# Smart data: putting consumers in control of their data and enabling innovation

Citizens Advice formal consultation response



#### Introduction

Citizens Advice gives people the knowledge and confidence they need to find their way forward - whoever they are, and whatever their problem. Our network of independent charities offers confidential advice online, over the phone, and in person, for free. Last year we helped 2.6 million people in person, by phone, email or webchat. Our advice website had over 25 million visits, with 34 million pages viewed.

We are pleased to respond to the government's consultation *Smart data: Putting consumers in control of their data and enabling innovation* and we welcome the review's commitment to ensure consumer needs are at the heart of Smart Data initiatives.

Citizens Advice represents the voice of consumers across essential markets and has a statutory duty to represent energy and post consumers across Great Britain. Our work to improve the policies and practices that affect people's lives across these markets has informed our response to this consultation, with a particular focus on examples from the energy market. We have also drawn on our experience in digital services, communications, financial services and pensions markets.

Smart Data can be used to improve outcomes for consumers. It can enable new services that help people reduce costs on household bills, protect them from being 'locked-in' with specific service providers and reduce the price of switching.

However, there are important risks that must be considered to ensure all consumers are able to benefit and are treated fairly within Smart Data markets:

- Smart data is not guaranteed to reduce the loyalty penalty. Those already engaged in the market may see benefits from Open Communications, and it may encourage people to switch. However, those who do not engage or are unable to switch may get left behind. These customers will need adequate protections.
- **Distributional impacts mean some consumers might be left behind.** This could exacerbate existing issues as those who can access the service benefit, and are effectively subsidised by those who cannot. Often it is vulnerable consumers who end up paying the price for being less able to use these new

services. Distributional problems are complex and do not elicit easy answers, but given that disengaged customers face a 'loyalty penalty' of nearly £1,000 a year for their essential services, this problem must be tackled nonetheless.<sup>1</sup>

- Principles of transparency and control must be managed from the start. Consumers need to understand what is happening to their data and be able to choose who they share it with, for what purposes and tailor or amend these choices over time. Data privacy should also be built into technologies and services by design.
- Smart Data markets must be supervised and regulated. Regulation must be updated to effectively operate across sectors. Consumers need to be protected and offered the same standards of service in every Smart Data market.
- New systems must be built around the needs of vulnerable consumers. Citizens Advice helps vulnerable consumers with problems across regulated and unregulated markets. Our experience and research with consumers in vulnerable circumstances informs our answers throughout this response. We welcome the government's commitment to place vulnerable consumers at the centre of the Smart Data Function. To ensure that Smart Data improves outcomes for these consumers, impacts of new services must be carefully considered from the start.

We have provided specific responses to those questions most relevant to our work and research. This response is not confidential and may be published in full on your website.

\_

<sup>&</sup>lt;sup>1</sup> Citizens Advice, <u>The Cost of Loyalty</u>, 2018

### Formal response

#### **Question 1:**

(a) Do you agree with the proposed objectives and expected benefits of Open Communications? Are there any other benefits or risks that we should consider?

It's important that we have well functioning consumer markets - that provide good outcomes for *all* who use them.

Essential markets generally tend to operate on a two-tier basis - the engaged, i.e. those who regularly switch, and the disengaged. While switching is good for promoting a competitive market, it's not always a silver bullet to delivering good consumer outcomes.

Demand side response interventions - such as prompts and nudges to make switching easier - work to an extent, but not as much as they were intended to. While Open Communications could lead to benefits - such as increased customer choice and better targeting of offers - it won't necessarily solve inertia. We acknowledge each of these points in turn.

