

- 2.4. A mystery shopping exercise conducted by Which?⁷ in late 2014 raised concerns that customers are sometimes misled about their rights when goods are faulty. The research focused on a number of national electrical goods retailers. Specifically, Which? claimed that many mystery shoppers were told that once a product is out of the manufacturer's own warranty, any repair would be chargeable.
- 2.5. Apart from the significant inconvenience experienced by the consumer, especially where the product in question is viewed as an essential good, there is also scope for consumers to suffer financial detriment. This could include instances where consumers prematurely purchase a replacement product due to delays / frustration in obtaining the correct redress or pay for a remedy that they are already entitled to. Alternatively if the consumer has a separate payment contract for the goods, for example a mobile phone, they may continue to pay for a service even though it is impossible to access that service.
- 2.6. We want consumers and retailers to be aware of their rights and responsibilities. Seeking redress shouldn't be confusing.

Scam Calls

The issue:

- 2.7. Scam calls are a large problem in the UK and often target the most vulnerable people in our community. We want to reduce the number of people being affected by telephone scams.
- 2.8. Scam calls offering lucrative returns on investments including fine wine and precious jewels are designed to dupe consumer into parting with large sums of cash. Citizens Advice estimates the average loss per affected consumer to be £1461. Elderly victims may be more susceptible to scam calls due to feeling of loneliness and isolation. Aside from financial losses, a high number of scam (and nuisance) calls can increase the risks of trips and falls caused by a rush to the phone, and health problems such as anxiety. Scam calls increasingly associated with doorstep crime following the initial telephone call to the consumer. As with mass marketing scams, in extreme cases victims may cut themselves off from their families as a result of constant scam calls.
- 2.9. The impact of a vulnerable elderly victim being scammed will place heavy costs on the public purse in the long term, including premature entry into full residential care and long term health problems.

⁷ <http://www.telegraph.co.uk/finance/personalfinance/money-saving-tips/11296784/Shops-accused-of-denying-six-year-warranty-right.html>

CASE STUDY

A client of the Citizens Advice Consumer Service recently received an unsolicited telephone call from a “dispatch team” regarding a personal injury claim the client had made. The caller stated that the client had been awarded over £3000 and that they would be delivering a cheque to the client, asking when would be good to do this. The caller then asked for £317 pounds in advance in the form of an Ukash voucher, at which point the client became suspicious about the call and hung up.

Had the client accepted and paid they would have lost this money and likely ended up on a “suckers list” to be targeted by more scams.

- 2.10. It is currently difficult to collate accurate figures regarding the volume of scams reported relating to scam calls. Different stakeholders use differing terminology and definitions of scams – for example nuisance and scam calls are often categorised together, while other stakeholders do not breakdown “scams” into further categories. However the Citizens Advice Consumer Service dealt with 1500 cases per quarter about scams, while local Citizens Advice dealt with 350 issues concerning scams in Q1 2015/16. Meanwhile, a recent National Trading Standards intelligence report showed that of 4304 intelligence logs, 795 were about telephone scams. Finally, the Financial Conduct Authority deals with around 1000 scam cases per month. These volumes, coupled with the above average level of detriment, suggest that scam calls are responsible for a great deal of consumer harm.

Digital Markets

The Issue

- 2.11. Consumers increasingly use the internet to compare products and purchase goods and services, and they also increasingly provide personal data online. Evidence suggests that consumers also appear to be more trusting when shopping online than when shopping in the high street.
- 2.12. Digital markets have brought considerable benefits for consumers in terms of increased choice, lower costs and more innovation. However, the continued rapid expansion of the internet and increased engagement between consumers and businesses online also raises risks and creates vulnerabilities. Some risks have materialised and others are emerging, as activity in the online and digital environment evolves.

CASE STUDY

A client saw a site on a major social media platform offering free samples of make up with only shipping costs to pay.

They paid for this using a debit card. The sample cosmetics arrived in an envelope (from Cyprus)

One month later the client noticed an unexpected withdrawal from their bank account of £93. The client's bank put a stop on their account and the client sent a letter to the owner of the social media advert instructing them to stop debiting the client's account and to stop any more deliveries and stop any more samples. They had no reply to this letter.

The client found comments from other affected consumer on social media that other complaining customers were told by the company that they are merely a forwarding company, that they don't handle any goods, don't handle any payments or monies and they suggested that discontented customers should revert to the site that they originally placed the order with. The client then contacted her local Trading Standards who responded that they don't have the resources to investigate the matter and referred them to the Citizens Advice Consumer Service.

