

Peer Problems

**An assessment of the consumer
experience of online marketplaces**



**citizens
advice**

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Summary

A defining challenge in consumer protection is keeping up with the rapid pace of change. Nowhere is this harder than in markets that are being transformed by the shift online. Three quarters of adults in the UK bought or sold goods and services on the internet in 2014, a 21 percentage point rise on 2008.¹ These changes are overwhelmingly positive, enhancing choice and competition. But at Citizens Advice we also see their sharp end as consumer scams migrate online along with the wider consumer economy.

The rise of online trading creates new ways to carry out old scams. But it also raises more fundamental challenges for consumer protection. One particular challenge comes from online marketplaces - websites like eBay, Amazon Marketplace or Gumtree, that don't sell goods directly, but act as an intermediary, allowing people to trade with each other. Consumer law was simply not designed for this world; most consumer rights do not even apply when individuals buy from other private individuals. If this used to be a niche concern, it is not any longer. eBay alone now has a digital audience of 27 million, making it the UK's leading retail website.²

In this report we present the first assessment of consumer protection in online marketplaces, based on the results of independent polling and new analysis of data from our own Consumer Helpline.³ We start from the premise that these websites offer huge benefits to consumers. The question is how to ensure consumers remain protected while not undermining these advantages or hindering their growth. Unless otherwise stated, the results we present in this report exclude respondents to our polling who said they didn't know/couldn't recall.

In Chapter 1 we look at consumer participation in online marketplaces. Our findings reveal that online marketplaces have hit the mainstream. More than 30 million people in the England and Wales, 83 per cent of those with access to the internet who expressed an opinion, bought at least one item in this way in the past 12 months.⁴ Users are diverse, spread across age groups, socioeconomic groups and urban and rural areas. The types of goods purchased through online marketplaces

¹ ONS *Internet Access – Households and individuals 2014*

<http://www.ons.gov.uk/ons/rel/rdit2/internet-access---households-and-individuals/2014/stb-ia-2014.html>

² Ofcom, *The Communications Market 2014* (August 2014)

³ In December 2014 Citizens Advice commissioned YouGov to carry out a poll exploring the consumer experience of using online marketplaces. Total sample size 1811 adults. The survey was carried out online and the figures have been weighted to be representative of all adults in England and Wales (18+). Unless otherwise stated all figures quoted throughout this report are based on the YouGov Plc data and exclude those that said don't know/ can't recall. Ofcom, *The Communications Market 2014* (August 2014)

⁴ Citizens Advice estimate based on YouGov figures, see 'Note on Population Figures' (p.30) for methodology

are similarly diverse, ranging from books to furniture. There has also been a transformation in the way we pay: excluding don't knows, 41 per cent of online marketplace users paid for their last purchase through an online payment system.

In Chapter 2 we look at the scale and shape of detriment in the market. Problems are more widespread than we would hope - 37 per cent of recent online marketplace users who expressed an opinion, an estimated 10.7 million people, have encountered a problem when buying goods through an online marketplace in the past 12 months.⁵ In our own data we see the sharp-end of scams and fraud, but our polling also reveals more widespread failures of basic consumer protection, such as faulty and misdescribed goods.

In Chapter 3 we consider the consumer experience of resolving these problems. Although a majority of online marketplace users who encounter a problem are ultimately able to reach a full or partial resolution, 14 per cent who gave an answer, an estimated 1.4 million people across England and Wales, were unable to resolve their most recent problem.⁶ This is a challenge because traditional consumer rights do not always protect these consumers, with individuals sometimes buying from other individuals rather than businesses. Furthermore, awareness amongst consumers of the rights which do apply is low - less than half of people know that they have fewer rights when buying from an individual than from a business.

As intermediaries between buyers and sellers, online marketplaces are well-placed to tackle consumer problems. There is also a clear business case for doing so. Most people who would not use an online marketplace told us this was due to concerns about redress, security and the standard of goods, not the types of products which are on offer. Since many of the sellers of these websites are either private individuals or small, part-time businesses, they may need additional support and guidance to understand their rights and obligations. This all raises the question of how traditional consumer rights could be translated into an approach that works in the peer to peer economy.

We conclude the report by suggesting five ways in which online marketplaces could give consumers better protection:

1. **Feedback systems** are valued by online marketplace users. But not all sites use them and, among those that do, feedback is typically limited to the period around the transaction. We know from our wider work that faults often develop months after a purchase; this is why some statutory rights remain enforceable for years. *Our evidence suggests it would help consumers if online marketplaces offered extended feedback windows, allowing feedback later if a fault develops. Sites that don't offer feedback should also consider light touch ways of doing so.*

⁵ Ibid.

⁶ Ibid.

2. **Monitoring and verification processes** are important for making sure buyers and sellers are who they say they are, yet current practice is patchy. We recognise that sites do not want to erect barriers to entry. *But our evidence does suggest that specific products - particularly cars and high value furniture - would merit verification processes to ensure sellers have their contact details recorded. At a minimum, enhanced verification could be voluntary, with a kitemark to give buyers confidence and to give transparent sellers an edge.*
3. The **dispute resolution services** provided by some online marketplaces are popular with users but their scope is limited. From July 2015, all traders will be obliged in law to give customers details of a suitable independent Alternative Dispute Resolution (ADR) service in the event of an unresolved dispute.⁷ *Online marketplaces should give their business sellers a convenient way to meet these new obligations, perhaps by working with an ADR provider to provide business sellers with an appropriate and simple default option.*
4. Consumer rights are limited when it comes to **consumer to consumer transactions**. This is partly because these rights were introduced at a time when such transactions were face to face, small-scale, informal and unmediated - the ad hoc seller in the local pub. Online marketplaces are a world away from this, and even the idea of a 'trader' itself is now hard to define. *The Law Commission should review the law covering consumer to consumer transactions, including reviewing the definition of a 'business' or 'trader' and the protections consumers enjoy in consumer to consumer transactions.*
5. The **information on consumer rights** provided by online marketplaces focuses on their own protection policies rather than statutory rights. It is rarely made clear, for example, that consumers enjoy far weaker legal protections when buying from an individual rather than a business. Our evidence suggests that buyers are often unaware of this distinction. *Online marketplaces should ensure their information on statutory consumer rights is up to date and they should give consumers easy to understand information on their statutory rights and educate business sellers about their legal responsibilities.*

In the coming months we will be working collaboratively with online marketplaces and a wide range of consumer rights bodies to develop practical measures which reduce the risks buyers face while retaining convenience and ease of use.