# Smart data should help already active customers to get a better deal for 3 main reasons:<sup>2</sup>

- 1. It can unlock new services and ecosystems. We would particularly expect this in energy, as a result of new smart meter data becoming available. This could enable third party providers and demand-side aggregators to provide new products and services to consumers and reduce costs.
- 2. It can protect consumers, especially from being 'locked-in' to particular services. This is likely to be particularly important in the energy market, as smart home offers develop and increasingly rely on access to past energy usage data.
- 3. It may reduce switching costs, by enabling new automatic switching services in essential services. We regard this data portability as a necessary but

<sup>&</sup>lt;sup>2</sup> Citizens Advice, <u>Modernising consumer markets: Citizens Advice formal consultation response</u>, July 2018

insufficient protection for consumers. If it is the only measure designed to protect consumers from being 'locked in' with specific service providers then it is likely to be unsuccessful, as we would not expect all consumers to exercise their portability rights.<sup>3</sup>

While switching can deliver good outcomes, there still remains a large proportion of essential service markets that doesn't engage and switch. This has led to loyal customers paying penalties. Our research found that loyal customers are being stung across a range of essential services - broadband, mobile, home insurance, cash savings and mortgages - to the tune of £4 bn a year.<sup>4</sup>

This is having a huge impact on the lives of our clients. They lose billions of pounds each year simply by paying more for essential services. Given the amount of money households spend on these services each year on average - £3,671 - it's important that companies aren't allowing them to spend more than they need to for these services.

Regulators haven't acted quickly enough to tackle the loyalty penalty because they assumed competition would lead to the best outcomes for consumers, as Dermot Nolan, Chief Executive of Ofgem said:

"I have also said that we would put in, and regretted not putting in earlier, price caps for vulnerable customers, and we would proceed intensively with that and have a targeted campaign over time to try to ameliorate the harm in the market."

Open Communications could help turn some disengaged customers at the margins of these essential markets into engaged customers. This would reduce the number of customers who pay the loyalty penalty.

Demand side interventions aren't a silver bullet for delivering better competition. To understand the prospects for Smart Data leading to more people switching, it's useful to review past demand side interventions to get people switching. Regulators have tended to assume that if people were better informed they would switch and competition would ultimately make the market work better. But this approach

<sup>&</sup>lt;sup>3</sup> Citizens Advice, <u>Modernising Consumer Markets</u>, 2018

<sup>&</sup>lt;sup>4</sup> Citizens Advice, <u>Excessive prices for disengaged consumers: A super-complaint to the Competition</u> and Markets Authority, September 2018

<sup>&</sup>lt;sup>5</sup> Dermot Nolan, <u>Oral evidence</u> to the Business, Energy and Industrial Strategy Select Committee inquiry on pre-legislative scrutiny of the draft Domestic Gas and Electricity (Tariff Cap) Bill, January 2018

hasn't worked and is unlikely to solve the loyalty penalty. Companies often make switching hard and people have to engage across many markets. Mobile, broadband, home insurance, fixed-rate mortgages, savings accounts and energy are all essential markets. People lead busy lives, and time adds up. While some nudge remedies have led to better outcomes for some consumers, they haven't overcome these problems.<sup>6</sup>

Until very recently, even the most promising study offers a maximum increase of 8-9% in switching during the trial period. This accords with expert views. Professor Amelia Fletcher, in her review of the efficacy of demand-side remedies, found that:

'A number of demand-side remedies, of various sorts, have had beneficial effects. However, many have not been as effective as intended, and a few may even have had unintended negative consequences."

Martin Cave, Chair of Ofgem and former CMA Panel Member, in reference to the energy market, concluded that:<sup>8</sup>

We have seen a variety of measures, covering such things as bill formats and customer prompts, barrages of publicity adverse to energy companies...and very large amounts of column inches, TV advertising and other advice devoted to explaining how to switch supplier. Yet none of these developments has made a dent in the proportion of customers of the six large energy firms.' 9

Switching rates have stayed too low across too many markets and people are overpaying as a result. However, the publication of early trial results of Ofgem's collective switch trial in August 2018 shows a comparatively large increase in numbers of consumers switching. While these are preliminary results, and Ofgem will be extending these trials to see if the level of switching holds up, collective switching seems to be leading to encouraging results that could reduce bills for a significant fraction of consumers.