- 2.13. The UK leads the way with 13.5% of our retailing being undertaken online (vs 11% in the US and 9.7% in Germany, with a European average of 7.2%). The average UK household will spend over £2,000 online this year, reflecting a growth in online sales of over 13%. In 2012, for the first time, more than £1bn was spent on downloaded films, music and games in the UK.⁸ Meanwhile, streaming and storage industries have continued to grow in recent years.
- 2.14. By way of example of the issues encountered by consumer online, between 1st April 2014 and 30th June 2015, the Citizens Advice Consumer Service recorded 7756 cases mentioning/ involving digital markets on social media platforms including 43 where the platform was the trader, 1247 cases regarding online games, 357 cases regarding video and music streaming services, 261 cases regarding online bidding services, and 28 cases regarding cloud storage. Citizens Advice estimates the average loss per affected consumer to be £253.
- 2.15. The Consumer Protection Cooperation (CPC) network within the EU has identified social media as a common activity area, based on intelligence and concerns identified by each member state. This work will be facilitated by the Commission

⁸ <http://www.bbc.co.uk/news/uk-20885506>

and will involve those member states who wish to be involved working collaboratively to achieve outcomes within each member state in line with an agreed common position. The CPC has yet to define the exact focus of this project, but the two areas most likely to be covered by this programme of work are: unfair terms in consumer contracts with social media platforms; and an action framework for agreeing protocols for social media platforms to remove illegal content.

- 2.16. A key issue related to digital markets is parcel delivery. Following roundtables hosted by the Minister of State for the Department for Business, Innovation and Skills in 2015-16, the Consumer Council for Northern Ireland and Citizens Advice Scotland are working on issues regarding deliveries to more remote areas of the UK. This includes highlighting the legal obligations to eRetailers to ensure greater levels of compliance.

Ticketing Scams and Resales

The Issue

- 2.17. Consumers are often willing to pay substantial amounts of money in order to see their favourite bands play, watch the sports team they support, or attend a “once in a lifetime” international event or competition. It is important that consumers have trust in the secondary market, but unfortunately things can and sometimes do go wrong – with the average loss estimated at £343 by Citizens Advice.
- 2.18. Between April 2014 and July 2015 the Citizens Advice Consumer Service received 1669 complaints about various aspects of the ticketing industry and sales. From this, the CPP has identified two issues of concern:
- The selling of fake or non-existent tickets for events by both individual sellers and companies.
 - The harvesting of tickets on a large scale by people to place on secondary ticketing platforms for resale to consumers at inflated prices due to high demand. This skews the primary tickets market, driving up prices and restricts access to the primary market for the average consumer.

CASE STUDY

A client of the Citizens Advice Consumer Service wanted to buy some tickets for the Rugby World Cup in 2015. They found a website which offered to sell tickets. The client spent £3,288 pounds on tickets for the matches they wanted. The tickets never turned up.

After struggling to contact the company by phone and email the client was eventually promised a refund. This was never paid and the company landline, website and email address and were taken offline shortly afterwards.

- 2.19. National Trading Standards has already taken some action in this area following the sale of counterfeit and duplicate tickets being identified as a national enforcement issue. This resulted in targeted enforcement action at a major UK entertainment venue.
- 2.20. The Consumer Council for Northern Ireland has also published a factsheet for consumers to highlight their rights when buying tickets and how to avoid becoming a victim of fraud. The factsheet is available: [here](#)
- 2.21. Alongside CPP concerns, the Government has announced a Secondary Ticketing Review Chaired by Professor Michael Waterson, focusing on the secondary ticket market for re-sale of tickets for UK sporting, entertainment and cultural events.
- 2.22. The Review is analysing evidence from the current UK market and elsewhere of the effectiveness of consumer protection measures in the online ticketing marketplace. The Review will also consider how well the consumer is being protected by existing legislation, including the Consumer Rights Act 2015, by voluntary measures, or by the actions of interested parties such as credit card issuers. It also seeks to understand how the interaction with the primary market affects the availability, pricing and fair trading of valid tickets. The Review will report on 26th May 2016.

Next Steps

- 2.23. The CPP will consider how it can best tackle the above areas of concern, and take action to protect consumers. This might be through an individual Partner taking action or collaborative work involving those best placed to make a difference inside and outside the Partnership.
- 2.24. The CPPs next Report, due in April 2017 will highlight progress in tackling these issues alongside any new areas of concern which emerge over 2016/17.

Annex A – Background to the CPP’s Creation - The Consumer Landscape Review

This section of the report explains the background to the Government’s Consumer Landscape reforms and the creation of the Consumer Protection Partnership to provide a holistic, coordinated approach to some of the issues causing the most harm to consumers.

National Audit Office and Public Accounts Committee Reports on Protecting Consumers

In June 2011 the National Audit Office published a report on “Protecting Consumers – the system for enforcing consumer law” which estimated that consumers suffer detriment of at least £6.6 billion every year. It also identified a lack of clear lines of responsibility for tackling detriment, and that the system for enforcing consumer law was not delivering value for money. The report criticised how the architecture in place was not effectively bringing together what was a fragmented delivery landscape.