⁷ Directive 2013/11/EU of the European Parliament and of the Council of 21 May 2013 on alternative dispute resolution for consumer disputes

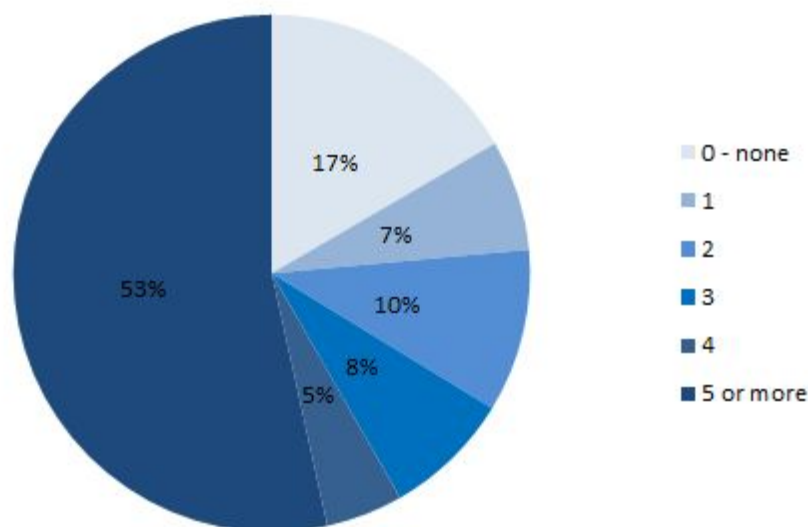
Consumer participation

In this chapter we present our findings on consumer participation in online marketplaces. Our headline finding is that online marketplaces are now a well established element of the retail landscape. Our analysis, based on an independent poll conducted online by YouGov,⁸ shows that 83 per cent of adults with internet access in England and Wales who expressed an opinion, have bought at least one item through an online marketplace in the past 12 months. This is the equivalent of more than thirty million people,⁹ More than half are regular users, having bought goods through an online marketplace five times or more in this time.¹⁰

In this chapter we explore who these users are, what they buy and why they choose to buy in this way.

Figure 1: Online marketplaces have hit the mainstream

% of respondents who have used an online marketplace in the past 12 months



Citizens Advice analysis of data from YouGov PLC (base 1677)

** Figures exclude those who said that they did not know/could not recall*

Online marketplaces are now a mainstream way to shop, and no longer a niche used by early adopters. The users of online marketplaces are diverse, with strong

⁸ In December 2014 Citizens Advice commissioned YouGov to carry out a poll exploring the consumer experience of using online marketplaces. Total sample size 1811 adults. The survey was carried out online and the figures have been weighted to be representative of all adults in England and Wales (18+). Unless otherwise stated all figures quoted throughout this report are based on the YouGov Plc data and exclude those that said don't know/ can't recall.

⁹ Citizens Advice estimate based on YouGov figures, see Appendix A for methodology.

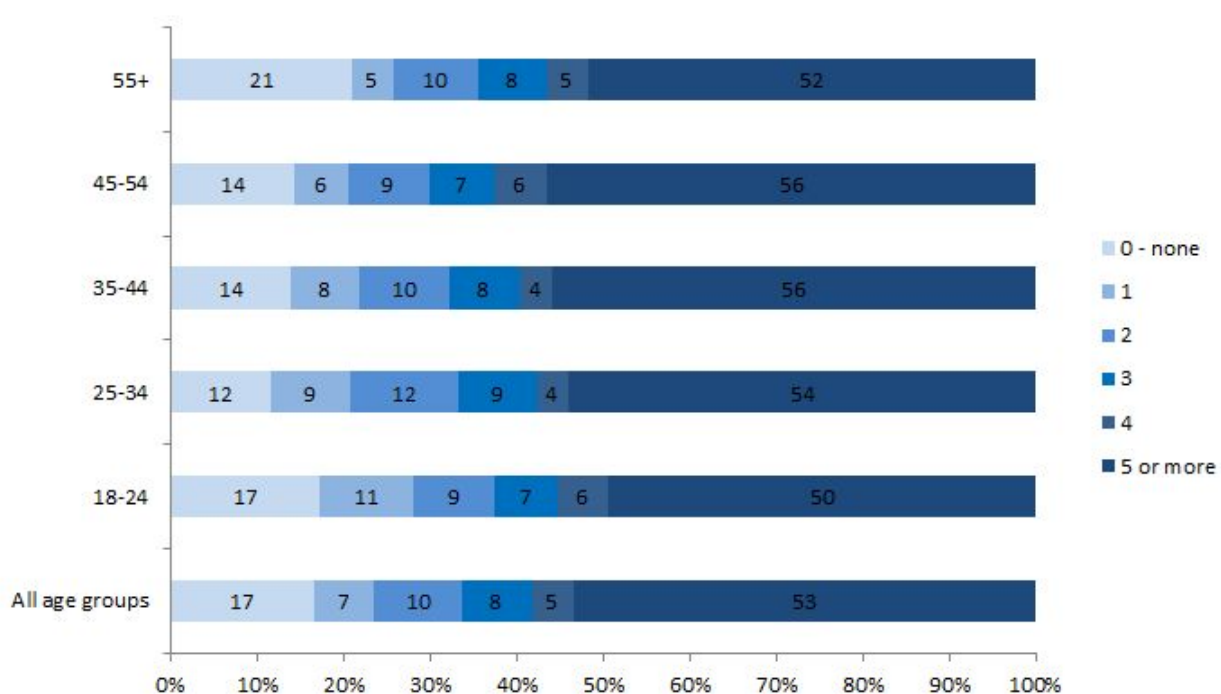
¹⁰ This survey was conducted online, the sample therefore excludes those who do not have access to the internet. This data is therefore only truly representative of internet users (87 per cent of the UK population) and not the wider population.

representation across generations, geographical locations and socio economic groups. Behind this headline, our polling reveals some interesting patterns.

First, although younger people aged 25-34 are the most likely to have used an online marketplace in the past 12 months (88 per cent), use of this form of retail remains widespread amongst those aged 55 and over (79 per cent). Notably, the youngest in our sample, 18-24 year olds were 5 per cent less likely to have used an online marketplace in the past 12 months than those aged 24-34.

Figure 2: Online marketplaces are popular across generations

% of respondents who have used an online marketplace in the past 12 months by age group



