

Consumer Focus Board

Paper 4

Title: Empowering vulnerable consumers – action plan

Date of meeting: 25 January 2012

Author: Jonathan Stearn

Attachments: Draft Report: Empowering Consumers in vulnerable positions

1 Overview

- 1.1 Consumer Focus and Citizens Advice and Citizens Advice Scotland were asked to ‘Consider and advise on how they, local and central Government and other organisations could help empower the very vulnerable as consumers.’ (Better Choices: Better Deals Consumers Powering Growth, BIS/Cabinet Office, 2011)
- 1.2 Consumer Focus has produced a report and proposed plan of action. The report – and research that supports it - suggests that vulnerability can be long-term in effect or it can be a dynamic state which affects some consumers at different periods of time. But it can also be caused by external factors such as the policies and practices of different markets, services and provider organisations.
- 1.3 We undertook research into essential transactions, arranged a series of roundtable discussions with organisations, particularly those in the voluntary and community sector and ran a series of focus groups¹. One of the clear messages that came through was that people’s circumstances change and anybody can become vulnerable at any time for example through job loss or bereavement.
- 1.4 It was apparent that our focus should go beyond individuals and individual solutions and address the policies and practices of service and product suppliers. People ‘choose’ more expensive energy, loans or purchase deals because it is the only real option available for them. People in debt need the support of advice agencies because they are poorly treated by the companies they owe money to. Understanding the interaction of these factors is critical in finding practical solutions.

2 Action for the Board

- 2.1 Citizens Advice has not yet been able to respond to this full draft of the Action Plan.
- 2.2 Consequently we are asking Board to note the actions set out in sections **four** and to establish how to agree the final Plan once the response from Citizens Advice is included.

3 The key issues

- 3.1 The BIS report *Better Choices: Better Deals* details changes in consumer empowerment that would not have been possible a decade ago. New technologies have allowed consumers to find and compare goods and services as well as campaign to change corporate policies. *Better Choices: Better Deals* suggests the future holds the potential for consumers to use, for their benefit, the data that companies keep on them as well as unite together to collaborate to get better deals.

- 3.2 But that is not every consumer's experience. Many people are not empowered in the market place. They can't choose or access essential products and services suitable for their needs or cannot do so without disproportionate effort/cost/time.
- 3.3 A lack of internet access, fear of bank charges and a need to keep control of budgets deter millions of households from getting the cheapest deals. In addition, buying major purchases with expensive credit options and paying more for other vitals like insurance means this annual 'poverty premium' can, according to Save the Children, amount to over £1,280 for a typical low-income family.ⁱⁱ
- 3.4 The round table discussion with other organisations helped us prioritise the issues we looked at. Our first step has been to focus on transactions that were cross cutting – like communications and banking - and services like utilities that involve contractual relationships with private companies.
- 3.5 The Action Plan takes account of personal circumstances and people's decision making options as well as emphasising how the removal of company and organisational barriers could empower people and prevent people being forced into vulnerable positions.
- 3.6 Given the complexity, importance and the scope of issues alongside the many and diverse ways in which consumers experience vulnerability, this report is an initial Action Plan that provides a direction for further work to be taken on by government, firms, regulators and others. It does not pretend to be a definitive set of actions, nor to have addressed specific changes in key markets.

4 Proposal

A. Empowering tools

We recommend that Consumer Focus and Citizens Advice look at the potential for providing relevant market information to empower consumers in vulnerable positions and explore how new technology can reduce the risk of vulnerability.

The growth of the internet and social media has enabled millions of consumers to draw on other people's experience, on a peer to peer basis, to make better choices. It will continue to grow as a primary means of consumer empowerment. We recommend that Consumer Focus, Citizens Advice and Trading Standards explore how this can work in the context of more vulnerable consumers:

- Develop and promote a '*What's best for me*' database that pulls together information – collected from consumers and the third sector – on actions they have taken, innovative ideas and good and bad practice by companies. The use of this information from trusted organisations – Citizens Advice, Trading Standards and Consumer Focus - has the potential to empower consumers in vulnerable positions and put them on the same footing as other consumers. It also can be presented to companies to develop and change their behaviour.
- Explore the potential of mobile phones as empowerment media – through opportunities such as mobile phone banking and voice reading of documents
- Look at the opportunities for consumers in vulnerable positions to:
 - use the 'midata' initiative and a 'data dialogue' for consumers to have their wishes recognised - for example not to be offered credit cards

- be protected from irresponsible sales by developing socially responsible use of personal data by companies
- develop the potential of data matching to provide better access to services such as free insulation or discounted energy tariffs.
- Ensuring the roll out of smart metering by utility companies is beneficial to consumers in vulnerable positions by:
 - empowering consumers by providing information on energy and water use
 - opening pre payment to a competitive market
 - providing the opportunity to get bespoke support when meters are installed.
 - Ensuring that technologies – both new and existing - are accessible.

