Switching principles - call for evidence

Response from Citizens Advice to the Department for Business, Innovation and Skills

December 2015

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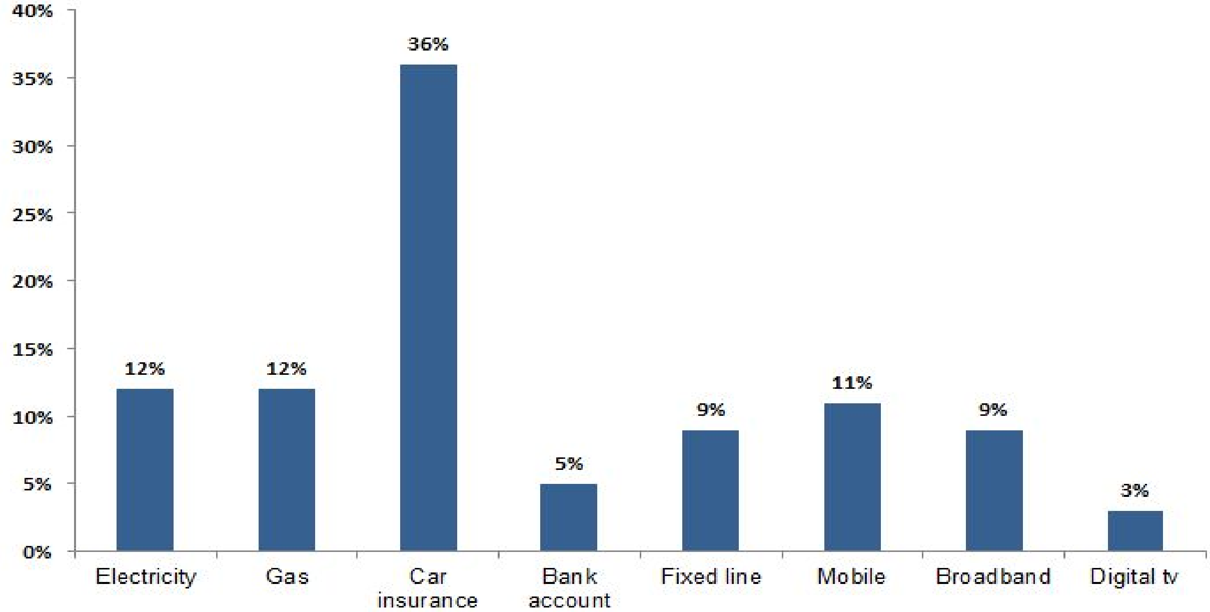
Introduction

Over the past decade improving the quantity and quality of consumer switching in regulated markets has been a core aim of consumer and competition policy in the UK. Without highly engaged consumers, who actively search out the best deals and are willing to vote with their feet the rational economic model which underpins consumer policy in this country falls flat.[1] The government and sector regulators have designed and rolled out numerous initiatives to promote switching, including consumer education campaigns and regulatory interventions to make switching processes more streamlined and consumer friendly. However, switching rates remain stubbornly low. In 2013 year only 12 per cent of the population switched their electricity supplier, 11 per cent changed their mobile phone provider and 5 per cent switched their bank account.[2]

Switching rates remain stubbornly low in most regulated markets

Proportion of consumers who switched in selected markets in 2013



Source: Ofcom decision-making survey carried out by Saville Rossiter-Base in July to August 2009, June to July 2011, July to August 2013

[1] Under the rational economic model markets operate most efficiently when there are many suppliers competing for consumer attention by offering the lowest prices, the greatest range and the best quality; and many consumers demanding a wide range of products of the best quality and lowest price. So long as sellers and buyers have good information, trust each other and consumers can seek redress when things go wrong, then prices are driven down, the least efficient producers either become more efficient or leave the market and quality improves.

[2] UK Regulators Network (December 2014) *Consumer engagement and switching*

So why aren't people switching? Extensive consumer research has identified a multitude of reasons people tend not to switch in regulated markets, ranging from structural barriers to a lack of motivation. The way in which these barriers manifest themselves, and the extent to which they contribute to consumer inertia, inevitably varies from market to market. However, in our experience, they are present in some form and to some extent across all regulated markets. We therefore strongly support this BIS initiative to develop a set of switching principles which can be applied across the regulated markets. These principles provide a valuable opportunity to benchmark across markets, share good practice and turn the spotlight on those markets which are falling behind.

