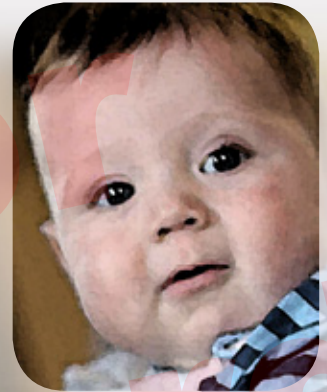




**Consumer  
Focus**  
Campaigning for a fair deal

# Annual Plan

2011/12



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# Chair's foreword

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Christine Farnish  
Chair, ConsumerFocus

# Our Annual Plan in context



## Who we are

Consumer Focus is the independent champion for consumers across England, Wales, Scotland and (for postal consumers) in Northern Ireland. We were created through the Consumers, Estate Agents and Redress (CEAR) Act 2007. We operate across the economy, persuading businesses and public services to put consumers at the heart of what they do, and helping consumers get better outcomes for themselves.

Consumer Focus has specific responsibilities with regard to the energy and post sectors.

We will gain responsibilities with regard to the water industry in Scotland in summer 2011.

## Working with Citizens Advice, Citizens Advice Scotland and General Consumer Council Northern Ireland (GCCNI)

In October 2010 the Government announced that it would abolish Consumer Focus and transfer some of our functions and responsibilities to Citizens Advice, Citizens Advice Scotland and in respect of postal matters in Northern Ireland to GCCNI. The most likely date for our abolition is Spring 2013.

Working together with Citizens Advice and Citizens Advice Scotland we have established transitional working teams to begin the process of establishing a sound basis for the transfer of some of our functions.

Over the course of the year we will work ever more closely with Citizens Advice, Citizens Advice Scotland and GCCNI. This is likely to include working in partnership on a number of the projects contained in this action plan or on areas of work where the opportunity to achieve more by working together are apparent.

## What we do

We are an advocacy body that tackles the issues that matter to consumers, and gives people a stronger voice. We don't just draw attention to problems – we work with consumers and with a range of organisations to champion effective solutions that make a difference to consumers' lives.

The CEAR Act sets out the three core functions of Consumer Focus:

- **Representation** – Consumer Focus may provide advice and information, make proposals and represent the views of consumers to ministers (including those in Scotland and Wales), regulators, European Institutions and any other relevant person
- **Research** – Consumer Focus may obtain information about consumer matters and consumers' views on those matters
- **Information** – Consumer Focus may facilitate the dissemination of advice and information to consumers

In common with other public bodies, Consumer Focus is striving to achieve more with less. In forming this plan we have taken account of the comments of our stakeholders and have reduced the number of markets and services in which we advocate for consumers. In areas where we will continue to work, we have focused on particular areas of detriment where we judge that we are in the best place to argue for consumers or where our particular involvement will help achieve necessary advances for consumers.

We will work with an even greater degree of flexibility. If the action or inaction of others means that we should exit, engage, reduce or expand our work we will do so in the overall context of the priorities set out in this Annual Plan.

## Our powers

Consumer Focus has strong powers to require information from companies and public bodies. We have established relationships with regulators to refer breaches of market rules and the ability, to lodge super-complaints (as have others).

Markets that treat consumers unfairly deny people access to good value, decent levels of service and effective remedies when things go wrong. Increasing the effectiveness of competition for consumers and tackling restrictive practices is a key challenge across the economy. We will continue to use our powers to analyse, challenge and require enforcers to act on issues of significant consumer detriment.

Our **Consumer Focus Investigations** team based in Cardiff works with stakeholders, in particular with trading standards bodies, to explore issues that cause consumers problems and where focused investigations would be able to provide enforcement authorities with the evidence to act. The team is currently considering issues in relation to private car park operators, leasehold property management and park homes.

