

Mark Dungworth
Strategy and Planning
Office of Fair Trading
sent by email

4 February 2009

Dear Mark,

Consumer Focus welcomes the opportunity to comment on the Office of Fair Trading's draft annual plan for 2009-10.

We agree that the changing circumstances in the UK and international economies mean that flexibility is a key requirement for the OFT in the year ahead. Therefore, we consider it sensible for the OFT not to have produced a detailed list of likely initiatives in this document, which might have constrained its freedom to adjust priorities.

Business has greater temptation to cut corners during an economic downturn, which places an important responsibility on the OFT to exercise vigilance across markets, and particularly in sectors, such as sub-prime credit, which flourish in this environment. Further, some markets have consistently appeared in the 'top ten' complaint volumes recorded by Consumer Direct and trading standards returns. Given the apparent failure of industry or government initiatives to tackle effectively consumer detriment in these markets, we encourage the OFT to target these sectors and identify new approaches.

In October 2008, we wrote to the OFT calling for a full market study to examine competition in the UK mortgage market following the proposed merger of Lloyds TSB and HBOS. Although we supported the merger of HBOS and Lloyds TSB in the public interest, we remain of the view that it is important for the OFT to rigorously evaluate the potential impact on competition and choice. Further, in terms of bank branches, we believe that there is a risk of lessening of competition in relation to local access through the branch network. We believe the OFT is well placed to pull together a national map of branch overlap and local competition (or rather where there is an absence of local competition), in order to assess this risk.

Consolidation is not confined to financial services businesses, however, but is happening across a range of economic sectors. It is important the OFT takes an active

surveillance approach across the economy to ensure that incumbents do not unfairly exploit this situation to their advantage.

The document says the OFT is considering whether it should apply to have access to new sanctions made available under the Regulatory Enforcement and Sanctions Act 2008. We encourage the OFT to seek these powers where they would bolster its existing toolkit. In particular, the OFT should actively consider seeking powers to make restoration notices, which would require companies to compensate consumers directly for the financial harm they have suffered as a result of breaches of legal requirements.

We note the OFT will operate under a reduced budget during the CSR07 period. Consumer Direct provides a much-valued service for consumers, perhaps even more so during a recession as people can least afford to suffer the consequences of illegal business behaviour. We therefore look for assurance that Consumer Direct - whose funding is no longer ring-fenced - will continue to be adequately resourced.

Finally, Consumer Focus will publish shortly a report that assesses six regulators against a series of indicators, which together form the essential building blocks of a consumer-focused regulator. Our assessment framework is applicable across a wide range of regulatory environments, so we encourage the OFT as part of its performance management framework to audit itself against our indicators and publish the results.

Consumer Focus values greatly the productive working relationship we have with the OFT. My colleagues at Consumer Focus Scotland particularly wanted to highlight their appreciation for the level of engagement they have experienced over the past year with the OFT, including its market study on property managers, work on the Scottish legal services market and the housing market. The OFT's representative in Scotland has continued to keep Consumer Focus Scotland well informed on the OFT's activities and plans, and has ensured that it has been consulted when appropriate. The OFT's increasing focus on Scotland is very welcome and we look forward to this continuing.

We look forward to working collaboratively with you to secure the effective implementation of this work plan in the coming months.

Yours sincerely



Steve Brooker

Head of Fair Markets