scale fraud, the police, the financial services regulators or DTI inspectors
 - HSE, the Food Standards Agency and, at the local level, fire authorities and environmental health departments on safety matters.
- 7.24 The Government believes that there is much that these agencies can learn from each other. It is therefore setting up a high level Enforcement Forum to bring representatives of these bodies together every six months to consider matters of common interest, to develop consistent approaches to enforcement (subject to the different legal frameworks within which they operate), to look at ways they might be able to co-operate at working level and to exchange best practice.

consumers at the **heart** of government

Policy-making must be inclusive. This chapter describes how the Government will bring the views of consumers to the heart of its policies.

Listening to consumers

- 8.1 As consumers, people have wide and disparate interests across the vast range of goods and services they buy. Just as their needs and concerns vary at different stages in life, so their choices and experiences as purchasers of goods and services alter. This means that consumers are often ineffective at putting points across, so their interests are not always taken into account.
- 8.2 The Government funds a number of consumer organisations, such as the National Consumer Council (NCC), which has a wide-ranging brief, and specialist organisations, such as the Gas Consumers Council (GCC). It also brings in the views of consumers in other ways:
- special consumer panels, such as that advising MAFF
 - consumer representatives on general advisory panels, such as recent appointments to DTI's Competitiveness Council and the Better Regulation Task Force, and on specialist bodies such as the advisory committee on novel foods and processes
 - surveys such as the People's Panel, which gathers the views of 5,000 members of the public on issues of concern to government.
- 8.3 Private sector membership organisations, the largest of which is the Consumers' Association, also play an



A fair deal for consumers of utility services

The Government is replacing the existing consumer bodies for telecommunications and water users with independent consumer councils, and the Gas Consumers Council and the regional Electricity Consumer Committees with a single energy consumer council. The Government has also decided to examine and improve the effectiveness of the Post Office Users' National Council.

These new consumer bodies will:

- provide consumers with good quality, unbiased information and advice
- be a one-stop shop on complaints which companies have failed to resolve
- be influential consumer advocates
- be independent of the industry regulators
- set up ways to serve consumers in the regions effectively
- research consumers' concerns, and publicise their findings.

A new unit will be set up within the Consumer Affairs Directorate of the DTI to take responsibility for the councils and help promote the development of consumer policy in each sector.

Users of these services – individuals, families, groups or businesses – will find their interests better represented, and their complaints dealt with more effectively, once these changes have been implemented.

important role. Privately funded organisations often look at issues from a different point of view and bring different perspectives.

8.4 There are benefits in a number of different organisations working in the same field, where each has a particular remit and where the work of one can complement and inform the other. Yet the danger is that resources are used inefficiently:

- through duplication of effort
- through spreading resources too thinly
- by sending competing or conflicting messages.

8.5 Previous governments have tended to regard consumer bodies as lobby groups and, consequently, to be reactive and at arms-length in dealings with them. This Government's approach means working with external organisations, not against them or avoiding them. But in doing so, the Government looks to consumer organisations to:

- be forward looking and strategic
- be representative, with a clear understanding of the needs of those they speak for
- be open in their deliberations
- base their work on sound evidence.

This will help the Government to be confident that those representing consumers speak from a position of authority, and that their views are underpinned by rigorous policy analysis.

National Consumer Council

8.6 The first part of a five-yearly review of the NCC has just been completed. This has concluded that the NCC can play a key role in bringing the consumer voice more fully into the heart of government policy-making. In order to do this, the review has identified a number of areas where the NCC needs to develop and modernise its approach. This will represent a challenging new opportunity for the NCC to take on a more significant and strategic role.



