

4 February 2010

Diana MacDowall
Strategy and Planning
Office of Fair Trading
By email: diana.macdowall@oft.gsi.gov.uk

Dear Ms MacDowall,

Office of Fair Trading Annual Plan 2010-11

Thank you for the opportunity to comment on the Office of Fair Trading's (OFT) draft annual plan 2010-11. Consumer Focus is the statutory organisation campaigning for a fair deal for consumers in England, Wales, Scotland, and, for postal services, in Northern Ireland. We are the voice of the consumer, and work to secure a fair deal on their behalf.

The plan is high level, giving a broad flavour of priorities for the next year, rather than a list of specific projects or initiatives. This approach is sensible and reflects the need for flexibility in light of possible changes in the political and economic environment over the coming year. We support the broad thrust of the work programme. We agree with the focus on high impact outcomes, being a centre of excellence, working in partnership with other organisations and developing internally.

We note that your resources have been reduced in real terms over the 2008-2011 Comprehensive Spending Review period. We hope you are successful in arguing the case for more resources in the forthcoming period. Consumer Direct, in particular, is a much-valued consumer service providing impartial advice and helping to resolve problems. We hope that you can continue to provide the same level of service with the new contract.

Your work on improving the functioning of markets and reducing consumer detriment has been helpful to consumers. We were particularly impressed with your work on bid-rigging in the construction industry; this will reduce costs to council tax-payers, and rents to tenants and leaseholders living in properties where local authorities and arms-length management organisations own the freehold. We were disappointed that you decided not to take forward your work on unarranged overdraft charges following the ruling by the Supreme Court in December. These charges are very detrimental to consumers, especially indebted vulnerable consumers. Going forward we feel it important to rebuild consumer confidence in the banking sector. This will require a move to a more sustainable financing model and a culture change in retail banking. This would mean more attention is paid to the provision of good-value banking, rather than the account being used as a platform for sales of financial services. We would like to discuss your plans for further work in this market.

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We are also keen to improve the co-ordination of consumer education over the next year. The Consumer Advocate will have a key role and, without wishing to prejudge his or her role, might be interested in looking at the Consumer education delivery landscape and identifying gaps or overlaps of provision. A broad range of voluntary and public organisations are already involved in consumer education ranging from the OFT, Financial Services Authority (FSA) and Direct.gov to Citizens Advice and the new Consumer Financial Education Body. As you are responsible for Consumer Direct, and the provision of educational materials, we are keen to work with you over the next year to ensure a coherent approach to the subject.

Regarding the re-tendering of the contract to operate the Consumer Direct service, we hope that you will provide organisations with a legitimate interest, like Consumer Focus, timely and easier access to the data on the number and subject of complaints for different markets. This issue is of key importance to us now that the Complaints of General Interest team is up and running and will become even more pressing once the Consumer Advocate is in post. We made you aware of our concerns on this issue last month and are looking for a speedy resolution.

We are planning to make one, or more, super complaints over the period and we look forward to working with you to help ensure resolution of the problem we identify.

Specific priorities in your work plan

Online consumer protection: This is an important area of focus given the growing number of complaints received by Consumer Direct arising from online transactions. Online consumers are often unclear about their legal rights for physical goods bought over the internet or other platforms (like online auctions and mobile phones). Issues include: how should they return or repair the product, what if the product delivered differs from what they ordered. There are also issues from intangible purchases such as computer software, music and e-books. We hope that OFT will work with BIS on the forthcoming White Paper that seeks to streamline and update consumer law to adapt it to the internet and cover services and digital products. We suggest that OFT's annual Know-Your-Rights campaign might also be used to raise awareness of online consumer protection issues.

Financial services: The latest data from the Consumer Focus Consumer Conditions Survey suggest that there are high levels of detriment in financial service markets, eg personal private pensions and retail banking. It is important that consumer confidence is restored. We hope that OFT will work with FSA to try and resolve some of the underlying issues that contribute to consumers' dissatisfaction, including overly complex products, unclear charging practices and lack of transparency in charging policy. We are also keen to ensure that vulnerable customers have access to basic financial products.

Consumer redress: we support the initiative to pilot compensation schemes you plan to undertake with local trading standards offices and working with BIS. Given the devolved nature of local authorities in Scotland and their different funding arrangements, it will be important to consider how such schemes might operate in Scotland. We therefore hope the pilots will be run throughout the UK to test how they operate within the devolved jurisdictions.

As the consultation paper notes, the OFT, through its office in Edinburgh, continues to build relationships with major stakeholders across the devolved administrations. In relation to this, we would like to draw attention to the very positive working relationship Consumer Focus Scotland has with the OFT's office in Scotland. We are actively engaged with the OFT representative in Scotland on a number of issues, including the legal services market in Scotland, the market study on home buying and selling, and our work on property managers. The OFT's representative in Scotland keeps us well informed about the OFT's activities and ensures that we are consulted on its work where appropriate. We see real benefits arising from having a separate office in Scotland. This allows us to work closely with staff who have an in-depth knowledge of the devolved context and the different way markets can operate in Scotland. We believe this will improve outcomes for consumers in Scotland. We would also welcome a presence in Wales; Ofgem's model might prove instructive.

Over the plan period there is the possibility of changes in the organisational landscape particularly in the context of tighter public spending. We see ever more need to maximise the effectiveness of public spending on competition and consumer issues. We hope to work with you through the effective implementation of this work plan in the coming months.

Yours faithfully,

Prashant Vaze
Chief Economist