The Citizens Advice service has extensive experience of helping people to navigate switching processes and resolve the problems they encounter while switching. In 2014-15 our network of local Citizens Advice offices helped people with more than 6,000 enquiries about selling methods and switching in the utilities and communications markets alone. Our advisers also deliver consumer education programs designed to encourage and support low income consumers to save money by switching their energy tariff and reducing their energy consumption. Our advisers supported more than 9,000 people in this way through the Energy Best Deal programme in 2014-15. A further 6,000 people received more intensive one to one support through the Energy Best Deal Extra project. This practical experience, alongside the insight we have gained through extensive consumer research, means we are uniquely placed to provide expert analysis and comment in this area.

Our response is divided into three sections. In section one we consider the principles in the round, setting out three challenging tests the principles should aspire to meet. In section two we turn to each of the principles in turn - first exploring the available evidence on the switching barrier the principle aims to address, then providing feedback on the principle itself. Finally, in section three we put forward the case for the inclusion of a seventh principle which addresses issues of transparency and clarity arising from overly complex product design and misleading advertising.

Section one: General comments

Citizens Advice strongly supports the Government's intention to introduce a set of switching principles which can be applied across regulated markets. This initiative presents a real opportunity for regulators and consumer groups to take stock of the policies and practices in place in individual markets, share examples of good practice and take action where markets are found to be falling short of these principles. This could lead to tangible improvements in consumers' experience of these essential markets. The principles as currently drafted provide a solid foundation upon which to build. However, we believe that some small changes to the drafting of the principles could make a significant difference to the impact of this initiative on the consumer experience of switching processes. In this section we set out the three key tests the principles should meet in order to ensure that the principles reach their full potential.

- ***The principles must be ambitious, unambiguous and actionable***

In order to drive real improvements in consumers' attitude towards and experience of switching, it is vital that the switching principles do not simply default to current standards in markets which have made small steps in the right direction - they must be ambitious. They must also point to clear, tangible actions and be drafted in such a way that their meaning is clear - minimising the scope for confused interpretation and distortion.

Overall, the principles as currently drafted provide a solid foundation for meeting this test. However, we believe that some of the principles could go significantly further, while others would benefit from more precise drafting. We provide detailed feedback on each of the principles, alongside our suggested drafting, in the following section.

- ***The principles must address the full range of barriers to consumer engagement, and reflect the reality of consumer behaviour***

Concern amongst policy makers and consumer groups regarding the impact of persistently low switching rates on competition in essential markets has led to the emergence of a strong body of research which explores the reasons behind this inertia from a range of perspectives. This research has increasingly sought to draw on insights from the field of behavioural economics. Taken together, these developments have expanded our understanding of the drivers of behaviour and barriers to consumer engagement far beyond the narrow focus of the rational economic model. This model assumes consumers will engage and make good decisions as long as they have access to the right information at the right time and the process runs smoothly.

There are a number of well established problems with this model:

- Consumers often have poor information and there is often an asymmetric information relationship between seller and buyer with the seller holding many of the cards. For example, complex tariff structures, which make it very difficult to compare deals across the market to find the best deal can act as a barrier to engagement.
- We also know from behavioural economics that, faced with a daunting array of consumer choices to make every day, consumers do not operate carefully, thoughtfully and slowly to make the most quantifiably optimal choice. . They base their choices on all kinds of intuitions and shortcuts to speed up the process and reduce the stress of having to navigate all the choices open to them throughout the day.
- In some markets there is also limited choice and consumers may believe that this means that there is no advantage to be gained in switching between one supplier and another.

At Citizens Advice we have attempted to take this further by exploring in a more holistic way the reality of the consumer experience today. What is it like to be a consumer participating in many regulated and unregulated markets at the same time, with multiple choices on offer, limited time, in an information rich society which demands attention and high levels of processing to make rational decisions with good outcomes?

Earlier this year we published the findings of groundbreaking research which explored some of these questions in detail. We commissioned a major literature review of how consumers engage with markets and, in particular, how much time they allocate to all consumer tasks. We also carried out primary research and experiment with consumers to test out how these constraints affect the markets we choose to engage with.[3]

The findings of this research centred around three major themes:

- **Time**: The speed of technological change has accelerated information and decision making demands on us, whilst time given over to consumer tasks is still pretty low – a 2011 European Commission survey puts this at only 27 minutes per day.