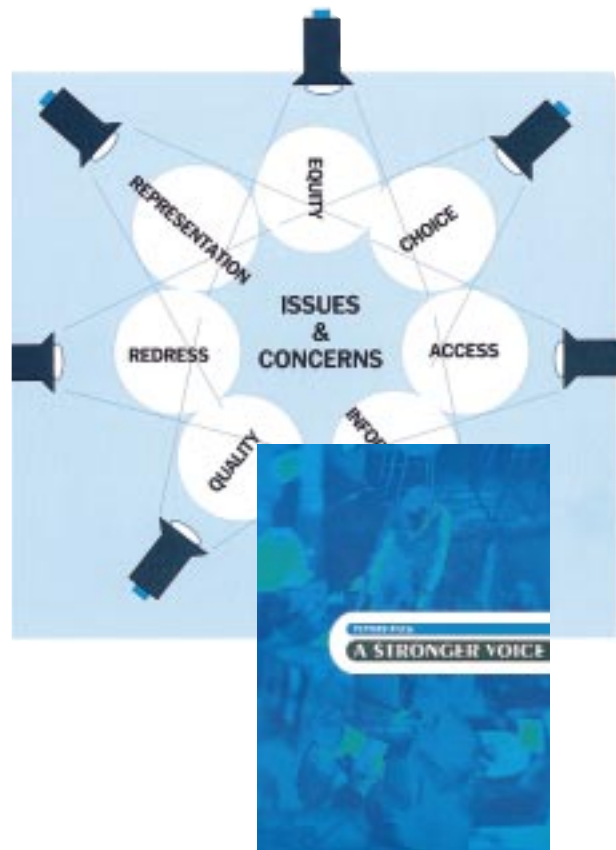
8.7 The Government welcomes the report and will work with the NCC to help it meet the challenge, building on the high reputation that the NCC already has. It is well placed to take an independent and strategic overview of consumer affairs and to ensure the consumer voice is heard on major issues. The Government will help the NCC relaunch as a dynamic and more effective force in UK consumer affairs to achieve these objectives.

Representing the consumer interest

- 8.8 Consumers need representatives who properly reflect the real concerns of consumers. The Government will help ensure that consumer representatives become:
- adequately trained in representational skills
 - well informed, with access to sound research
 - able to take a balanced view.
- 8.9 The Scottish Consumer Council, DTI and other groups have produced a training guide for consumer representatives. The Government will fund a new post at the NCC, for a year, to promote the training of at least 5,000 representatives, based on the guide.

Involvement in the development of policy

- 8.10 The Government will ensure that those consumer organisations which are effective representatives are more closely involved than hitherto in the development of consumer policy. The Government has started this process by involving consumer organisations, and others, in the preparation of this White Paper. For the future, the Government will set up an



Consumer Protection in the Amsterdam Treaty

The Government welcomes the new provisions in the Amsterdam Treaty that place consumers at the heart of policy-making in Europe. The Treaty commits the Community to:

- promoting the interests of consumers, particularly in economic, health and safety issues, and ensuring a high level of protection
- promoting the consumer voice and the rights of consumers to information and education
- taking into account consumer protection requirements when developing other policies and activities, particularly the completion of the Single Market
- taking measures to support the policies of Member States.

Advisory Committee on consumer issues. This will bring together consumer, business and enforcement interests to provide independent advice to Ministers. The Committee will recommend areas for action by government, business and consumer groups.

- 8.11 The Advisory Committee will have a key role in ensuring that good quality research is undertaken to help Ministers select key priorities and to inform policy development. In particular, it will ensure that research is sharply focused on key issues. It will also help different organisations share research work and avoid duplication. The Government will set aside an additional budget of £500,000 for this research, a further sign of its commitment to inclusive and evidence-based policy-making.

A stronger Office of Fair Trading

- 8.12 This White Paper proposes major changes to the way OFT enforces consumer protection, including:
- a significant new role for OFT in approving and marketing its approval of codes of practice
 - changes in the way that the OFT currently administers the provisions of the Consumer Credit Act

- powers that were previously enforced only by the OFT will be given jointly to other bodies.

- 8.13 The OFT regularly looks at its consumer affairs functions to make sure that they are effective in facing the challenges of the day. It is currently consulting on ways in which its procedures can be made more transparent. It is, however, time for a fundamental review of the OFT's consumer affairs functions to ensure it can rise to these challenges. The Director General of Fair Trading will lead this review, involving consumer and business representatives as well as government departments. It will cover:

- consumer affairs objectives and powers, including on consumer education
- resources
- liaison and co-ordination with other government departments
- liaison and co-ordination with other enforcement agencies.

The Government's strong commitment to tackling consumer issues gives the OFT an opportunity to strengthen its role.

joining it all up

The Modernising Government White Paper set out the Government's plans for joined-up and strategic policy making. This chapter considers how policy on consumer issues should be better integrated regardless of the organisational structure of government. It also considers how the strategy and commitments made in this White Paper will be pursued.