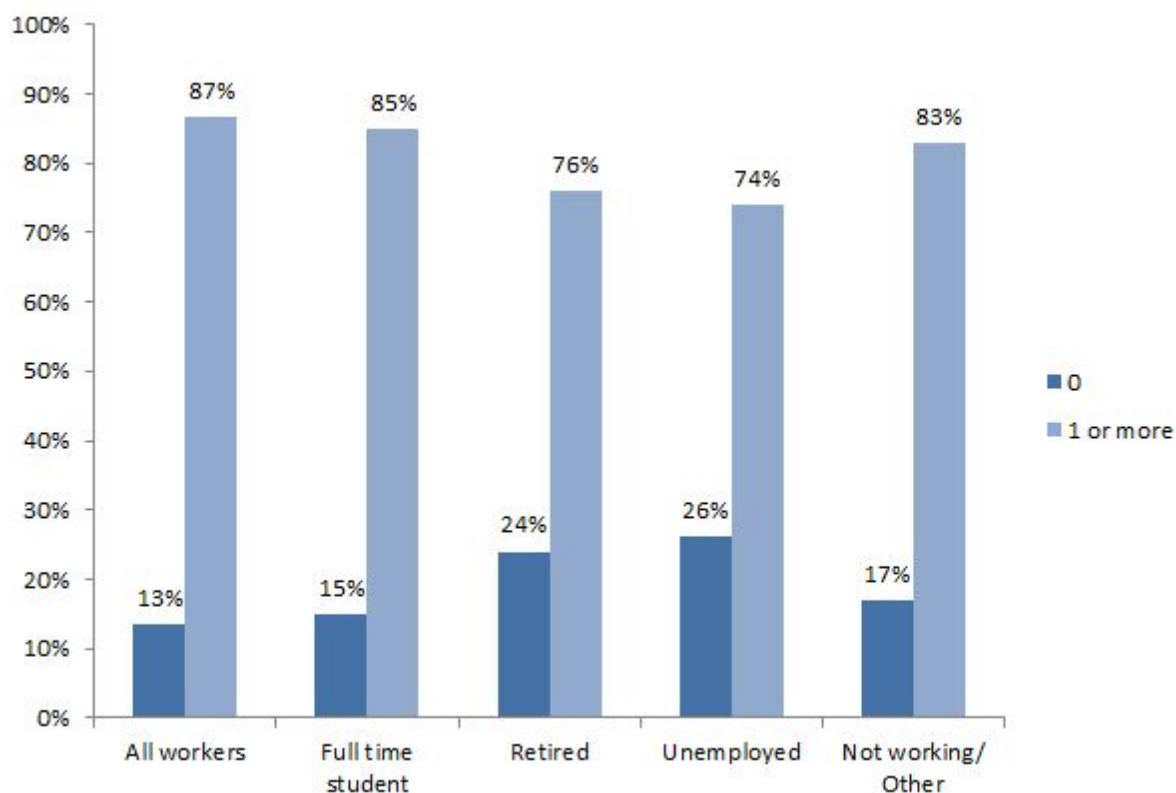
Citizens Advice analysis of data from YouGov PLC. (base 1677)

** Figures exclude those who said that they did not know/could not recall*

Second, those in full or part-time work are significantly more likely to have used an online marketplace to buy goods than the unemployed and retired. This may reflect this group's greater purchasing power.

Figure 3: Workers are more likely to use online marketplaces than other groups

% of respondents who have used an online marketplace in the past 12 months by work status



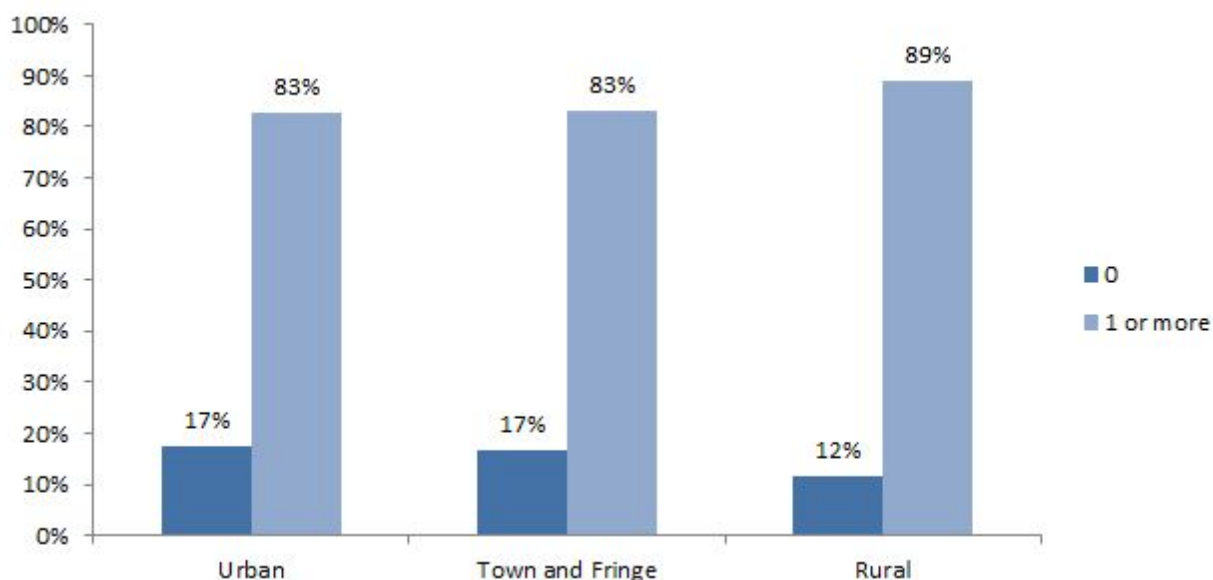
Citizens Advice analysis of data from YouGov PLC (base 1677)

** Figures exclude those who said that they did not know/could not recall*

Finally, respondents living in rural areas are five per cent more likely to have used an online marketplace than those living in urban areas. This is likely to reflect a higher concentration of alternatives, such as high street retail outlets, in urban areas. This emphasises that a failure to protect consumers online could create an urban/ rural divide.

Figure 4: Those living in rural areas are more likely to use online marketplaces than their urban counterparts

% of respondents who have used an online marketplace in the past 12 months, rural vs urban



Citizens Advice analysis of data from YouGov PLC (base 1677)

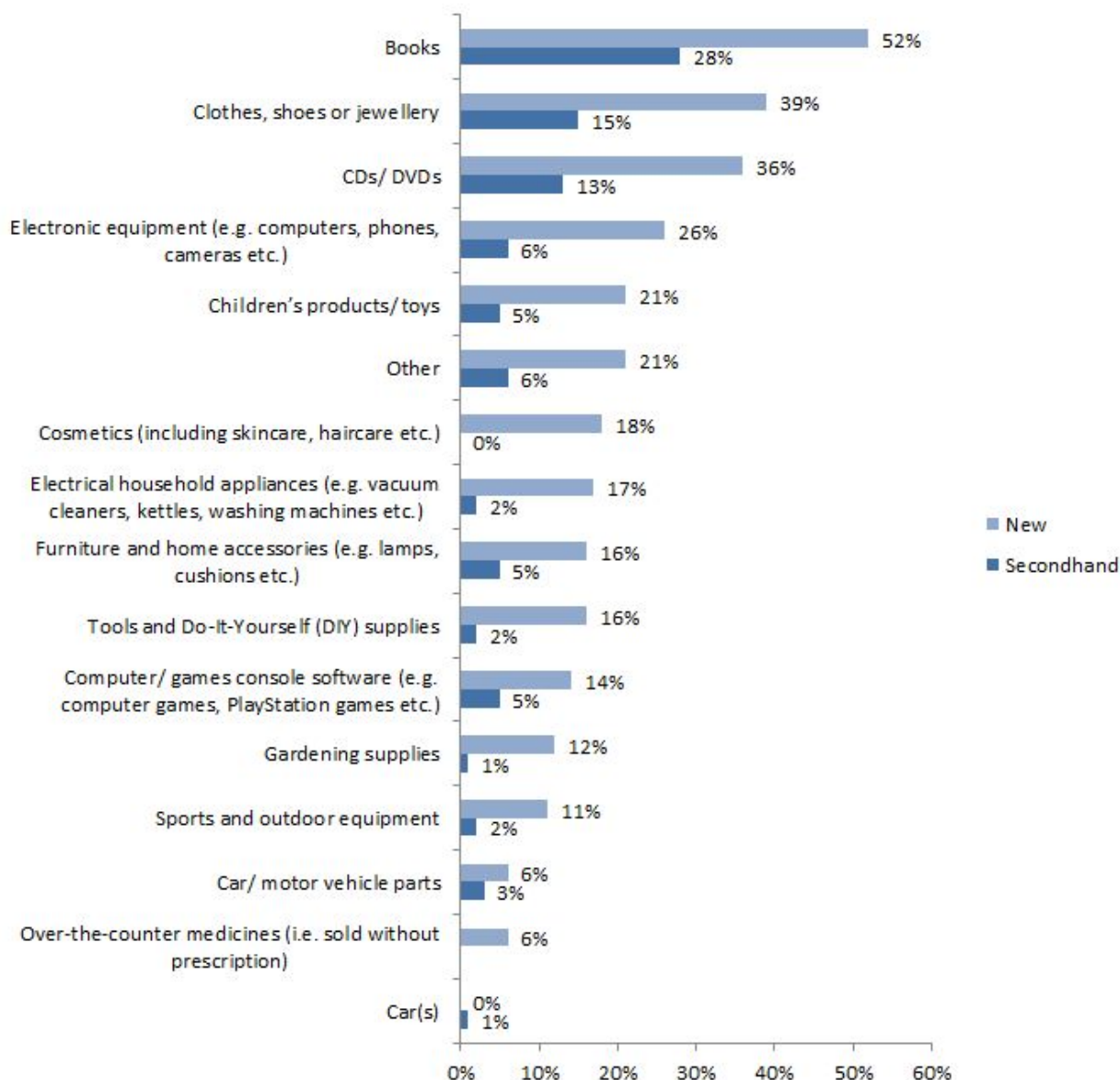
** Figures exclude those who said that they did not know/could not recall*