[3] Citizens Advice. (February 2014) Consumers' engagement with markets and the implications for their use of time: a review of existing research,
Citizens Advice (May 2014) Consumers' hierarchy of priorities, May 2014

- **Type**: If a product and market is unattractive to consumers, other things competing for our attention will win. Consumers apply clear prioritisation criteria when faced with a number of consumer tasks, and regulated markets such as energy and telecomms are down the list of priorities when compared to holidays and consumer goods.
- **Tendencies**: our natural behavioural tendencies do not fit an economic rational choice model that makes the assumption that we will always devote time and effort to saving money. We simply don't have the cognitive capability to process large amounts of information and weigh up a range of options, to reach optimal decisions that save time or money every time.

The analytical review contained in the consultation document highlights a number of these constraints. However, the primary focus of the principles continues to be on addressing process and information barriers. Addressing these barriers is invaluable. A deeper consideration of the full range of barriers to consumer engagement and an honest reflection of the reality of consumers' circumstances and experiences is just as critical.

- ***The principles must consider the problems of the future as well as those of today***

Consumer markets move quickly as new technology shapes what we buy and how we buy it. For example, people can now buy almost anything online from anyone, anywhere in the country and even across borders with ease. New technology has also led to the emergence of entirely new ways of accessing consumer markets, such as online music and video streaming services. Policy and regulation often cannot keep pace with technological change. In the digital age with much faster and deeper adoption curves of new technology and new expectations, this becomes a much bigger challenge. New initiatives designed to tackle the problems of today can soon lose relevance. It is important that the switching principles are, as far as possible, designed to anticipate and head off the problems of tomorrow as well as resolve those of today.

Section two - Our views on the current principles

In this section we give detailed feedback on each of the principles set out in consultation document. In each case we start by exploring the available evidence on the switching barrier the principle aims to address before providing feedback on the principle itself. Where we believe that there is a case for strengthening the principle we also set out our proposed alternative.

Principle 1: Switching costs

The discussion document rightly identifies that consumers can face a number of financial costs when deciding to switch away from their current provider. These costs can act as a clear disincentive to switching. There are three categories of switching costs which we believe the principles should seek to address:

1. Service contracts with **minimum contract terms** are commonplace across a number of regulated markets, including the mobile phone, energy and insurance markets. The financial penalties associated with exiting these contracts early can be prohibitively high. For example, in the mobile phone market Ofcom caps the maximum fee that can be charged for early contract exit at the customer's total remaining monthly payments. As contract lengths have increased in recent years these fees have risen accordingly. The median contract length is now 24 months and market data suggests the most common monthly tariff is around £17.50 a month.[4] A consumer wanting to exit a 24 month contract after 3 months could be required to pay up to £367. For the 8 per cent of people paying £40 or more for their monthly tariff, contract exit fees in this situation could be up to £840.

   There is a clear rationale for allowing companies to charge exit fees when people choose to exit a contract early. In the case of mobile phone contracts people are often given an expensive handset upfront, the cost of which is repaid through the monthly payments across the course of the contract. In the energy market suppliers often buy wholesale energy months or even years in advance, and are willing to offer people

[4] Citizens Advice (2015) *Calling the Shots: Exploring opportunities for more assertive consumer protection in the mobile phone market*

preferential rates on their domestic energy if they commit to sign up for a minimum term - providing a guaranteed income stream for the supplier. It would not be appropriate, therefore to outlaw minimum contract terms with financial penalties for early exit altogether. However, it is vital that the terms of these contracts, and the circumstances under which exit fees will be payable are clearly defined and brought to the consumers' attention when the contract is entered into.

The standard of service a consumer is entitled to expect under the terms of the contract, and the compensation they are entitled to should these terms not be met, should be clearly set out in the terms and conditions. This is not always the case. For example, nearly one in five (17 per cent) of calls to the Citizens Advice Consumer Helpline in relation to mobile phones relate to standards of service and inflexible contract terms.[5] These issues are deeply connected. For instance, a consumer might find that the service they are receiving is persistently and severely below the standard the expect, and then find that an inflexible contract makes it hard to leave the provider concerned. In these cases, consumers can be left paying for a service they are not receiving for months and sometimes even years.