## Super-complaints

Super-complaints are an important way in which markets that fail consumers or cause significant detriment can be brought to the attention of enforcement bodies and appropriate action taken. Our super-complaint on cash ISAs led to much needed reforms to that market which save millions of pounds for consumers each year. Additionally, the Office of Fair Trading stated, in its response, that we were able to highlight common consumer problems that apply to other financial services markets, making the potential welfare gain for consumers even greater.

Consumer Focus will use this power appropriately across the economy when there is clear evidence of detriment, when other means of addressing the problem are absent or not working and when there is the potential for clear welfare gains for consumers. We will use our statutory information gathering powers to ensure that our super-complaints are well evidence and argued.

## Regulated markets

Consumer Focus understands the issues that face consumers in complex regulated markets and translates them into the language of policy debates in those markets so that they can be acted on. Decisions taken over the next few years in energy and post alone will have a dramatic effect on the costs and service levels experienced by consumers. In this Annual Plan we continue to prioritise advocacy on those big decisions in these markets that put many billions of pounds onto bills and will affect consumers for decades to come.

## Consumer power

Making consumers more powerful is a theme that runs throughout this Annual Plan. For many people, the internet is the most powerful consumer empowerment tool of all, because of its ability for consumers to share advice directly with each other.

When consumers start to pick up on how to get better deals, better treatment or how to avoid problems then other consumers as well as smart companies can take note and change. **Consumer Focus Labs** develops innovative online solutions and tools to make peoples' dealings with companies fairer, save them money, or keep them informed about products or issues that are important to them. Among this year's projects are work to support our Big Demand project (p14) and a partnership with Passenger Focus to provide better information on the standards of performance of the train operating companies.

## A strong, devolved organisation

Our work takes place within a highly devolved context. We have strong organisations in Consumer Focus Scotland, Consumer Focus Wales and Consumer Focus (Post) Northern Ireland, who deal with both devolved matters and with the different consumer issues, and sometimes markets and laws, in their nations. Working across the four UK administrations makes our work more complex, but is an important source of strength for consumers across Great Britain and the United Kingdom for Post.

# For consumers of energy

- **The success of Green Deal, Smart meters and the Independent Review of Fuel Poverty is measured in real welfare gains for consumers**
- **Action follows Ofgem's Market Review to deliver real benefits from competition and to rehabilitate the market in the eyes of consumers**
- **Awareness grows of the problems facing consumers in fuel poverty, in debt, without mains gas or as a micro-business**

The challenges facing the energy industry are massive, complex and inextricably bound together. They will also have a direct impact on consumers. The industry plans up to £200 billion of investment over the next decade to decarbonise the electricity generation market and £30 billion to renew distribution networks. Most or all of this will be recovered from consumers' bills.

The European Union will roll out a new energy strategy and energy efficiency action plan in 2011. The Green Deal, Ofgem's Retail Market Review and the Smart Meters programme will change the relationship between suppliers and consumers. Meanwhile, 5.5 million households are in fuel poverty. In large parts of Scotland, Wales and rural England consumers with older properties and no mains gas are doubly disadvantaged.

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1 We will influence the design, development and implementation of key programmes and reforms so that they bring real benefits to consumers. We are uniquely well placed to help these programmes deliver for consumers.

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## Smart meters

Smart meters should bring real benefits to consumers. But safeguards are essential to protect consumers from the risks in this enormous change in the energy market. Consumers need a roll-out plan and consumer protection regime that is able to deal with issues such as remote disconnection and switching of payment method, data protection and privacy, debt management and tariff innovation. Customers will pay the bill for smart metering. We will seek to ensure that the consumer benefits outweigh the costs and:

- Be the voice for consumers on smart meters, including on key working groups on a national and European level groups
- Pursue a clear action plan to put interests of consumers at the heart of the implementation process
- Advocate effective protection measures that anticipate and respond to the changes that smart meters will bring
- Customers protected from misuse of new technology and actions of suppliers



## Green Deal and energy services

A lot rides on the success of the Green Deal. It will only work if it encourages consumers to act, protects them against problems that arise and delivers for all groups of consumers, including those who already struggle to meet their day-to-day energy costs. We will work with Government and stakeholders to understand the drivers and overcome the barriers to success. We will focus increasingly on appropriate consumer protections and on the need for Green Deal and other schemes to join up in support those in fuel poverty.