<sup>&</sup>lt;sup>6</sup> See table 1: Effect of measurable switching remedies, Appendix

<sup>&</sup>lt;sup>7</sup> Professor Amelia Fletcher, <u>The Role of Demand-Side Remedies in Driving Effective Competition: A</u> Review for Which, November 2016

<sup>&</sup>lt;sup>8</sup> Martin Cave, <u>Written evidence from Professor Martin Cave OBE to the Business, Energy and</u> Industrial Strategy Committee, November 2017

<sup>&</sup>lt;sup>9</sup> Recent market data suggests that the Big Six's market share has declined by roughly 10% in the two years since the CMA's final retail energy market report. Ofgem: <u>Electricity supply market shares by company</u>: <u>Domestic (GB)</u>, <u>Gas supply market shares by company</u>: <u>Domestic (GB)</u>

By treating this problem as one which consumers can solve through increased switching and 'better' decision-making, the regulatory approach has often ignored the complexity and difficulty many consumers face when switching. In markets where the costs (perceived or actual) of switching are high, demand-side remedies can only go so far. Switching in these essential markets is rarely a frictionless experience. It is difficult for many consumers, it often has costs that are perceived to outweigh the potential benefits and it is not always a priority for people with time-poor lives, especially given the amount of time necessary to make a good decision. Previous research from Citizens Advice has found the following factors have limited the effectiveness of demand-side remedies:

- 1. People don't have the time to shop around anymore
- 2. Finding a good deal is a struggle
- 3. Vulnerable consumers are often unable to access the best deals.
- 4. The financial cost of switching is often prohibitively high
- 5. Fear of things going wrong puts people off taking action.

These factors demonstrate that although reducing friction and making switching easier helps consumers, alone these actions cannot solve the problem. Additional consumer protections are therefore essential.

These new services through Open Communications can also exacerbate existing issues whereby those who can access the service benefit and are effectively subsidised by those who cannot. This distributional impact should always be considered when evaluating the benefits and risks of new services. It's important to review how services can be accessed and trusted by low-income and vulnerable consumers as these consumers are less likely to use cutting edge technology or trust that they will get a better deal if they do. They are, by definition, more expensive for companies to find and make offers to. This means the consumers who could benefit from Smart Data initiatives most are those who either lack the ability to engage, do not trust the market, or cannot access the best deals because they are digitally excluded.

Ultimately, if Open Communication is successful in increasing switching, it could have other adverse effects on the remaining 'sticky' customers of big incumbents. While incumbents have their new acquisition tariffs squeezed by increased competition, they also have more information about their loyal customers. As those inert or loyal customers haven't left when Smart Data has enabled them to, they are likely to be difficult to move into the engaged market.

This opens the door for companies to increase their prices more - in effect, Smart Data could make the loyalty penalty worse for these customers. This highlights the necessity of providing adequate protection for these customers.

Question 2: What is the most effective approach to implementation to ensure the success of Open Communications in enabling innovation and delivering the best consumer outcomes?

Any services founded upon consumer data should always adhere to the principles of transparency and control for consumers. Our research finds these two factors are important across demographics and attitudes toward data. In this context, transparency means the ability for consumers to easily see and understand where their data is going, who is accessing it and for what purposes. Data-derived business models are increasingly opaque for consumers and being able to understand what is happening to their data is crucial in engendering trust in new products. Controls must also be ensured to allow consumers to choose who they share their data with, for what purposes and crucially to amend or correct these choices over time.

There are various ways to achieve these goals. Our research into how best to communicate data rights and choices to consumers for the smart meter rollout demonstrated a clear preference for one-page, plain-English explanations. This allows consumers to access further information on specific elements in equally accessible ways. <sup>10</sup> In addition, lengthy terms and conditions - making use of legal terminology - are neither understood nor trusted by consumers. They're often not read and reduce trust in products and services that make use of them. <sup>11</sup>

Our recent work on a data dashboard for smart meter data represents a model that is applicable across consumer markets, including communications. The dashboard will allow consumers to see who is accessing their data, query this, and where feasible amend their choices in the same way they can manage direct debits and transactions in a current account. The dashboard enables the transparency and control necessary to ensure that Smart Data services deliver good consumer outcomes. While our initial proof of concept is founded upon energy data, this model has the potential to provide transparency and control

<sup>&</sup>lt;sup>10</sup> Consumer Futures, Smart and Clear, 2014

<sup>11</sup> Consumer Futures, Smart and Clear, 2014

<sup>&</sup>lt;sup>12</sup> Citizens Advice, <u>The smart meter data dashboard</u>, 2018

for consumers in many markets. These markets include credit reference data, insurance information and the growing field of smart homes and the internet of things.