While the cases we see are at the sharp end, we know that poor service is not uncommon - research by Ofcom found that 14 per cent of mobile phone customers are fairly or very dissatisfied with the reliability of their mobile phone service.[6] The crux of this issue, however, is often not the service itself but ill-defined or unreasonably weak minimum standards. This makes it hard to obtain compensation or negotiate a contract exit. Most networks do not define a reasonable minimum level of service or conditions for penalty-free contract exit in their standard pay monthly terms and conditions. Indeed, most take the opposite approach, setting out a range of factors from network improvement works to adverse weather conditions, that can legitimately affect service. The practical consequence of this is that we see clients hit with large contract exit fees even when their service has failed.

The principle as currently drafted would not address this issue. We therefore propose to add an additional caveat - that the any restrictions on, and charges associated with switching must be *clearly defined*, as well as fair and reasonable.

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[5] ibid.

[6] Ofcom (2015) *The Consumer Experience of 2014*

2. **Bundled packages** - which allow people to purchase a number of different services, often at a discounted rate, from one provider under one contract - can increase the risk of switching costs acting as a barrier to switching. Bundled products are most commonly found in the telecommunications markets, but can also be found in financial services markets. Consumers can run into difficulties when they wish to cancel one of the services included in the bundle, perhaps as a result of a poor standard of service. They often find that they are unable to do so without navigating complex cancellation processes and paying prohibitively high cancellation fees.

   The arrival of 'quad play' products in the telecommunications market - which offer consumers the opportunity to buy their fixed line telephone, mobile phone, broadband and pay tv services in one bundle - may also pose a threat to competition. An increase in the popularity of bundling may create barriers to entry for new providers if they can only realistically compete within the market if they are able to offer all four services.

   Bundled products often offer clear benefits to consumers in terms of lower prices and the convenience of dealing with one contract with one supplier. However, it is important that government and regulators are vigilant in monitoring these types of products to ensure that people are not locked into expensive contracts which do not meet their needs and competition in these markets does not suffer.

   Our proposal to add a requirement that any restrictions on, and charges associated with switching must be *clearly defined*, as well as fair and reasonable, will help to address problems which arise when people wish to exit a bundled contract as a result of poor standards of service. However, there are other issues which may be more effectively dealt with through changes to the other principles. We therefore return to bundled products later in our response.

3. Finally, consumers can also come up against **unexpected fixed costs** when they try to switch. For example, mobile phone handsets purchased from a network on a contract are routinely 'locked' to that network - which means that sim cards purchased from other mobile phone networks will not work in the handset. This acts as a barrier to easy switching for consumers who have completed their minimum contract term, or want to exit their contract early and switch to another provider, but wish to continue using their current handset.

All UK networks now provide handset ‘unlocking’ services. However, most networks charge a fee, which can be as much as £20, for this service.[7] Whether a fee is charged, and the amount payable varies from network to network and according to how long the customer has had the handset for. These fees are more consistently applied, and often more expensive, for pay as you go customers than contract customers.

It is questionable whether these charges can be considered to be ‘fair and reasonable’ - particularly in cases where the handset has already been paid for in full. There is therefore a case for arguing that fees for handset unlocking would already fall foul of the principle as currently drafted. We welcome the government's recent announcement that they expect mobile phone companies to start automatically unlocking handsets.[8] Ofcom should consider outlawing these charges as they consider the principles in the context of the mobile phone market.

Principle as drafted in the consultation document: ‘Switching should be free to the consumer, unless they are aware of and have consented to fair and reasonable restrictions and charges to do so.”

Principle proposed by Citizens Advice: Switching should be free to the consumer, unless they are aware of and have consented to fair, reasonable *and well defined* restrictions and charges to do so.

Principle 2: Switching times

Long delays between a consumer stating their intention to switch and the completion of the process are a common source of discontent amongst consumers. For example, recent polling of energy consumers found that delays in the switching process were the biggest single source of dissatisfaction amongst people who have switched supplier.[9] Citizens Advice therefore supports the inclusion of a principle which calls for efficient switching processes.