What do people buy?

The types of goods bought through online marketplaces are as diverse as the people who use them. Alongside low value, low risk products like books and DVDs, people also buy consumer electronics and furniture - categories of good which feature prominently in calls to our consumer helpline. Perhaps surprisingly, people are significantly more likely to buy new goods than second hand goods through an online marketplace - 80 per cent said that their most recent purchase was a new item and 53 per cent of had exclusively bought new goods through an online marketplace in the last 12 months. Again, online marketplaces are now a form of mainstream retail, and do not fit the stereotype of being the preserve of individuals clearing the attic of unwanted used goods.

Figure 5: People buy a wide range of products through online marketplaces

Types of product purchased through an online marketplace in the past 12 months



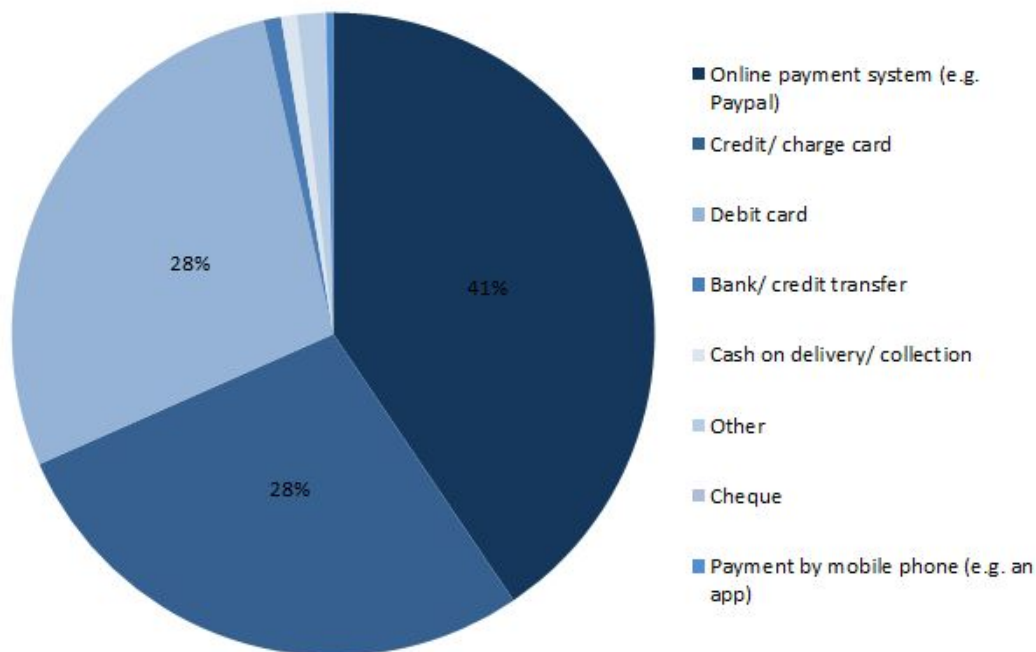
Citizens Advice analysis of data from YouGov PLC (base 1398)

**Don't know/ can't recall not shown*

The polling also reflected the transformation, visible across the economy, in the way we pay for goods. Four in ten respondents (41 per cent) carried out their most recent transaction through online payment systems, such as PayPal. Many online marketplaces integrate these platforms into their services and promote them to customers as a safe and convenient way to pay while the vast majority of those who choose not to pay through an online payment system use a credit or debit card. It is striking that online systems now outweigh these traditional payment methods especially because a number of consumer protections (for example Section 75 protections for credit card purchases) are limited to transactions made through debit or credit cards.

Figure 6: People are turning their back on traditional methods of payment in favour of convenient online options

Method of payment used for most recent online marketplace purchase



Citizens Advice analysis of data from YouGov PLC (base 1381)