Further concerns were highlighted by the Public Accounts Committee, who in November 2011 noted:

“Accountability arrangements for protecting consumers are incoherent and fragmented..... In designing a new system the Department must clearly spell out the obligations and responsibilities of all the organisations involved, ensuring that there is clear accountability and funding for regional and national issues”.⁹

Consumer Landscape Reforms

In 2012 the Government announced reforms to the way in which consumers are represented and protected. The reforms implemented included:

- Citizens Advice and Citizens Advice Scotland became responsible for consumer-facing education from April 2013, and consumer advocacy from April 2014. As part of the reforms the then Office of Fair Trading’s Consumer Direct telephone advice line Consumer Direct was transferred to the Citizens Advice Service in 2012, becoming the Citizens Advice Consumer Service.
- The Chartered Trading Standards Institute (CTSI) launched their successor to the OFT’s Consumer Code Approval Scheme in June 2013.
- CTSI became responsible for most business-facing education from April 2013.

⁹ Public Accounts Committee [“Protection Consumers – The System for Enforcing Consumer Law”](#). P5

- National Trading Standards (NTS) was created in April 2012, taking administrative responsibility for prioritising national and cross-local authority boundary enforcement.
- The Convention of Scottish Local Authorities (COSLA) set up Trading Standards Scotland, to prioritise and coordinate national and cross-local boundary enforcement in Scotland.
- The creation of the Competition and Markets Authority (CMA) in April 2014. The CMA is responsible for promoting effective competition in markets across the UK economy and has a crucial and complementary consumer protection role. It is the UK's single competition authority with a duty to seek to promote competition for the benefit of consumers.

To ensure coherent delivery of the reforms, the Government put in place an overarching **Consumer Protection Partnership (CPP)**. The CPP is made up of the National Trading Standards Board, Trading Standards Scotland, the Citizens Advice Service, the Department for Enterprise, Trade and Investment Northern Ireland, the Competition and Markets Authority, the Financial Conduct Authority, the Chartered Trading Standards Institute, and the Consumer Council for Northern Ireland. Partners work together to share intelligence, identify future issues that could adversely affect consumers and agree priorities for enforcement, information and education.

Annex B - CPP definition of “Consumer Detriment”

An important role for the CPP is to develop and present a national picture about the current level of consumer detriment – its extent, causes and the ways in which it is being tackled. It also seeks to highlight new areas where consumer detriment may arise. Before this could be achieved, the CPP agreed a common definition of “consumer detriment” to ensure clarity and consistency in collaborative work.

The CPP has defined ‘detriment’ as:

“A commercial practice or behaviour of a business or trader resulting in harm (loss of welfare) caused to individuals”.

Possible causes of detriment include problems with traders, consumers’ inability to exercise choice - for example because of the complexity of products and services - and failure of markets.

Detriment may have an immediate impact – such as financial loss, wasted time and effort in remedying a problem and psychological effects – and longer term impacts such as consumers’ ability to maintain a standard of living or pay for essentials, loss of confidence in purchasing goods/services in particular markets or exclusion from markets, and negative impact on health and well-being.

The CPP’s work to understand areas where detriment is causing the most harm to consumers, and then address them through targeted work is explained in the following sections – beginning with progress against the Partnership’s Priorities for 2013/14.

Annex C – Citizens Advice Service recommendations on Subscription Traps

To help alleviate the detriment caused by subscription traps we have made seven recommendations:

1. Companies or websites that receive complaints from their customers in relation to associated subscription trap pop-ups should consider placing notifications or banners on their websites warning of malicious adverts and distancing their brand from the subscription traps.
2. EU and UK law should require any terms and conditions to have the most important information clearly summarised on the first page. This should include any obligation on the consumer to pay something to the trader, describe the length of any subscription that is being agreed to and explain clearly how to cancel such arrangements.
3. Companies offering trial periods for subscription products or services should remind consumers that they will enter into a binding contract at the end of the trial period. This should be done several days before the end of the trial and should make the cost of the subscription clear.
4. Banks and card issuers should provide training for their front line staff on cancelling CPAs and then mystery shop them and ensure correct procedure is being followed. Organisations such as the FCA, the British Bankers' Association (BBA) and the UK Cards Association should reinforce this message.
5. All banks, card issuers and the Financial Ombudsman Service should consider whether the terms and conditions offered by companies comply with the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 and the Consumer Protection from Unfair Trading Practices 2008 when handling consumer complaints relating to disputed subscription payments.
6. The FCA should produce specific guidance for banks and card issuers on how to deal with disputed recurring payments. This should outline the circumstances in which consumers are entitled to a full refund and could be included in the FCA Banking Conduct of Business Sourcebook (BCOBS).
7. Payment service providers should consider notifying consumers when they first become aware that a CPA has been set up. This would be for information only and would allow the consumer to take action if they disputed the payment/authorisation.



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