However, we are concerned that the principle as currently drafted is not sufficiently clear or comprehensive. We have three suggestions for making this principle more effective:

[7] Ofcom wepage Mobile phone locking and unlocking *(accessed 03/12/2015)*
[8] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/480797/a_better_deal_for_families_and_firms_print.pdf
[9] GfK Energy Panel

- First, in practice what counts as 'quick' is likely to vary from market to market. Simplicity is equally as important as speed. The word 'quick' may therefore be usefully replaced with the word '*efficient'*.

  BIS should also give thought to whether the switch should be completed before or after any cooling off period has elapsed. Introducing ex-post cooling off periods would allow for quicker, more efficient switching and allow the consumer to trial the service before committing. This may help consumers to feel more confident about switching to a new provider - particularly where they are being asked to sign up to a contract with a lengthy minimum term.

- Second, there is scope for this principle to address another common barrier to switching - the perception that switching is more hassle than it's worth. For example, recent polling of energy customers found that one in ten people who had seriously considered switching but decided not to do so were put off because the switching process was too difficult and confusing.[10] The 'hassle factor' is a common barrier to switching in telecommunications markets too. A third (33 per cent) of broadband customers who had considered switching but decided not to cited this is a factor in polling carried out by YouGov in 2013.[11] We therefore recommend that a requirement for switching processes to be *'straight forward'* is included in this principle.

- Third, switching processes should be transparent. Consumers should have the right to know what will happen and by when. There must be clear industry standards for what a consumer can expect, and established compensation structures which consumers can access when these standards and timescales are not met. We therefore propose that the following requirements should be added to this principle: switching processes should be *'easy to track'* and *'completed by an agreed date'.* Consumers should also be entitled to *compensation* for any delays.

Principle as drafted in the consultation document: 'The switching process itself should be quick, at an agreed date'.

Principle proposed by Citizens Advice: The switching process itself should be straightforward, efficient, easy to track and completed at an agreed date. Compensation should be payable if this deadline is not met.

[10] GfK Energy Panel
[11] Consumer Futures (2014) *Broad but low: Consumer experiences of Internet Services Providers*

Principle 3: Gaining provider led switching

There are three strong reasons to support the inclusion of a principle which requires all switching processes to be led by the gaining provider:

- First, it is the arrangement that most closely aligns the interests of the consumer and the provider - both parties stand to gain from a swift, efficient switching process.
- Second, gaining provider led switching removes the need for consumers to contact multiple suppliers in order to complete the switch - they only need to engage with the gaining provider.
- Finally, consumers who have made the decision to switch have often lost confidence in their current supplier. As gaining provider switching removes the need for the consumer to communicate with their current supplier, the opportunities for unwelcome attempts to retain the customer are significantly reduced.

We support the principle as drafted in the consultation document.

Principle as drafted in the consultation document - The switching process should be led by the organisation with most interest in making the switching process work effectively - the gain provider

Principle 4: Access to consumption data

If people are to actively engage in markets and make an informed decision about the supplier and product/tariff which best suits their needs, it is vital that they are able to understand their consumption and the deals available to them. In regulated markets this is often far from straightforward for the following reasons:

- Units of measurement for utilities often have little practical relevance to consumers. For example, mobile phone tariffs that show data allowances in mega or gigabytes tell a consumer very little about how many pictures they could typically upload, or songs they could stream etc.

- The sheer number and complexity of tariffs available in some markets can make comparing deals across the market and finding the best deal a challenge. A 2012 analysis of the mobile phone bills of more than 28,000 people found that there were more than 7 million different options to choose from.[12] This can make it hard to compare offers across the market, with evidence suggesting that many mobile phone users are paying more than they need to.[13] The volume and complexity of tariffs has also been recognised as an issue in the energy market, where Ofgem has taken action to limit the number of tariffs suppliers can offer and put detailed rules in place dictating how these tariffs should be presented and advertised to customers.[14]

- The way in which tariffs are advertised can add a further layer of complexity. Citizens Advice has raised concerns with the Advertising Standards Authority and Ofcom regarding the standard of advertising in the broadband market. The headline rate advertised by many companies bears little resemblance to the actual cost consumers can expect to pay once line rental and other unavoidable fees and charges are taken into account. In research published last year, we found that on average people could expect to pay more than three times the headline price advertised, with some paying up to six and a half times more. This practice is misleading and makes it very difficult for consumer to make comparisons across the market with confidence and ease.