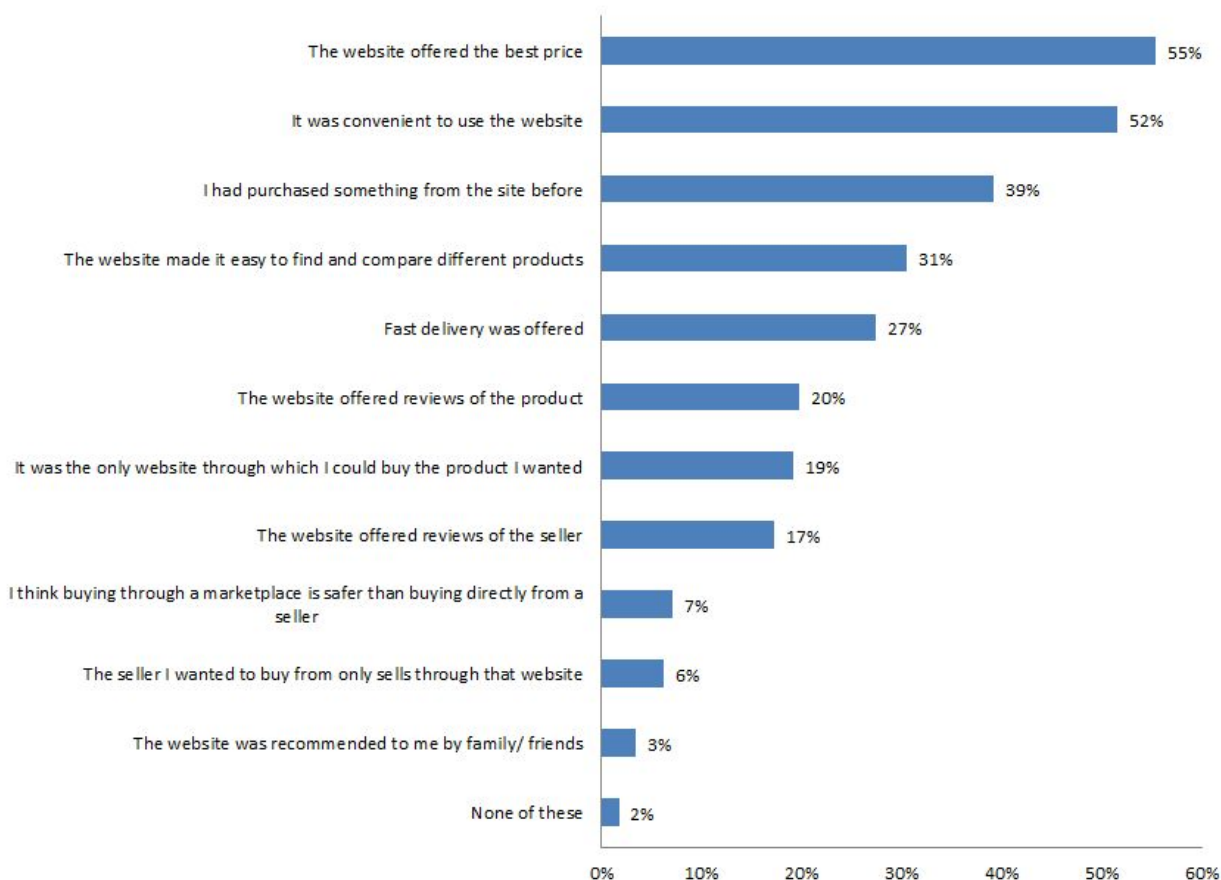
** Figures exclude those who said that they did not know/could not recall*

Why do people use online marketplaces?

Price and convenience, each cited by more than half of respondents, top the list of reasons people choose to buy through an online marketplace. Trust also emerges as a strong theme - nearly 40 per cent said that they had purchased something from the site before while reviews of the product and reviews of the seller were a factor for 20 per cent and 17 per cent respectively.

Figure 7: Price and convenience are key attractions

Reasons given for buying most recent purchase through an online marketplace



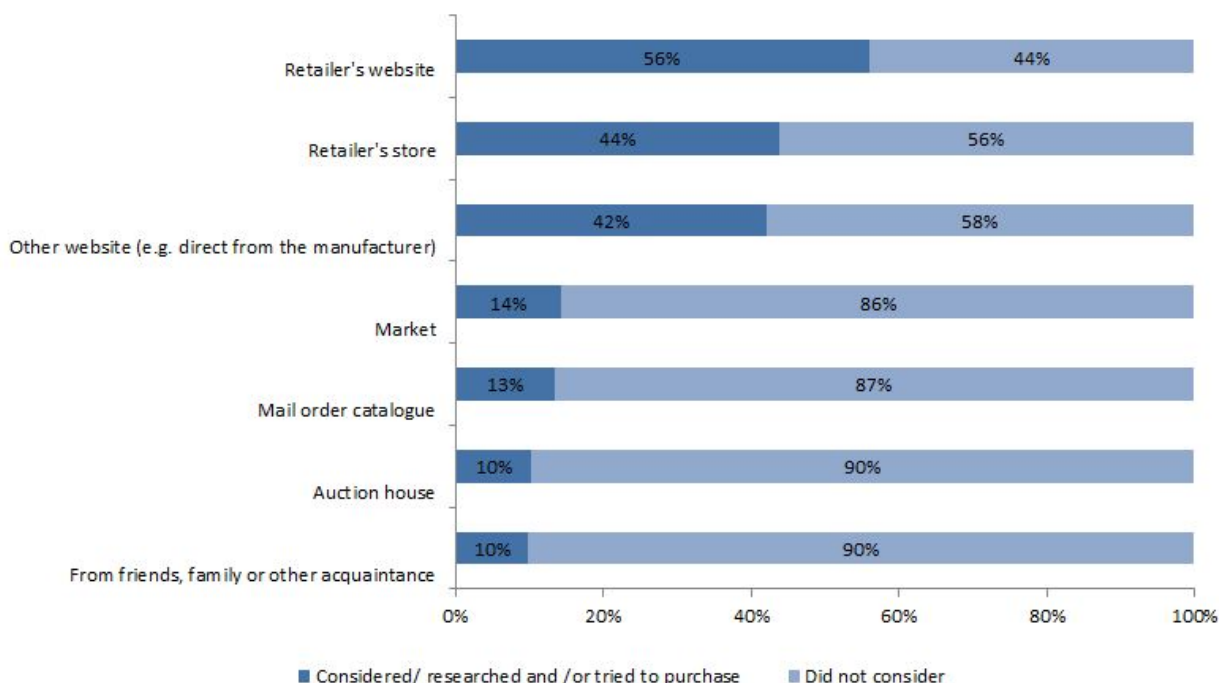
Citizens Advice analysis of data from YouGov PLC (base 1,398)

**Don't know/ can't recall not shown*

Online marketplaces are not always the first port of call for buyers - when asked about their most recent online marketplace purchase 75 per cent of respondents had considered one or more alternative forms of retail. Popular alternatives considered include the retailer's website (56 per cent), another third party website (42 per cent) and visiting the retailer's store in person (44 per cent).

Figure 8: Online marketplaces are not always the first port of call

Alternative purchase methods considered for most recent online marketplace purchase



Citizens Advice analysis of data from YouGov PLC (base 1398)

** Figures exclude those who said that they did not know/could not recall*

Conclusion

Online marketplaces offer clear benefits for consumers - convenience, a broad range of goods and low prices. The users of online marketplaces are also remarkably diverse, bridging generations, socio-economic groups and geographical boundaries. The universal appeal of these websites, alongside the volume of high value, high risk purchases being made, makes it important that people are adequately protected and able to secure redress when they encounter a problem. In the following chapter we take a look at how commonly the users of online marketplaces encounter problems, and the form these problems take.

Consumer problems

Citizens Advice is at the frontline of consumer detriment - day in and day out the advisors on our helpline and in our advice centres bear witness to the financial hardship and frustration caused by sharp practices and failing consumer markets. Little is currently known about the scale and nature of detriment experienced by the users of online marketplaces. We have no reason to believe that the time old consumer problems found across all forms of retail, such as misdescribed and counterfeit goods, will not manifest themselves here too. But are a new wave of problems which reflect the unique features of online marketplaces also emerging?

In this chapter we draw on the findings of polling and our own unique data to explore whether people are at greater risk of encountering a problem when buying through an online marketplace than other forms of retail and the form that these problems typically take.