# Question 3: Are there any further actions we should take to enable consumers to benefit from Smart Data in regulated markets?

The framework for delivering Smart Data should drive good consumer outcomes across markets. This may not require a consistent approach across all markets, but should be approached with appropriate supervision and interventions as required. We draw upon our work across energy and financial services in our answer to this question.

We welcome the principles set out by government to enable easy access to energy usage and tariff data. However, the usefulness of such an initiative rests squarely on implementation. The government should consider how access to data can be:

- **timely** for example, the average time spent on the Citizens Advice price comparison tool was just over 6 minutes.<sup>13</sup> If data is to be used to develop and improve tools like these, it must be accessed quickly to ensure a convenient experience.
- **consistent** data collection must be consistent to enable innovation and minimise consumer confusion.
- with minimal barriers for example, robust consent check mechanisms must be in place to protect consumers from abuse. However, overly complex or burdensome requirements could also prevent people from engaging.

Microbusinesses present a great opportunity for benefitting from Smart Data within the energy market. The use of this technology to increase the accuracy of energy usage profiles would help them to implement changes quickly based on data and realise potentially large energy and monetary savings fast.

To maximise these benefits, further actions should be made to ensure microbusinesses have:

free access to their own usage data,

<sup>&</sup>lt;sup>13</sup> This figure covers the period 15-22 July 2019 for 1,800 users

- the ability to provide this data to third parties for energy saving advice,
- and the ability to use this data to access better energy deals, either directly or through third parties.

In the energy market, new technologies are also being developed. These generate data about how a person uses electricity with a product and when, and include smart appliances, smart chargers and electric vehicles. The government needs to assess what types of data can be shared from these products to enable further innovations by third parties - for example, energy management systems (EMS). This means establishing the rights and controls over this data between companies and consumers. It also means that there should be sufficient data interoperability to enable third parties to innovate effectively.

Within the financial services market, credit referencing is the most developed form of data use that affects consumers. Smart Data should be used to improve outcomes for consumers within this space and this should be done in a number of areas:

- The FCA should ensure that credit referencing is reliable and that it provides an accurate assessment of the consumer's financial position.
- The FCA should ensure credit referencing is a competitive market and that it doesn't constrain competition in lending markets. Larger lenders shouldn't have greater access to lending credit referencing information.
- The FCA should work to make data more accessible. People do not have free access to their full files and, where they can access their files, the information isn't transparent. There should be greater transparency about what credit scoring means in terms of lending decisions.

The challenges posed by the credit referencing market and the energy market highlight that new Smart Data markets will need to be closely supervised and regulated to ensure they drive good outcomes for consumers. We explore some of these challenges further in our response to question 11.

Question 4: In which other markets, outside of the regulated and digital markets, would there be the greatest benefits from Smart Data initiatives? Please explain your reasoning

An emerging area that is likely to benefit from Smart Data is the pensions market. Most people don't engage with workplace pensions digitally and many

pension providers only offer limited opportunities to do that. The aim of the Pensions Dashboard initiative is to encourage people to engage with their pensions and to improve the information people can access about their savings. <sup>14</sup> This is made possible by having information about all pension pots in one place online. As the Money and Pensions Service and the new Industry Delivery Group considers the best approach to opening up pensions data, the government and financial service regulators will need to react to a new consumer market. **Crucially, the government should ensure that consumers are represented on delivery entities for new Smart Data initiatives so that new rules benefit consumers and not just incumbent providers.** 

# Question 9: What other actions could the government or regulators take to support the use of data and innovative services to improve outcomes for vulnerable consumers?

Citizens Advice is made up of a network of nearly 280 local Citizens Advice where we help millions of people every year. We are therefore well positioned to understand the potential problems advice charities and vulnerable consumers could face with the introduction of Smart Data initiatives. There are several key areas that should be considered by the government or regulators to ensure outcomes for vulnerable consumers are improved.