We will:

- Demonstrate the key challenges to be met if Green Deal is to work for consumers in their real homes and encourage people to take action
- Work to establish the appropriate consumer protections to be built into the implementation plans for Green Deal
- Inform delivery of Government microgeneration strategy, including the introduction of renewable heat measures
- Push for Green Deal to help low income consumers and those in hard to heat homes

## Fuel poverty

Government has appointed Prof John Hills to undertake an Independent Review of Fuel Poverty to consider the scale, trends and solutions for fuel poverty. We will assist the review in whichever we can. Alongside that we will continue to argue for greater co-ordination between schemes, for an appreciation of how the energy market can mitigate the impact of fuel poverty and for a focus on support for those households and families most at risk from fuel poverty.

We will:

- Engage with the Independent Review of Fuel Poverty, the Fuel Poverty Advisory Group, DECC, Ofgem, suppliers and all concerned with tackling fuel poverty
- Provide practical and policy assistance to organisations who directly advise and support households and families in or at risk of fuel poverty
- Identify potential sources of funding for fuel poverty programmes, including re-balancing of existing wider funding programmes

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**2** We will work with Ofgem and others to realise the change agenda proposed in the Energy Market Review. Consumer Focus has the expertise and knowledge to ensure that fundamental change results in fundamental improvement for consumers and the market.

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### Effective energy markets

Consumers do not have confidence in the energy market. Consumer Focus has argued for action on complex tariffs, confusing bills, barriers to switching and for cheaper prices when wholesale conditions warrant it. We have argued for the Competition Commission to review the lack of transparency, liquidity and new entry in the energy market. These issues continue to be at the heart of our work for consumers. Following the Market Review we will be the voice for consumers to ensure that the strong words turn to determined action, so that:

- Consumer perspective continues to drive all stages of Ofgem's Retail Market Review
- The benefits to consumers and markets of energy tariffs which are clear, intelligible and encourage informed consumer action are realised
- Micro-businesses benefit from greater protection, clearer contracts and fair marketing
- The review delivers for consumers at a clear disadvantage, especially consumers on low incomes and without access to Direct Debit and internet
- Failings in market structure and barriers to new entry are directly addressed by Ofgem or a Competition Commission inquiry
- EU legislative initiatives provide a framework that will improve consumer experience

### Who pays?

De-carbonising the energy market may cost £200 billion over the next decade. All or most of this cost will come from higher consumer bills. Investment in new generation capacity is essential to keep the lights on. We will try to ensure that there is an open, fair and balanced approach to recovering these costs, so that:

- Issues of fairness and equity associated with recovering these costs, in particular in relation to the short and longer term implications for bills, are revealed
- The highest standards of transparency and scrutiny accompany higher bills
- Legitimate higher costs do not provide a mask for increasing profits

### Off grid energy

The Office of Fair Trading has launched a very welcome market study into off grid energy. Consumer Focus has argued for a greater focus on failings in these markets and on how fuel poverty and energy efficiency programmes fail to deliver for these households. We will contribute to the Market Study, continue to highlight the particular issues faced by this large group of energy consumers and explore, with partners, how to empower off-grid energy consumers, so that:

- Evidence on consumer and housing circumstances of off-gas consumers feeds in to the Office of Fair Trading market study
- Energy efficiency and fuel poverty programmes better support these consumers

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3 We want to make consumers more powerful when things go wrong, when they are treated unfairly and when they need a better deal. Our understanding of the market and of consumers means we can really help consumers directly and through advice bodies.