Our analysis draws on three sources of data:

- **A nationally representative poll of 1811 people.** Respondents who had bought goods through an online marketplace in the past 12 months were asked whether they had encountered a problem. Those who had encountered a problem were asked about the nature of the problem and their experience resolving it.
- The **Citizens Advice Consumer Helpline** takes more than 9,000 calls a year from online marketplace users seeking advice about a problem.¹¹ These cases give us unique real time insight into the consumer problems people encounter. We present the findings of an in depth analysis of 900 of these cases.
- Citizens Advice Bureaux advisers submit detailed descriptive accounts when a client's case is intractable and requires a change in policy, practice or law. Last year we received 50,000 of these '**Bureaux Evidence Forms**' (BEFs)

¹¹ The coding system used to categorise calls to the Consumer Helpline does not allow advisors to record whether the caller used an online marketplace to purchase the goods. We conducted a keyword search for the names of four major online marketplaces (Amazon Marketplace, eBay, Gumtree and Autotrader) across four one week periods, spaced evenly throughout the year, using our case retrieval tool to allow us to estimate the number of calls we receive about this form of retail. The first cut of this data returned 900 cases. However, 20 per cent of the records were found to be false positives, for example cases where an online marketplace had been referred to at some point in the call but the problem itself did not relate to goods purchased through the site. The estimates presented throughout this chapter have been adjusted to reflect this ratio.

which describe the nature, cause and the impact of the problem. The case studies presented throughout this chapter are drawn from these BEFs.

The scale of the problem

Our polling revealed that 37 per cent of people who have purchased goods through an online marketplace in the past 12 months who expressed an opinion encountered a problem. This represents an estimated 10.7 million people across England and Wales.¹²

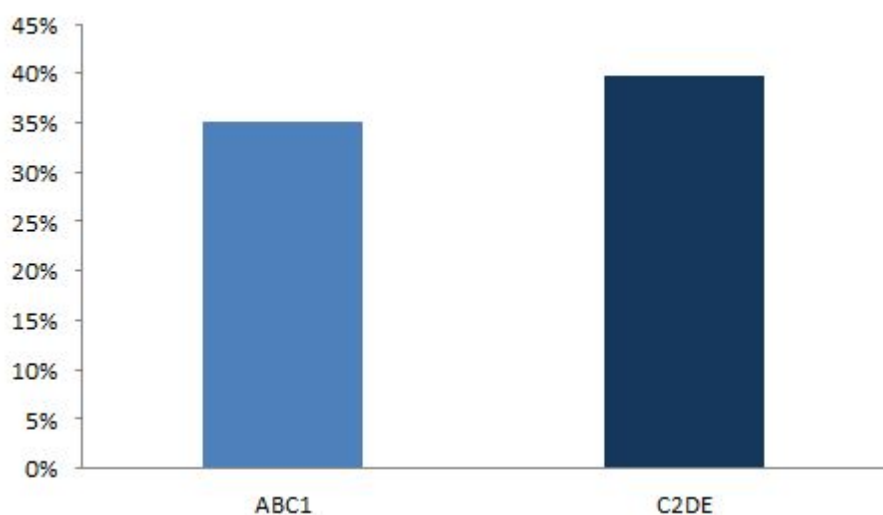
Last year research for the Department of Business, Innovation and Skills (BIS) found that 22 per cent of the UK population experience a problem buying goods or services each year. These data sets are not directly comparable: the BIS research includes goods *and* services and is representative of the UK population while the YouGov poll was restricted to the purchase of goods and is representative of England and Wales only (with all respondents having internet access). However, the scale of the gap between these estimates, some 15 per cent, suggests that users of online marketplaces may be at greater risk of encountering a problem than those who choose an alternative form of retail.

The detriment is not evenly distributed. C2DEs are five per cent more likely have to experienced a problem (40 per cent) in the past 12 months than ABC1s (35 per cent). Young people are also over represented - two in five 25-34 year olds (44 per cent) reported experiencing a problem compared to only 30 per cent of those aged 55 and above.

¹² Citizens Advice estimate based on YouGov figures, see Appendix A for methodology

Figure 9: Detriment is not evenly distributed

% of respondents who have encountered a problem with a product bought through an online marketplace in the past 12 months by socio economic group

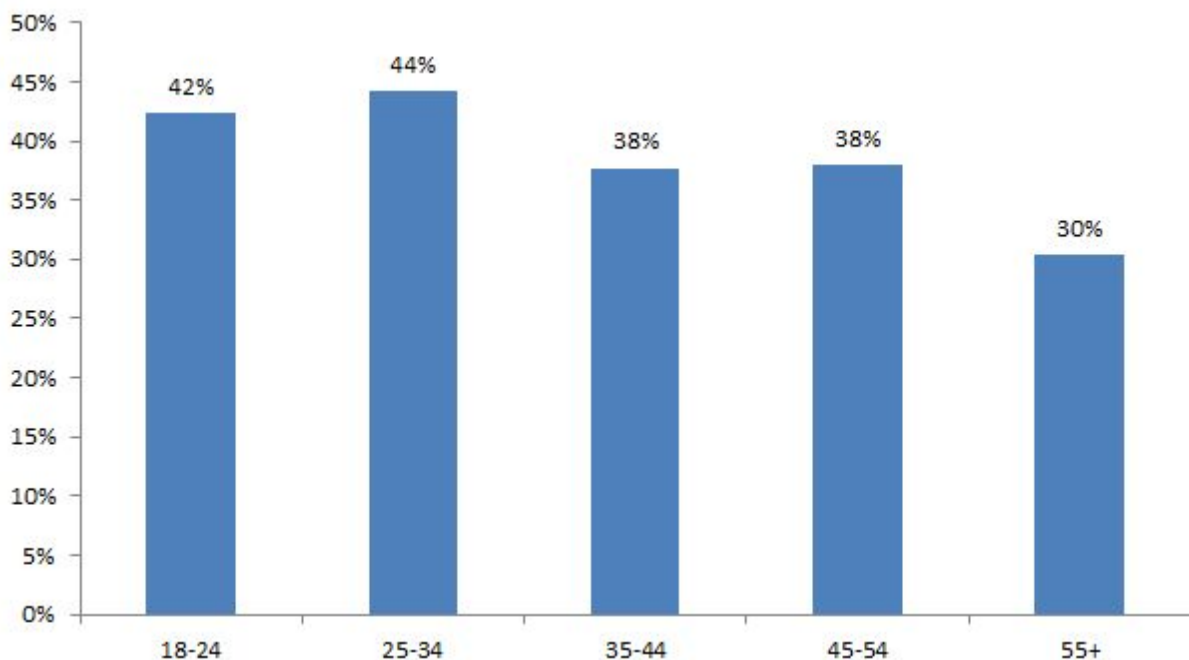


Citizens Advice analysis of data from YouGov PLC (base 1,352)

** Figures exclude those who said that they did not know/could not recall*

Figure 10: Younger people are most at risk

Proportion of respondents who have experienced a problem with a product bought through an online marketplace in the past 12 months by age group



Citizens Advice analysis of data from YouGov PLC (base 1,353)

