

# Annex C: Cross sector themes

The following projects relate to multiple markets. Our cross sector work identifies lessons from other markets that can illuminate and improve markets where we have a statutory role and vice versa. Many of these problems exist across markets and we believe that there must be cross-sectoral solutions to them. To this end, we will focus on the following areas:

## 1. Strengthening consumer rights in a changing world

### 1.1 Secure the best Brexit deal for consumers

**Cross sector:** Brexit presents short and medium-term opportunities and challenges for UK consumers and consumer advocacy.

In the short-term, our priority is making sure that existing consumer rights are defended and, where opportunities exist, enhanced during the EU negotiations. We will encourage the relevant authorities to reflect on how our competition regime can be reformed in the best interests of consumers. We will also scrutinise the process of transposing EU regulations into UK law. Many protections at EU level are the result of hard fought lobbying by consumer groups, and it is vital that these are well transposed. We have begun this work already, developing consumer principles to test the final Brexit agreement against, making sure that consumer outcomes are being considered at every stage of the process.

However, in the medium-term, Brexit has the potential to lead to the biggest debates on consumer rights and protection in a generation. Consumer advocacy will need to adapt to a fundamentally changed environment. Consumer laws and trade negotiations previously made in Brussels will soon be contested in the British public, political and regulatory arena. We will start to think about the role of consumer advocacy in this context and how consumer interests will be embedded in intricate multilateral negotiations. This will help determine our post-Brexit consumer rights and regulatory framework.

### 1.8 Understand how fluctuating incomes and billing practices interact - Cross-sector

In today's flexible labour market, increasing numbers of consumers have insecure and unpredictable incomes. Often this fits the way they live their lives, but for others it can cause budgeting nightmares, never knowing where the next paycheck is coming from. We'll work with companies in essential service markets to identify where providing flexibility in how consumers are billed could help increase reliable payment and reduce the possibility of customers falling behind on their bills. People with fluctuating physical or mental health conditions can face particularly volatile incomes, as well as being

especially prone to detriment in essential service markets. We will ensure our research focuses on solutions for these groups.

### **1.9 Ensure consumers have access to redress, resolution and automatic compensation**

**Cross-sector and Energy:** This year, we're continuing to identify the scale of compensation that is unpaid. In energy, £2.1million of compensation was not paid by network companies in 2015/16 when they had not met necessary levels of service. Meanwhile, consumers are still not guaranteed access to redress and ADR when things go wrong.

The need for regulation is clear. Consumers tend to make purchasing decisions on the assumption that things will go right, so companies have little competitive incentive to improve how they act when things go wrong. This year, we'll work with companies and regulators to improve consumers' rights, automate compensation and extend and improve ADR provision.

## **2. Ensuring major projects and infrastructure investment deliver good value for consumers**

### **2.2 Make sure consumers get value for money from other monopoly services - Cross-sector**

There are hundreds of billions worth of monopoly assets in the UK consumer economy. What is true for energy networks is true for other essential monopoly services: the exceptional economic climate and regulators' caution has too often led to decisions that have ended up in companies' rather than consumers' favour. For example, this was found by ourselves<sup>1</sup> and by the National Audit Office for the 2010-2015 water price control.<sup>2</sup> This year, we've begun to apply the insights we developed regarding energy networks to potential overpayments or under-investments in other sectors with price regulated monopolies.

Multiple regulators are considering their next round of price controls. In the coming year, we'll build on this analysis to propose a series of remedies for improving the regulation of monopoly businesses in essential markets. We'll identify good practice from regulators in different areas to make improvements to price controls across markets.

## **3. Reformed markets that do not exploit consumers' behaviour**

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<sup>1</sup> [Many Happy Returns?](#), Citizens Advice, 2015

<sup>2</sup> [The economic regulation of the water sector](#), National Audit Office, 2015

### **3.1 Establish the costs of the loyalty penalty - Cross-sector**

We've calculated the loyalty penalty in energy, insurance, broadband, mobile and mortgage markets this year. To complete this research programme we'll identify its impact in further markets.

We will also commission research on the broader economic consequences of the loyalty penalty. Incumbent firms - often companies who started as the state-run monopoly - still dominate many major markets, and competition remains limited. In energy, the 'Big Six' providers have kept 85% of the market and the top 4 broadband providers have 95%.<sup>3</sup> Even though engaged consumers *have* been switching, most have stayed on deeply uncompetitive deals for years. In energy, for example, 3 in 4 consumers on the lowest incomes across Britain have never switched.<sup>4</sup>

In the coming year, we'll estimate the wider costs of the loyalty penalty and how much could be gained - by consumers and the wider economy - if regulators and the Government tackled it.

### **3.2 Fix the loyalty penalty - Cross-sector**

We're determined to help fix problems as well as quantify them. We set out suggestions for increasing market participation, but after years of the best consumer, regulator and industry minds trying to improve this, we think it's time to try other strategies too.