- **Develop platforms to educate and assist** to ensure people are able to understand and use Smart Data services. This would reduce the pressure on advice charities to help clients use the new technology. These platforms could also be used to explain the data protections in place so people are reassured their data is safe and trust in new technology services is fostered.
- Gauging the varying needs of vulnerable consumers so Smart Data can
  work for everyone. For example, consumers with learning disabilities or vision
  impairment may need easy read technology to support them with apps. People
  who live in rural communities may have no access to the internet because of
  signal issues or cost.
- **Swift resolution policies for human error and data entry** so data inputted can be changed and corrected. Quick and efficient processes to resolve the issues caused by these errors is also needed.

\_

<sup>&</sup>lt;sup>14</sup> Department for Work and Pensions, <u>Government Response Pensions Dashboards</u>, 2019

• **Regular monitoring -** to ensure the needs of vulnerable consumers remains a priority. This will also help to flag and resolve problems at early stages.

Question 10: Should we strengthen the powers of sector regulators to enable them to use consumer data to improve their understanding of the challenges faced by vulnerable consumers and to intervene to improve outcomes?

We welcome the use of data to identify and then assist vulnerable consumers, but work in this area must be handled carefully. Vulnerable consumers can be susceptible to profiling, which could lead to them being less desirable to companies due to the increased support they may require. This means there's a risk that their data could be used as a way to avoid less desirable customers.

Our forthcoming data research shows that while consumers support the use of data to identify and help vulnerable consumers, they do not associate this with their own data being checked, at which point support drops. <sup>15</sup> Consumers in vulnerable circumstances may not always consider themselves to be vulnerable. This means they regard such measures as good for general society, but needlessly intrusive for themselves. This isn't to say data shouldn't be used in this way but that it should be done with great care and sensitivity towards these issues.

If these issues are carefully managed, the use of data to identify customers who need extra support could be an important step to improve outcomes for vulnerable consumers. Our research shows that despite efforts from essential service providers, very few customers with mental health problems are aware of support services. This research has also shown that existing support systems are inconsistent, unreliable and patchy. Using Smart Data to identify vulnerable consumers won't substantially improve outcomes for people if the support they receive isn't up to scratch. Alongside measures that help to identify customers in need of extra support services, regulators and providers must work together to improve existing support mechanisms. The support services is to identify customers in the support services is not support services.

<sup>&</sup>lt;sup>15</sup> This finding is from our recent quantitative research into consumer attitudes regarding their energy data and is due to be published later this year.

<sup>&</sup>lt;sup>16</sup> Citizens Advice, Beyond good practice guides, 2018

<sup>&</sup>lt;sup>17</sup> We are publishing a report on our proposed minimum standards of support in essential services later this year.

# Question 11: How can we ensure that the Smart Data Function improves outcomes for vulnerable consumers? Do we need to consider any further actions?

Citizens Advice helps vulnerable consumers with problems across a range of regulated and unregulated markets. To better understand the role digital innovation can play in helping those consumers improve their outcomes we have delivered a project to test the impact of a number of Open Banking powered digital services. Protection for vulnerable consumers could be in the form of automatically placing them on the best deal available. We worked with 4 digital providers and 4 local Citizens Advice offices to guide potentially vulnerable consumers through the process of using automated switching and budgeting services. The final results of this trial will be available in September.

The early results show that despite having most to gain from Smart Data services, it is hard to make sure vulnerable consumers benefit. If Smart Data improves engagement and switching for the least vulnerable, people in vulnerable situations will pay even higher prices for essential services. The box below outlines how we have delivered the project and summarises the early findings.

#### **Preliminary findings from Citizens Advice pilot project:**

In 2019, Citizens Advice ran a pilot project from 1 April to 31 August, in 4 locations, with 265 of our clients, and 4 fintech providers.

Preliminary findings show that when clients were first introduced to the pilot, 51% expressed an interest in using e-products or online services for switching or budgeting. However, this client group faced barriers when they tried to access financial technology services.