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### Extra Help Unit

Our Extra Help Unit based in Consumer Focus Scotland helps vulnerable consumers across Britain with the most urgent of energy complaints. We have a duty to investigate cases where a consumer has been disconnected from their energy supply, been threatened with disconnection or has experienced a failure with their prepayment meter.

Following the decision to transfer some of our functions to Citizens Advice and Citizens Advice Scotland, we will work closely with these groups to prepare for a smooth transfer of this crucial work.

### Services and advice

We want households and small businesses to get everything they can out of the energy market. For some that means help dealing with the imminent threat of disconnection for others it will be switching to a better tariff. We will maintain a full toolkit for consumers and advice agencies and that includes a strong Confidence Code, company performance, switching, advice and that companies deliver on their obligation for consumer who are vulnerable or in debt.

We will ensure:

- Our suite of empowerment tools remain relevant and up to date
- Our support to advice agencies matches Citizens Advice and Citizens Advice Scotland assessment of need
- Evidence of consumer detriment gathered from a wide range of sources is used to challenge poor company practices

### Micro-business

Micro-business are no more skilled in understanding energy contracts than most householders. This year we will focus on how micro-businesses fare in the energy markets and how they could be empowered to get a better deal. We will work with business groups and others to achieve fair contract terms and responsible marketing, so that:

- Trade associations and small business groups are able to use advice and support that they feel is most useful to micro-businesses

# For consumers in post offices and through the mail

- Any significant transformation of the Post Office network is based on demonstrable benefits to all groups of consumers who rely on it
- Business and regulatory changes in the mail market maintain levels of consumer protection and sustain the universal postal service
- Post offices and postal services thrive through service innovation and improvement rather than a 'retrenchment' of the current service

Change seems necessary to secure a sustainable future for mail and post office services. The changes proposed include establishing Royal Mail as a commercial entity, decoupling the Post Office network and reforming the regulatory environment. These changes carry a risk of unintended consequences for consumers through worsening service, loss of trust and weakened regulatory oversight.

Enhanced consumer welfare, not institutional reform, must be the explicit goal for the new arrangements. Their success will be measured by the extent to which they deliver high quality service to all consumers and especially those who most rely on them. Postal services and post offices are a vital lifeline for consumers in rural, remote and deprived urban areas. For the Post Office network the challenge is to expand the services provided and look to grow, rather than retrench, the value of the network to consumers.

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1 We will demonstrate whether or not business as usual provision and changes to the character and location of post offices deliver a better outcome for consumers. We are the only independent body that assesses the experience of consumers, wherever they access post office services.

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## Post Office Locals

The Local model may bring services to communities where a post office has been missing and provide more convenient opening hours for others. However, for many consumers the loss of a dedicated post office environment and its range of services will reduce its value considerably. Experience shows that implementation of such changes can be chaotic and cause problems for consumers. We will argue for changes to Locals to reflect local needs and so that consumers can influence both decisions and their implementation.

We will:

- Publish our comprehensive research on the impact of Locals pilots and use its evidence to inform the development and implementation of the wider programme
- Argue for checks on progress and implementation success before the roll out continues
- Monitor the impact of the Locals on consumers and their use of Post Office services



## Service standards - present and future

Consumers should expect a good standard of service when they walk into a post office. However the reality for many is poor, particularly in High Street branches. We continue to monitor the number, location and quality of current post office services. However, over the next few years, the opportunities from new forms of consumer behaviour, new technology and the delivery of banking and public services could shape the value to consumers of the network. We will consider what consumers need from the post office over the next decade.

We will ensure:

- Our tracker research on High Street post offices and on our code of practice obligations continues to assess the quality of consumer experience of post offices
- Post Office Limited redefines the consumer experience on the principles of convenience, flexibility, and efficient service
- As Post Office Limited prepares to float it sets itself improved customer service quality as an Independent Board performance target
- Post Office Limited seeks to enhance consumer value through the increased provision of public services, banking facilities and other innovations that its customers want

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2 We want the transformation of Royal Mail and the regulation of the postal market to maintain a high level of consumer protection and sustain a universal postal service that meets the needs of consumers. Consumer Focus is the only consumer body with expertise in this complex and changing market.