[12] Analysis released by Carphone Warehouse quoted in Bill Monitor (2012) The Billmonitor.com National Mobile Report 2012

[13] Bill Monitor (2012) The Billmonitor.com National Mobile Report 2012

[14] For information on Ofgem's Retail Market Review reforms see: https://www.ofgem.gov.uk/gas/retail-market/market-review-and-reform/retail-market-review

The role of third parties

Third party intermediaries, such as price comparison websites that present the the best deals based on the information consumers have provided, can make the process of finding a good deal more manageable. However, consumers are still required to enter consumption information, which may be spread across a number of different bills and pieces of correspondence from their supplier. This can be time consuming and frustrating for consumers and leads some to give up altogether. One intention of the midata initiative was to allow third party intermediaries such as price comparison websites easier, automated and permissioned access to consumers' transaction data to make the switching process even more streamlined and accessible.

The potential of data portability

Data portability schemes like midata have much more potential than just automating switching. Outside of just being able to easily access, copy and move your data between suppliers in regulated markets, Citizens Advice believes the principle of data portability will become more important in the future because:

- Consumers should be able to apply insight from their data more widely: the advance of data collection and analytical processing power, and connections outwards to other services, consumer products and services can easily learn our habits and preferences and adapt and personalise services. However, at the moment, it is companies who gain most from analysing the patterns created by consumers data use. It should be made much easier for consumers to understand and use them to get insights into spending behaviour or travel habits in ways that could help them make better decisions.

- Consumers are continually building up valuable profiles which can act as a disincentive to switching: companies personalise services over time, based on consumers optimising the service to reflect their tastes and needs. This is often welcomed by consumers but they should remain loyal to services through choice, based on quality and value, not locked in and disincentivised to change provider from fear of losing all of the personalised features. It should be made much easier for consumers to take their photos, content, history and connections if they chose to use a different social media platform, or to take your content, notes and modifications with you if you select a new e-reader.

- More connected devices and services means potential for more lock in: This issue becomes increasingly relevant to regulated markets as more devices, systems and objects are connected to the internet of things. At the moment, smart home energy and security services create a customised profile of the consumer, which cannot be ported over if you decide to use a different provider. While services of this kind undoubtedly have the potential to offer real advantages to consumers, there is an important debate to be had about the effects on competition if people are effectively locked into the provider they first select. This debate should happen sooner rather than later to establish consumer-friendly and appropriate rules around data portability which empower rather than limit consumers in their choices.

We agree with the overall direction and message behind the principle on consumption data as drafted in the consultation document. However, we think that this principle does not go far enough in defining what easily reused should look like if consumers are to be able to achieve good outcomes on their terms. We suggest it should be strengthened in the following way:

Principle as drafted in the consultation document: Consumers should have access to their consumption or transaction data. This should be in a format that can be easily reused (e.. “midata”) and they should be able to authorise third parties such as comparison sites to access their data to help them to switch.

Principle proposed by Citizens Advice:
Consumers should be able to *access and copy* their consumption or transaction data *so they can easily reuse it for their own purposes*. This data should be made available in an open, easily comparable and sharable format (such as in the midata scheme).

Principle 5: Comparison sites

Price comparison websites can play a key role in encouraging people to actively engage in regulated markets. They can make the process of comparing deals across the market and switching to a new supplier far more streamlined and accessible. However, consumers today are faced with choosing between a growing number of these sites offering subtly different services.

Some of these sites relate to specific markets, such as energy or insurance, while others offer price comparisons on a range of consumer goods and services. Crucially, price comparison websites also differ when it comes to their business models. Some generate income from advertising revenues, adverts and sponsored links. Others are commission for a completed sale or switch. Others still are owned by suppliers themselves. A price comparison website's business model and commercial arrangements can have a real impact on the quality and impartiality of the advice a consumer receives. And yet, this vital information is often hidden away or not available to consumers at all.

It is not realistic to expect consumers to consult a number of different price comparison websites to ensure that they are getting a receiving a fair and comprehensive representation of the market. Instead, Citizens Advice advocates strict minimum standards for these websites.