We'll review evidence across markets and countries to understand potential remedies, alongside our work to ensure the energy price cap is a success (project 3.3). We'll consider, for example, what types of price regulation work in different markets. And we'll explore how regulators can use principles based regulation to give companies the right incentives to fix this problem.

### **3.5 Assess the impact of big data, pricing algorithms and personalised pricing - Cross-sector**

We have undertaken preliminary research to develop a framework for judging when personalised pricing leads to better or worse outcomes for consumers across Britain. This year, we'll put that framework into practice. We will work to understand what the necessary response from consumer advocates and regulators will be. We will look particularly closely at the energy market, where personalised pricing could have the greatest impact. In particular, we'll consider what strategies regulators can adopt in the face of complex pricing algorithms that companies themselves don't understand. This will include work alongside the CMA, Ofgem and UKRN to jointly explore how we maximise benefits for consumers.

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<sup>3</sup> Ofgem, [Electricity supply market shares by company: Domestic \(GB\)](#), October 2017; Ofcom, [The UK Communications Market: Telecoms and Networks](#), 2017

<sup>4</sup> Centre for Sustainable Energy on behalf of Citizens Advice, [Energy tariff options for consumers in vulnerable situations](#), 2015

### **3.6 Improve outcomes for people with mental health problems - Cross-sector**

Our upcoming work on the loyalty penalty will show that people with mental health problems find it harder to shop around. This means they can end up paying more for their essential services. We will do further research with consumers across England, Scotland and Wales to understand the impact a mental health problem can have at other stages of the consumer journey, such as when switching provider.

## **4. Protecting and empowering vulnerable consumers**

### **4.1 Preventing crisis situations - Cross-sector**

Benefits changes are often the main cause of people being left with no money for their gas and electricity<sup>5</sup> or falling into debt in other essential services<sup>6</sup>. We have also researched the problems that Universal Credit is causing for household finances. We will explore ways to help people retain access to essential services and stay out of debt when they experience significant income changes.

### **4.6 Improve identification of vulnerable consumers - Cross-sector**

A longstanding issue in supporting to vulnerable consumers is the difficulty providers face in identifying people who need extra support, particularly in energy and postal markets. Language and information can play a key part in consumers' receptiveness to disclosing vulnerability or accepting a support offer. We will explore how behavioural insights can be applied to improve the ways essential service providers identify people who are vulnerable, as well as improving disclosure rates among vulnerable groups.

We will also be introducing a tool to allow vulnerable GB consumers to notify their utility companies about their needs through a single form.

### **Influencing stakeholders to achieve impact for consumers**

A large part of our work as consumer advocate is influencing stakeholders to ensure we achieve impact on behalf of consumers. In 2018-19, we will continue to share our unique insight with government, regulators and partners.

We will monitor and influence changes that affect consumers as a result of leaving the European Union to identify areas of detriment and develop solutions to mitigate

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<sup>5</sup> 22% of those self-disconnecting cited change in benefit income - [Topping-up or dropping-out: self-disconnection among prepayment meter users](#), Citizens Advice 2014

<sup>6</sup> 25% of those behind with council tax cited change in benefit income as a reason - [Catching up: Improving council tax arrears collection](#), Citizens Advice, July 2016

them. We will work flexibly in this area, holding roundtables or producing briefings on the effects on England, Wales and Scotland as is most appropriate as the formal process develops.

We will work closely with the CMA, for example to understand changes in consumer markets that big data and new technologies will bring. We will work closely with BEIS to contribute to the development on the Consumer Green Paper and any further steps the Government will take to tackle consumer detriment. And we will maintain and strengthen links with the UK Regulators Network, exploring the opportunity for joint work and events.

We will also work closely with partners and apply our cross-sector approach to deploy insights from our Consumer Helpline, educate consumers and run campaigns for consumers like National Consumer Week.

## Success

We'll have succeeded in delivering on our key aims if:

- **We've persuaded regulators, parliamentarians and policymakers to take adequate steps to end the loyalty penalty** in essential markets, as well as consider more holistically the ways in which consumers' actual behaviour impact on market outcomes. As big data and algorithms become more sophisticated, the behavioural challenge will become every more important - that's why we'll act to ensure we fix these problems now.
- **Essential markets work better for the most vulnerable consumers.** We'll help providers and regulators better identify consumers in vulnerable situations and we'll apply specific insights to ensure that people with mental health conditions have better support and advice. We'll also have developed a better understanding of how to help consumers with particular challenges - such as fluctuating incomes.
- **Uncompetitive parts of the market deliver better outcomes for consumers.** We've closely scrutinised price-controlled essential services such as energy networks in recent years. We'll work to make sure consumers are either paying less or getting more investment from the bills they pay monopoly companies.