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## Mail market transformation

Establishing Royal Mail as a viable commercial business must not be at the expense of its customers. Our role over the next year is to promote the interests of consumers during a period of rapid change and competing priorities within the market. As the Postal Services Bill is implemented we will highlight any risk of regulatory blight in the lead up to Ofcom taking over responsibility for the Royal Mail; guard against any unraveling of consumer protections and be alert to any undue price rises or service reductions before a sale of Royal Mail and as Post Office Limited is decoupled from the Royal Mail group.

We will ensure:

- Our strategic assessment of mail markets and the priorities for consumers are widely known and influence debate on the future of postal services in the UK
- Royal Mail are engaged on quality of performance data

- The operation of the postal redress scheme and complaint handling regulations are priorities for Postcomm and Ofcom
- Regulation protects consumers from degradation of service quality or price rises to pay for operator inefficiency or inflated returns on capital of a private owner of Royal Mail

### Universal postal service

Postcomm is working towards a new regulatory framework for 2012 and beyond that is more appropriate for the marketplace, for the universal postal service, for consumers and operators. This may entail removing regulation where possible and making changes to the universal postal service. Our focus will be to make sure that regulatory safeguards are only removed, and that licence revisions are only considered, where there is good evidence that these will support consumer interests. We will use the evidence from our research into consumer needs to support any responses that we make.

We want to see:

- The maintenance of a universal postal service that is fit for modern consumer needs and that comes at an affordable price
- Evidence of the potential value and/or detriment to consumers of changes to the character of the universal postal service condition discussions

### The Postal Services Directive

The Postal Service Directive provides a rare opportunity at the European level to ensure the fundamentals of postal provision, obligations and regulation are set with clear reference to consumer principles. Our market expertise and our reputation in the Commission put us in a unique place to achieve this and we expect to do this among other ways through our membership of the proposed European Commission High Level group on the Directive.

# For greater consumer power across the economy

- **Consumer power determines how goods and services are designed and provided**
- **Consumer Law reforms strengthen consumer protections and encourage open and effective markets**
- **The transformation of structure, culture and operation of regulation in the financial services works in the interests of consumers**



Consumers influence many markets and services through their choices and actions, but the benefit can be slight or restricted to 'valued' consumers in highly competitive markets. Much of our work is to increase the power of consumers to condition the way in which the most essential markets and services respond to consumer demands.

Reforms to consumer law, market enforcement and new consumer empowerment measures are due this year. Their success should be measured in simpler and quicker redress, decisive action against companies and markets that do not trade fairly and a framework for consumer law that is fit for purpose and empowers consumers.

In financial services, the reform of market rules and regulatory arrangements is needed to transform the culture of providers and regulators, the adequacy of regulatory oversight and the effectiveness of consumer protection especially for consumers who are cut adrift from the mainstream market.



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1 We will unlock consumer power across markets and services. Our goal is for more demanding 'demand side' action to determine the way that markets and services respond. This is a key element in our work to drive up consumer welfare across essential markets and public services.

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## Big Demand

We will engage with the growing momentum behind collective purchasing and focus on how demand side interventions could make markets respond to what consumers want, as well as consumers responding to what markets offer. Linking across other streams of work it will seek to drive a more ambitious agenda for the role of demand side interventions in making markets work for consumers.

We want to see:

- A debate on the potential to transform the impact of consumer 'demand'
- An online platform that allows consumers to group together and signal their intention to switch their custom to a supplier who is prepared to respond to their demand

## Complaints and ombudsmen

Consumers abandon legitimate claims or complaints because of frustration and poor complaint handling practices. For good companies and service providers, confronting the cause of complaints can drive service improvement. Abandoned claims or complaints are another reason why poor companies do not improve service. We will make understanding and improving complaint handling from businesses and ombudsmen a key part of our consumer power agenda.