At a minimum, price comparison websites should be expected to:

- Ensure that all prices displayed are accurate, up to date and comprehensive (for example include additional costs such as delivery or any compulsory additional charges)
- Make clear the distinction between any sponsored or advertised links and independently ranked search results based on the information the consumer has provided.
- Be upfront and honest with consumers about how they make their money, how this may affect the deals that the consumer is offered, and the proportion of the market the website covers.
- Give consumers the option to see complete/unbiased rankings. Simply saying the data is biased is not sufficient.
- Have a clear and prominent privacy policy which gives consumers an easy way to to 'opt out' of data sharing.
- Ensure that any quality ratings developed and applied by the site are transparent, impartial and do not unduly favour suppliers with which the site has a commercial relationship

A number regulators operate accreditation schemes for price comparison websites[15] but these are not consistent across different markets, and are poorly recognised by consumers. We would therefore like to see these initiatives replaced with one comprehensive confidence code under a single recognisable brand. This code should be based on common principles while reflecting the unique characteristics of different markets. This approach could also lead to an accreditation model that would grant consumers protection and access to redress that is equivalent to their entitlements when dealing directly with a supplier.

[15] include some examples

Once again, we agree with BIS' decision to include a principle on third party intermediaries in their set of switching principles. However, we feel that the principle as currently drafted is overly ambiguous, and should be strengthened in the following way:

Principle as drafted in the consultation document: Sites and tools providing comparisons to consumers that receive payments from suppliers should make clear where this affects the presentation of results.

Principle proposed by Citizens Advice: Sites and tools providing comparisons to consumers that receive payments from suppliers should make clear where this affects the presentation of results *and give consumers the option to see unbiased rankings. All such sites and tools should also sign up to a relevant accreditation and redress scheme.*

Principle 6: Redress

A fear that something will go wrong during the switching process consistently emerges as a major barrier to switching in regulated markets. For example, recent consumer research carried out by the Payments Council found that fewer than 50 per cent of consumers were confident that the process for switching their bank account would be error free, and were less likely to switch as a result.[16]

Human and system errors will never be entirely eliminated from switching processes. What is important, therefore, is that any mistakes are spotted and rectified quickly and people are able to access redress without going through unnecessarily complex and frustrating complaints procedures. Unfortunately this is not always the case. The energy market provides an apt example.

Despite delayed or incompetently handled switches historically being a major cause of consumer inaction and detriment in the market[17], there is no set standard of redress beyond backstop protections provided by the Energy Ombudsman. Given complaints need to have reached an eight week deadlock to

[16] https://www.fca.org.uk/static/documents/research/making-current-account-switching-easier.pdf
[17] Further evidence is contained in the Citizens Advice report, "Switched On? Consumer Experiences of Energy Switching, http://webarchive.nationalarchives.gov.uk/20140728011208/http://www.consumerfutures.org.uk/files/2013/05/Switched-on.pdf

even reach the Ombudsman, the process clearly does not meet the profile of an efficient, hassle-free mode of redress. Many people give up before their problem is resolved.

Further, research indicates that more vulnerable consumers are less likely to complain about poor customer service, leaving the likelihood high that those who are compensated are consumers who shout the loudest, not necessarily those who suffer the most detriment. As consumers in lower social groups are less likely to switch and propensity to switch decreases along with income, it is reasonable to surmise that the current status quo is especially unattractive for such households, who the Government recently stated they are keen to protect.[18]

in this market we favour automatic compensation administered through the Guaranteed Standards. The detriment to an individual consumer of botched switches includes any difference in their energy bill caused by delays in moving to a cheaper tariff, the inconvenience they suffer, and the impact on their confidence in the market and/or willingness to engage in the future. We have noted elsewhere that it would be fair to carve out instances where there is a legitimate reason for delay, such as erroneous transfers and those subject to the objections process, leaving compensation to be administered only where a supplier (new or old) is at fault.