#### **Barriers to entry:**

- Personal circumstances and disabilities can stop clients from learning about fintech services.
- A quarter of clients declined to participate in the pilot because they
  were going through overwhelming or life-changing events, such as
  expecting a new baby, a recent redundancy or facing eviction from their
  home.

 Some found it difficult to manage their financial affairs or think clearly about day-to-day tasks. Being admitted to hospital, having a visual impairment or suffering from mental health problems made it difficult to participate. Clients who suffered from health problems or disabilities were less likely to take part in the pilot.

#### **Barriers to use:**

- A consumer's digital skills and confidence, personal concerns about impartiality and data protection, or systemic requirements can discourage clients from using fintech services.
- Our clients tended to have some digital skills and access to the internet but this did not necessarily mean they had the digital confidence to use fintech services independently.
- 7 in 10 clients already used emails regularly, and nearly 9 in 10 (85%) had a smartphone. However, 43% did not feel comfortable or confident using online or mobile banking.
- 64 clients had one-to-one sessions, and 21 clients (out of 64) had additional support sessions to help them sign up for an email address, online or mobile banking or any of the participating fintech products.

#### In addition,

- Clients raised personal concerns about sharing their data and how it
  would be used and 14% declined to participate in the pilot due to
  security or privacy concerns, or because they would prefer to have
  face-to-face money or switching advice.
- Systemic requirements can also make it more difficult or prevent clients from using fintech services. Clients who do not use online banking or are unable to produce an eligible proof of ID document, such as a passport, may not be able to use fintech services.

Our clients value face-to-face support and having confidence in the transparency and impartiality a financial or debt advisor offers. Regulators and financial technology service providers need to think beyond the technical design of the product. They should consider how to build trust and develop their wider support services, such as customer support, and non-online access channels.

Our experience working with vulnerable consumers and findings from these tests demonstrate the significant support that providers of Smart Data services and vulnerable consumers will need to make smart data work for them. The government should commit to help providers design and test their products so they work for vulnerable consumers and ensure that people can get the support they need to use the services.

## Question 12: Do you agree these protections for when TPPs use Smart Data are needed? Are there others we should consider?

The proposed protections for when TPPs use Smart Data are extremely important to ensure consumers are in control of how their data is shared. Additional protections the government must also consider are as follows:

- Clear consumer transparency of who is accessing their data, in what detail and for what purposes (see dashboard content in our response to question 2).
- Avoidance of 'all of nothing' consent models in favour of sliding scales where, for example, a consumer can effectively trade greater data access for specific benefits allowing a greater deal of customisation and control.
- A commitment to inform consumers within a strict time frame when their data is compromised. This is a stronger protection than just swift redress.
- Clear single-point-of-contact for consumer concerns. Data derived services often involve several parties, consumers should not find themselves navigating multiple organisations to establish who is accountable.

# Question 14: What are the advantages and risks of introducing a cross-sectoral general authorisation regime for TPPs?

The main risk when introducing cross-sectoral TPPs is regulation not keeping up with the increasing pace of change. There is a trend of sector-specific rules, designed for a world where the level of data being collected was far lower, being challenged by the entry of market participants, with business models now driven by collecting customer data. For example, Ofgem is in the position of evaluating and signing off complex data privacy plans presented by energy networks and enforcing data and privacy frameworks through supply licence conditions. BEIS and Ofgem's Flexible and Responsive Future Energy Markets consultation recognises that the

requirements of an authorisation regime - monitoring those acting in the market without receiving licence applications - may be an "administrative challenge" for Ofgem.<sup>18</sup> This could apply to other regulators where the approach is unfamiliar.

As a result, we think there are real advantages to this approach. At a fundamental level, a higher level of protection would be introduced than is currently in place. Such entities would then be brought within scope for compliance and enforcement activities from regulators. The approach would also minimise the risk of a protection gap from taking up bundled services across sectors through a TPP. However, it is not clear why the approach would not go further and also cover TPPs in other sectors, such as financial services.

More broadly, regulation will need to be updated to operate more effectively across sectors to avoid duplication, contradiction or issues falling between regulatory bodies and being missed. This represents a risk as such a high degree of coordination between sectoral regulators is uncommon within the current framework. The National Audit Office has cited examples of divergence in approach and measuring impact and the National Infrastructure Commission is due to report on improvements to regulation this autumn. Any new cross-sectoral regime should take account of the findings in these reviews.