We want to see:

- A benchmarking exercise that provides a basis for comparison, best practice and a driver for continuous improvement
- Complaints, and the insight they provide, become more valued and used to set consumer service standards

## Channel shift – engagement and consumer design

Diminished budgets will force far-reaching changes in the way key public services are configured. The shift of services online is driven primarily by potential efficiency gains. A lack of user focus will mean that this is a false economy. We will build on existing Consumer Focus research on service users and experience of online public services to address the balance between efficient use of technology and effective delivery of services directly with those responsible for critical public service delivery.

We expect:

- Evidence of consumer attitudes and expectations from online public services to set the bar for what is expected from service providers
- Service providers to work with Consumer Focus to enhance their levels of engagement with consumers as they redesign and reconfigure services

## Unlocking the power of consumers

We want to explore ways in which the power of consumers can be unlocked. Many rural consumers face particular problems when trying to access affordable, high quality goods and services. When people are also vulnerable or on a low income they find themselves doubly disadvantaged. Our objective is work in partnership with agencies active in rural communities to raise awareness of the most significant areas of detriment and find ways to unlock the power of consumers in rural, remote and island communities.

We want:

- Awareness of detriment experienced by groups of rural consumers to grow, based in part on our knowledge of energy, post office and digital communications markets
- Relevant market and regulatory responses to be achieved and opportunities to unlock the power of rural consumers to improve service provision to be explored

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- 2 We will shape reforms of consumer law to deliver high levels of consumer protection and access to redress. We draw upon decades of experience in the reform of consumer law as well as recent work on Consumer Rights Directive, provision of redress, access to civil justice and the failings of Copyright law.
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## Consumer law

The process of review for European and UK consumer law continues with the Consumer Rights Directive and the green paper on contract law process in Brussels to be followed by transposition into UK law. We have played a leading role in Brussels and will be fully engaged in these reforms in the context of domestic reforms. We seek a strengthened regime of consumer protections, so that:

- Our experience in European policy formation and research in access to civil justice helps to framing Consumer Law proposals
- There is a strong voice for consumers throughout the consultation and policy process
- There is a strong voice for consumers in the development of the European Union e-commerce and Data Protection Directives

## Copyright

We have been at the forefront of driving change to our outdated and failing system of copyright law. Copyright law needs to change if it is to make sense. It is a priority for Consumer Focus to work with the Hargreaves Independent Review of Intellectual Property to bring about coherent changes to our system of copyright law so it can be fit for the age and fit for consumers. The European Commission is producing a proposal for a directive on copyright licensing and collective rights management that will affect competition in the market for creative content. We will influence developments on copyright in Europe as well as in the UK, so that:

- Reforms to copyright law deliver statutory user rights for copyrighted content
- Enforcement of breaches of copyright respects due process and the right to privacy
- The development of copyright directives are informed by consumer interests

## Net neutrality

Government policy on net neutrality and traffic management has become a pressing issue with EU Telecoms Package requiring Internet Service Providers to give meaningful information to consumers and new powers for Ofcom to set minimum quality of service to prevent degradation of the public internet. We will work in Europe and UK to raise awareness of net neutrality and to ensure that measures work for consumers, so that:

- Ofcom's net neutrality and traffic management guidelines and quality of service standards reflect the interests of consumers to access the open internet
- Pilot information models proposed by Broadband Stakeholder Group, go forward with research on the sorts of information that consumers actually need and value
- Voluntary code of practice establishes non-discrimination basis for traffic management
- The European Commission and European Regulators for Electronic Communication issue net neutrality guidelines that promote consumers' access of the open internet

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**3** We will pursue regulation of financial services markets that protects consumers and delivers effective and competitive products and markets. The stakes in these markets are high and the need for strong consumer voices over the next year is vital to embed a culture of consumer welfare across the reforms.