To take these related projects forward Consumer Focus, Citizens Advice and Trading Standards will engage with utility, financial and mobile phone industries as well as forward thinking, technically minded, creative entrepreneurs.

B. Company behaviour

In looking at essential transactions the poor quality of service was a constant issue. Our second group of actions involves nudging companies to change their behaviour. We suggest behaviour change could be driven by encouraging the take up of BS 18477 and using the forthcoming Consumer Bill of Rights to reinforce consumer rights and company responsibilities.

Companies to adopt BSI standard BS 18477

- BSI standard BS 18477 encourages companies to identify and respond to consumer vulnerability. It specifies procedures for ensuring that services are available and accessible to all consumers equally, regardless of their personal circumstances. We recommend that the adoption of BS 18477 becomes a feature of government procurement and BIS runs a campaign to encourage the adoption of the standard, possibly through a ‘road show’ involving government ministers to meet chief executives from companies and drive uptake of the standard.

Consumer Bill of Rights

- The government proposes to introduce a Consumer Bill of Rights to consolidate, clarify and strengthen the consumer laws. Consumer Focus strongly recommends that the consultation on the bill – which is expected in spring 2012 – includes proposals to improve the rights of consumers in vulnerable positions. It should include recognition that ‘vulnerability’ cannot be simply applied to fixed groups of consumers as is currently the case in various pieces of consumer protection and market legislation.

C. The poverty premium

A key cross cutting transaction issue is the poverty premium. It is difficult to see how people - particularly those on low incomes - can acquire power in the market place if they cannot avoid paying premiums for essential services – for example can’t get the best energy deal because they can’t get online/use direct debit etc.

- We recommend that BIS and the Cabinet Office lead a cross department strategy to address the poverty premium. We recommend that where different charging policies are found not to be justified, the appropriate government department or regulator should take action. Where there is an accountable justification for the premium,

because it is found to be truly cost reflective, government is to work with companies, regulators and consumer bodies to find ways of ending the premium.

The third sector and social enterprise

Often in the middle, between the company and the consumer, is the third sector. Time after time we have found the voluntary and community sector and the social enterprises getting involved in the market because it recognised that consumers in a vulnerable position were not being well served.

- We recommend that Consumer Focus and NCVO probe the way the third sector has been able to empower consumers in vulnerable positions. We will explore what business and the voluntary and community sector can learn from each other. This will look at the traditional role of providing advice, support and advocacy to see how:
 - it allows individuals to build confidence and empower individuals to be self-reliant
 - identify where there is a need for third party intervention/advocacy
 - see how the third sector and the social economy can empower vulnerable people - for example housing associations offering debt advice and access to credit etc
 - investigate how peer support could be developed to empower consumers in vulnerable positions
 - learn from local partnerships to create comprehensive sign-posting services across local areas

But it would also see how organisations in the social economy:

- benefit consumers by directly providing the goods and services they need
- use the provision of goods and services to raise funds for the third sector
- change the market place and, the behaviour of companies.

ⁱ A total of five focus groups were carried out between 24 August and 3 October 2011 for Consumer Focus by Vanilla Research.

- A group of 'empowered' consumers in London
- A group of deaf/blind consumers in Salford (kindly co-ordinated for us by the Community Pride Unit, Church Action on Poverty, in Manchester)
- A group of clients of the Bristol Debt Advisory Service (which BDAC kindly co-ordinated for us)
- A group of carers and users of self-directed support budgets in Oxfordshire (kindly co-ordinated for us by the Adult Social Care team at Oxfordshire County Council)
- And a group of young adults (20-25 years old) with literacy or numeracy difficulties, held in Birmingham.

ⁱⁱ http://www.savethechildren.org.uk/en/docs/UK_Poverty_Rip_Off_Brief.pdf