There may also be a tension between a cross-sectoral regime acting to limit the differences in rules between sectors for TPPs and attempts to create a level playing field within sectors between TPPs and other business models. This is particularly likely in areas where there are differences between the relevant sectors. For example, between energy and telecoms there are clear differences in the frameworks around vulnerability, switching processes and rules on informed choices.

# Question 15: What other options should we consider to ensure that consumers are protected when using TPPs?

More radical, long term regulatory approaches to third party entities should be considered. The modular approach under consideration in the *Flexible and Responsive Future Energy Markets* consultation would see businesses regulated

<sup>&</sup>lt;sup>18</sup> BEIS and Ofgem, Flexible and responsive energy retail markets, 2019

<sup>&</sup>lt;sup>19</sup> National Audit Office, Regulating to protect consumers, 2019

depending on the services they offer.<sup>20</sup> This allows sections of the relevant regulatory rulebook to be turned "on" or "off" depending on the activities they undertake. This could offer a more flexible, enduring and future-proofed solution.

Our responses to earlier questions are also applicable when considering options to ensure consumers are protected when using TPPs. These key considerations are as follows:

- Consumer needs should be at the heart of any products and that consumers retain transparency and control over their data upon which such services are founded.
- Clear responsibility and routes of redress must be maintained even as services are likely to increasingly make use of partnerships and sub-contracted relationships. Consumers should always be able to expect a single point of contact and of accountability where things go wrong.
- Careful consideration of the potential impacts on vulnerable consumers. This includes where they may risk being left behind by services they cannot easily access or make use of or where they are actively excluded due to increased segmentation of consumers causing companies to more carefully target specific consumer demographics that do not include them.

16

<sup>&</sup>lt;sup>20</sup> BEIS and Ofgem, Flexible and responsive energy retail markets, 2019

## **Appendix**

**Table 1: Effect of measurable switching remedies** 

Market	Intervention description	Effect on switching
Energy <sup>21</sup>	Ofgem requires that energy companies provide a cheaper tariff message on all bills since late 2013.	Previous tracking surveys have indicated that some consumers took some form of action by switching tariff or supplier in response to these prompts on their bills. No ongoing evidence is available about how this translated to increased switching or increased value for money.
Cash ISAs	The OFT secured agreement from banks to show interest rates on ISA statements in 2010. Following a further market study, the FCA put in place new rules requiring that these be placed prominently.	The OFT's review of the original intervention found that awareness of interest rates <b>lowered</b> during this period (plausibly because the Bank of England interest rate was lowered over the same time period).
Savings <sup>23</sup>	Cash savings disclosure remedies This trial tested the effectiveness of three different types of information provision interventions:  Information about comparable higher-rate-paying products A pre-filled return form that enabled simplified switching A reminder about the	Overall, all the interventions increased switching within internal providers, but not to higher-paying products from other firms.  • Front-page information about available higher rates led to an increase in switching from 3% to 6% of consumers. Non-front-page disclosures had no effect.  • A pre-filled return form increased switching from a baseline of 3% to 12%.  • Optimal timing of reminders

<sup>&</sup>lt;sup>21</sup> Professor Amelia Fletcher, <u>The role of demand side remedies in driving effective competition: A</u> Review for Which?, November 2016.

<sup>&</sup>lt;sup>22</sup> Professor Amelia Fletcher, <u>The role of demand side remedies in driving effective competition: A</u> Review for Which?, November 2016.