A strategy underpinning consumer issues across government

- 9.1 The importance of government departments working well together is particularly relevant to consumer issues, where policy responsibilities are spread across a wide range of departments. This is true not only of the provision of public services, but also for privately provided goods and services, for example:
- the Treasury has responsibility for Financial Services
 - MAFF for food supply, MAFF and Health for food safety (food safety responsibility will transfer to Food Standards Agency)
 - Health for medicines
 - DETR for building and construction, as well as water, environmental technologies, housing and transport industries
 - DCMS for tourism and leisure services
 - HSE for health and safety risks from business activity.
- 9.2 This White Paper sets out a clear vision and set of principles for the development of consumer policy. All government departments have signed up to this approach. In future the same approach and principles will apply, whichever department has policy responsibility. As a result we will see:
- focus on the issues which really matter to consumers
 - a forward-looking approach, identifying problems at an early stage
 - greater consistency in analysis and the development of solutions
 - more cohesion between regulatory and enforcement organisations.
- 9.3 A Ministerial Group has been formed to work on consumer issues cutting across government. As well as considering current issues, the Group will focus on identifying future consumer concerns. This proactive, forward-looking approach means that policy will be developed in good time for change and will allow consumers and business sufficient time to prepare for new approaches. After publication of this White Paper, the Ministerial Group will begin by working on joined-up enforcement and effective consumer representation across government. Ministers will consider:

- how to make enforcement of consumer protection more effective, both for consumers and in terms of reducing burdens on business (for example the group will consider how to simplify legislation on age limits)

Working together for consumers

- social exclusion: cross-departmental teams, with external experts, are looking at financial services and retailing in deprived neighbourhoods
- DETR, DTI and the Lord Chancellor's Department are jointly working on proposals to speed up the home-buying process and reduce uncertainty for buyers and sellers. Providing buyers with better information when they view a property will allow them to decide whether to make an offer from an informed position
- the Home Office, DTI, OFT and the Office of the Data Protection Registrar are clarifying the rights of consumers with respect to credit reference agencies
- DTI, Health, DETR, Home Office, DfEE and HSE are all working together to meet the challenging targets of reducing accidents, many of which are related to products and services for consumers. In the White Paper *Saving Lives: Our Healthier Nation*¹, accidents are identified as one of the key areas for health improvement
- DTI's National Weights and Measures Laboratory and LACOTS are establishing a joint working party to improve the delivery of technical services which guarantee consumer confidence in the measurement of goods.

- where consumer groups could make a more effective contribution in their policy areas, identifying ways to improve representation and commissioning further work.

- 9.4 The Ministerial Group will complement the work of the Access Business group, whose membership is drawn from Ministers, local government and business. Access Business seeks to improve the delivery of regulation across the board.
- 9.5 Departments are also working together on introducing consumer satisfaction targets across publicly provided services. Public Service Agreements, for the first time, set out in detail what people can expect from public services, and also set out firm targets for improving services over the next three years, shifting the focus from inputs to outputs that matter.
- 9.6 Older people are among the major users of public services. But they often suffer from a lack of integration in our services, and a failure to respond to their particular needs. The Better Government for Older People initiative aims to improve public services for older people by better meeting their needs, listening to their views and encouraging and recognising their contribution.
- 9.7 The Cabinet Office is sponsoring a number of other initiatives across government which focus on consumer issues and the needs or problems of particular groups. For example, the Charter Mark Award scheme includes

¹ *Saving Lives: Our Healthier Nation* Cm 4386, Department of Health, July 1999.



London Borough of Croydon – Environmental Health & Trading Standards

Third-Time Winner of Charter Mark Award.

This department involves customers in decision-making, routinely consulting them through surveys and focus groups. It has introduced a range of innovative services such as a home safety service targeted at areas of social deprivation, and, in partnership with business, a local builders' charter to raise standards. It has dealt with increasing numbers of people while reducing budgets in real terms through the use of IT, flexible working, contracting out and increasing income. Altogether it aims to provide Best Value for local people and businesses.

recognition of work undertaken in the public sector to solicit customer views, analyse them and incorporate suggestions into the management process.

Looking ahead

- 9.8 Through this White Paper, the Government has set up a process which will provide a solid basis for the development of consumer policy in the future. Through in-depth research of consumers' needs, and a joined-up approach both within and outside government, it establishes a framework to ensure that new issues are identified properly, researched and acted upon.
- 9.9 The Government will be monitoring performance against the commitments and targets set out in this White Paper. Information on progress will be published including the success of the pilot schemes.
- 9.10 You can make your views heard by responding to this White Paper. Please send your views in writing to:

Stephen Haddrill
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Department of Trade & Industry
1 Victoria Street
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or by e-mail to white.paper@cacp.dti.gov.uk
to arrive by 29 October 1999.

Telephone enquiries 0171 215 6458

This White Paper is available on the Internet at
<http://www.dti.gov.uk/consumer/whitepaper>