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### **Culture, structure and principles**

The composition, role and powers of each of the new regulatory bodies are being developed, with legislation to reform the regulatory system planned for 2011. The Independent Commission on Banking will report in April 2011 and identify further reforms that might affect consumers. We will engage through the process of forming the new bodies and by pursuing problems with essential products and levels of service that harm consumers, so that:

- The formation of the priorities and approach of the new regulatory bodies reflects a clear and strong commitment to consumer welfare and consumer engagement
- Regulators are engaged with key areas of significant consumer detriment in essential products and customer service

### **Marginalised and low income consumers**

We will build on our existing evidence in areas that affect consumers at the margins of mainstream provision, such as people without bank accounts, post office banking and payday loans. We will analyse relevant products and policies to ascertain whether they meet the needs of low income consumers. We will work with regulators, companies and others in the area to establish a greater focus on meeting the needs of these consumers, so that:

- Financial services providers and regulators review products and policies to assess the extent to which they meet the needs of low income or disadvantaged consumers
- Low income consumers can get direct debit benefits but with the degree of control they need to avoid penalty charges for unpaid payments
- Consumers can access low cost credit through mainstream and community providers, credit businesses minimise the risk of taking out credit people cannot afford to repay

# Resource allocation

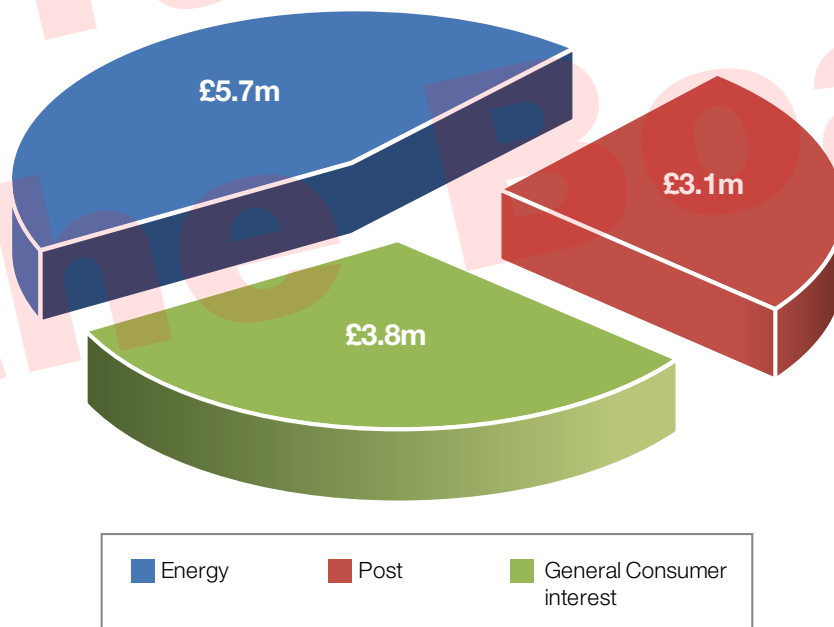
## Budget 2011/12

The core operational budget for 2011/12, covering basic running costs and the forward work programme, is reduced from £16.7 million in 2009/10 to £13.9 million in 2010/11 to £12.4 million in 2011/12. As in the previous year we have a significant reduction in our available resources on general consumer issues as opposed to our work on energy, postal services and post offices.

In 2011/12 we will spend £5.7 million in our work for energy customers and £3.1 million in relation to consumers of relevant postal services. We will spend £3.8 million on our work in the rest of the economy.

These figures exclude ongoing property liability costs and externally funded projects which are currently the work of the National Social Marketing Centre (NSMC) and work undertaken for the Scottish Government.

Our main funding streams for 2011/12 can be represented as follows:



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