As a general principle, we believe that redress systems should be:

- As automated as possible, with specific directions to economic actors on what form it should take in different scenarios
- Free to the consumer at the point of use
- Transparent and visibly independent of the trader
- Offer adjudication between the trader and the consumer
- Able to compel the trader to supply evidence and make decisions which are binding on the trader
- Able to impose both financial and non-financial forms of redress
- Easy to access and navigate for all consumers, including those in vulnerable circumstances
- Set up to work alongside consumer representation with well established routes for consumer groups to provide feedback

[18] In her 2015 Conservative Party Conference speech, Secretary of State for Energy And Climate Change said 'we are...determined to make sure the most vulnerable households are those most protected', https://www.politicshome.com/energy-and-environment/articles/news/amber-rudd-speech-conservative-party-conference#sthash.g8u4ww3f.dpuf

- Willing and able to provide data to regulators on the systemic issues identified through their case work

As currently drafted in the consultation document the redress principle provides a good foundation to build from. However, simply saying that there should be ‘an effective process’ for redress is far too ambiguous and open to a broad interpretation. We therefore propose that the words *‘quick’*, *‘easy to access’*, *‘simple’* and *‘free to the consumer’* should be added to this principle.

Principle as drafted in the consultation document: There should be an effective process for consumers to get redress if anything goes wrong in the switching process.

Principle proposed by Citizens Advice: There should be a *quick*, *easy to access*, *simple* and effective process for consumers to get redress if anything goes wrong in the switching process. *This process should be free to the consumer.*

Section three: The case for an additional principle

We believe that the current switching principles, if amended in line with our suggestions, have the potential to address many of the barriers to switching commonly encountered by consumers and our advisers. However, there is one major barrier to switching which the principles do not currently address - product design. In this section we make the case for the inclusion of an additional principle to redress this imbalance.

Consumer research consistently shows that people will not switch unless the benefits of doing so are clear.[19] As we have seen, people are also likely to be put off if they feel that the process is overly complex or will cause too much hassle. Therefore, a key priority for any regulator or Department wishing to promote consumer engagement must be to ensure that switching processes are streamlined and hassle free. The differences between the products on offer, and the benefits of switching must also be made clear. Unfortunately, the way in which products are designed and advertised can add to consumers' confusion and obscure the benefits of switching.

As noted in our analysis on data comparability above, the sheer number and complexity of tariffs available in some markets can make comparing deals across the market and finding the best deal a real challenge. We highlighted the example of the mobile phone market where consumers must choose from more than seven million tariffs varying in price, contract length and the extent of inclusive minutes, text messages and data. Similar issues have been raised in the energy market where Ofgem has taken action to reduce the number and complexity of the tariffs available to consumers.

The way in which products are advertised can add a further layer of complexity and confusion to the process. Above, we raised our well publicised concerns about standards of advertising in the broadband market, where people can on average expect to pay more than three times the headline price advertised, while some will pay up to six and a half times. This practice is fundamentally misleading and makes it very difficult for consumers to make comparisons across the market with confidence and ease.

[19] Gill Wales (2014) *Consumers' engagement with markets and implications for their time*

The complexity of these individual products becomes even more problematic when they are marketed as a bundle. Consumers can be enticed in by attractive headline features which relate to one aspect of the bundle, such as the speed of the broadband or additional television channels at a reduced price, while overlooking other aspects of the bundle which may not be as attractive. Consumers can also encounter problems when they wish to switch one of their services, perhaps due to poor service, but are unable to do so without paying exit fees for the other services included in the bundle, even if they are happy with these components.

Citizens Advice therefore proposes the addition of the following principle:
Products should not be structured in a way that makes switching hard, for example through complex contracts. Advertising should support this, with comparable headline prices that include all unavoidable fees and charges.

Summary of principles as proposed by Citizens Advice

1. Switching should be free to the consumer, unless they are aware of and have consented to fair, reasonable and well defined restrictions and charges to do so.
2. The switching process itself should be straightforward, efficient, easy to track and completed at an agreed date. Compensation should be payable if this deadline is not met.
3. The switching process should be led by the organisation with most interest in making the switching process work effectively - the gain provider
4. Consumers should be able to access and copy their consumption or transaction data so they can easily reuse it for their own purposes. This data should be made available in an open, easily comparable and sharable format (such as in the midata scheme).
5. Sites and tools providing comparisons to consumers that receive payments from suppliers should make clear where this affects the presentation of results and give consumers the option to see unbiased rankings. All such sites and tools should also sign up to a relevant accreditation and redress scheme.
6. There should be a quick, easy to access, simple and effective process for consumers to get redress if anything goes wrong in the switching process. This process should be free to the consumer.
7. All products should be clearly structured and comparable with other products across the market. The headline prices advertised must be inclusive of all unavoidable fees and charges.