23 FCA, Attention, Search and Switching: Evidence on Mandated Disclosure from the Savings Market,

July 2016.

	rate decrease	to switch prompted an increase in switching from <b>4.7%</b> to <b>8.2%</b> .
Home and motor insurance 24	Encouraging customers to act at renewal This trial measured the impact of different types of renewal notices for customers switching/negotiating their insurance policy at renewal. It tested four types of disclosures:  • Including last year's premium next to this year's premium in renewal notices  • Sending a leaflet with renewal notices e.g. a guide to shopping around  • Simplifying renewal notices by using bullet points and simpler language  • Sending reminders two weeks after renewal notices	Putting the previous year's premium on renewal notices caused a 3.2% increase in consumers switching or negotiating their home insurance policy. There was little evidence of price increases at renewal found for customers at the two motor insurers, and including last year's premium has no effect.  Other changes to renewal notices, such as simplifying them, sending information leaflets and reminders had little or no impact on consumer behaviour.
Current accounts	The Current Account Switching Service (CASS) was launched to reduce frictions switching for Personal Current Accounts, Charities and Business Current Accounts. The Current Account <sup>25</sup> Switch Guarantee now ensures that banks take care of	Switching rates in 2017 increased to <b>1.8%</b> a year. <sup>26</sup>

\_

<sup>&</sup>lt;sup>24</sup> Financial Conduct Authority, <u>Occasional Paper No.12 Encouraging consumers to act at renewal:</u> <u>Evidence from field trials in the home and motor insurance markets</u>, December 2015. Data from three home insurance companies, not market wide.

<sup>&</sup>lt;sup>25</sup> Behavioural Insights Team for Citizens Advice, '<u>Applying behavioural insights to regulated markets</u>', May 2016.

<sup>&</sup>lt;sup>26</sup> 931,956 switches were conducted in 2017, compared to an estimated number of banked adults of 50.6m. <u>ONS number of adults</u>. 1.5m (number of unbanked adults). Source: <u>BACS, Current Account Switch Service Dashboard</u>, 2018; <u>Financial Inclusion Commission</u>.

	closing the old account, moving balances and switching payments.	
Energy <sup>27</sup>	<ul> <li>Cheaper Market Offers Letter trial.</li> <li>Randomly allocated 150,000 default tariff customers to receive either:         <ul> <li>No letter (control group)</li> <li>An Ofgem-branded letter showing personalised cheaper deals from rival suppliers</li> <li>A supplier-branded letter showing personalised cheaper deals from rival suppliers The test observed the switching rates for each group for thirty days after the letters were sent.</li> </ul> </li> </ul>	Letters increased switching from a baseline of <b>1%</b> to an average of <b>2.9%</b>
Energy <sup>28</sup>	CMA database remedy Tested 2,400 customers who had been on a default tariff for 3+ years, and randomly allocated them to receive either:  • No letter (control group) • An Ofgem-branded letter showing personalised cheaper deals (best offer letter) • Up to six marketing letters from rival suppliers (simulating the CMA remedy)	Customers were sent a letter from their supplier advising them that they could opt out of being sent energy deal offers.  After 28 days, those who didn't opt out then received either the cheaper deals letter or marketing material. The CMA database remedy resulted in switching from 6.8% to 13.4% (CMA remedy) or 12.1% (Ofgem best offer letter).
Energy <sup>29</sup>	Active choice collective switch trial	<b>22.4%</b> of customers in the trial switched overall, compared to a

<sup>&</sup>lt;sup>27</sup> The Behavioural Insights Team, <u>One letter that triples switching</u>, February 2018 <sup>28</sup> Ofgem, <u>Small Scale Database trial</u>, November 2017. <sup>29</sup> Ofgem, <u>Open letter: Active choice collective switch trial - early findings</u>, August 2018.

Using the disengaged customer database, Ofgem identified 50,000 customers who had been on the same deal for 3 years or more. Consumers could opt into a collective switch run by a price comparison website (PCW), as well as opt out of further communication. The following data was shared with the PCW running the collective switch: name, address, current tariff and historic consumption data. All of this data was shared without consumers' consent.

baseline of 2.6% in the control group. Customers who switched saved around £300. Vulnerable consumers were as likely to switch as the remainder of the intervention group.

# Good quality, independent advice. For everyone, for 80 years.

We give people the knowledge and confidence they need to find their way forward whoever they are, and whatever their problem.

Our network of charities offers confidential advice online, over the phone, and in person, for free.

With the right evidence, we show companies and the government how they can make things better for people.



## citizensadvice.org.uk

Published August 2019

Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux.

Registered charity number 279057.