** Figures exclude those who said that they did not know/could not recall*

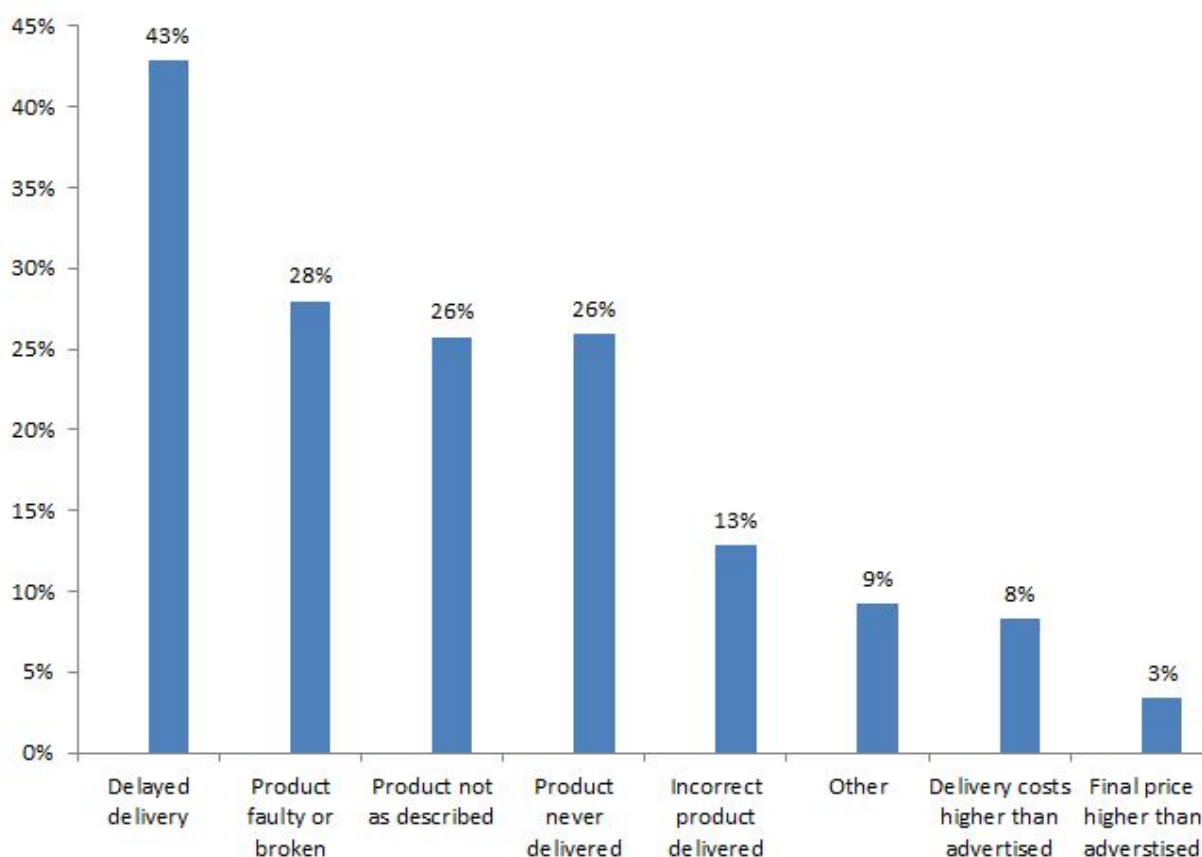
The nature of the problem

What kind of problems do people experience? Problems with delivery topped the list of complaints amongst respondents to our polling - 43 per cent of those who had a problem reported a delay in receiving their product while 26 per cent were left out of pocket having never received their goods. The following case study from our own work indicates the kind of problems people experience:

Katy won an online auction for a twin buggy and was told it would be delivered by a courier company in three separate parcels. Four days after the agreed delivery date Katy contacted the seller because the buggy still hadn't arrived. She was told the packages were being held at the depot due to a query regarding their weight. Two days later Katy tried to contact the courier directly but they would only give information to the seller. Two of the parcels arrived eventually, but the third package containing the wheels did not. The seller stopped responding to emails and phone calls. The courier denied there had even been a third parcel.

Figure 11: Problems are concentrated in delivery and faulty products

Nature of the most recent problem respondents experienced when buying through an online marketplace (multiple response permitted)



Citizens Advice analysis of data from YouGov PLC (base 497)

* Figures exclude those who said that they did not know/could not recall

Our data suggests that problems don't end once the goods have arrived - faulty or broken products accounted for 28 per cent of the problems respondents experienced. A quarter (26 per cent) felt misled when the product did not match the description provided by the seller. Our clients regularly report problems of this kind:

Radika bought a Chesterfield suite from a business seller through an online marketplace. When the suite was delivered in mid-March there was a problem with the stitching. She tried to contact the business via email, text and post, but they failed to respond and a letter sent by registered post was returned with 'gone away' written on the envelope. Neither the online marketplace or the company which had facilitated the payment were willing to help.

Overall, our polling suggests the problems in online marketplaces reflect general failures of consumer protections. We now turn to our own data from the Citizens Advice Consumer Helpline.

Findings from Citizens Advice Consumer Helpline data

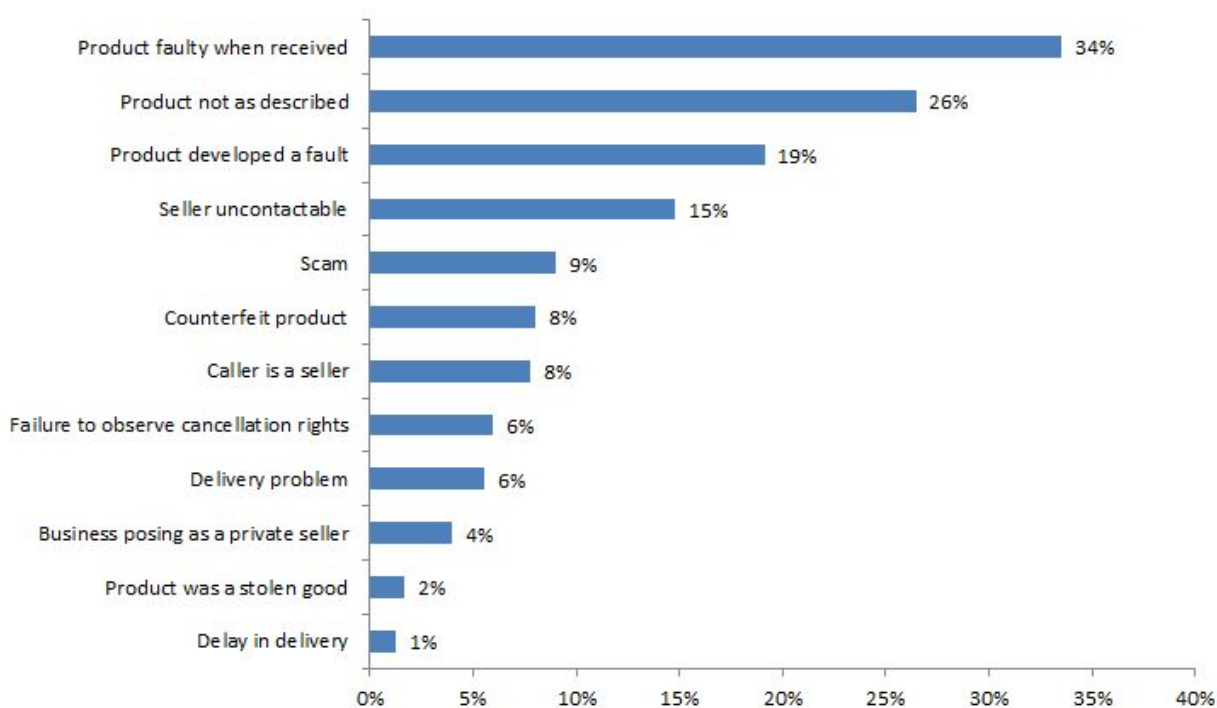
Initiatives to educate and protect online marketplace users to date have predominantly centred around steps to minimise the risk of falling victim to criminal activity such as scams and fraud.¹³ The analysis of our case records reveal that these concerns are well founded; in 17 per cent of cases our callers had been the victim of a scam or unknowingly been sold counterfeit goods. For example:

Marie paid £457 for a Gucci Handbag. The bag was of poor quality when it arrived and Marie suspected that it was a counterfeit. This was confirmed when she checked the serial number with Gucci. Marie returned the bag to the seller, who accused her of returning a different bag and refused to refund her money. She complained to the online marketplace's resolution service and the seller changed their story, saying that they had refused to refund Marie because she had used the bag. The resolution service backed the seller, leaving Marie out of pocket and with a counterfeit bag.

¹³ 'Scammers exploiting Gumtree and eBay shoppers' (Citizens Advice Press Release, 03/07/2014) http://www.citizensadvice.org.uk/index/pressoffice/press_index/press_20140703.htm

Figure 12: Time old breaches of consumer protection legislation dominate in calls to the Consumer Helpline

Breakdown of types of problems reported to the Citizens Advice Consumer Helpline concerning goods purchased through an online marketplace



Citizens Advice analysis of data from the Citizens Advice Consumer Helpline.

While some of the issues we see with online marketplaces are distinctive, far more common are the standard violations of consumer rights common to all forms of retail: faulty goods (34 per cent), misleading descriptions (26 per cent) and uncontactable sellers (15 per cent). The following case is typical:

Jake paid £1,600 for a shed from a company through on an online marketplace. A heavy rainstorm revealed that the shed was not waterproof. He was told by the seller that they were unwilling to offer any assistance because the 45 day warranty period had elapsed. The time limit on referring any disputes to the online marketplace's dispute resolution service was also 45 days so the website would not help either. Jake was left having paid over a thousand pounds for a leaky shed, which neither the seller nor the marketplace was willing to replace or repair.

When it comes to the types of good people have problems with, we see a more distinctive pattern. The problems people struggle to resolve without seeking advice are concentrated in a small number of high value goods. Nearly two thirds of calls to the Consumer Helpline about goods bought through an online marketplace relate to cars (31 per cent), electronic equipment (20 per cent) and furniture (10 per cent). Comparing these results to the findings of polling, the number of problems people bring to us concerning electronic equipment and furniture are largely

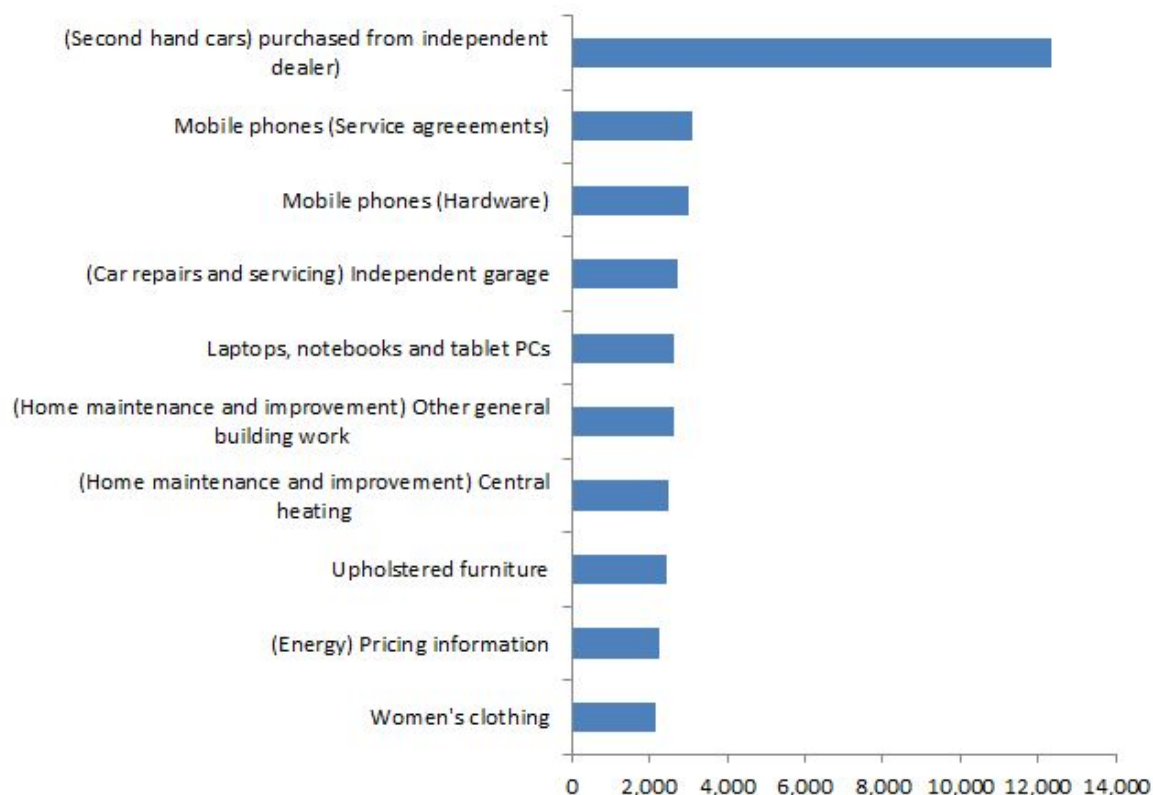
consistent with the proportion of online marketplace users who buy these products - 26 per cent and 10 per cent respectively.

Cars are a notable outlier. Just under a third of calls to the Consumer Helpline about goods purchased through an online marketplace related to a problem with a car. Yet less than one per cent of the online marketplaces users surveyed by YouGov had purchased a new car through an online marketplace in the past 12 months. Only one per cent had purchased a second hand car. The inclusion of AutoTrader, which specialises in car sales, accounts for this discrepancy to some degree. However, even excluding Autotrader, cars remain the most complained about category of good, accounting for 23 per cent of all cases.

People are most likely to turn to us for advice when they have significant problems that they find difficult to resolve on their own. We would therefore expect to see significantly greater demand for advice about these high value, complex products than low value products which may be sold in greater volume but are less likely to develop a fault. For example, more than half of the online marketplace users surveyed by YouGov had purchased a book in the past 12 months and yet our sample of 900 calls to the Consumer Helpline did not include a single case about a problem with a book. The problem areas we have identified are not unique to online marketplaces - second hand cars, electronic goods and furniture feature prominently in the ten most common categories of complaint to our service across all forms of retail.

Figure 13: Problems are concentrated in high value, complex products

Top ten issues reported to the Citizens Advice Consumer Helpline (Q3 2014/15)



Source: Citizens Advice analysis of data from the Citizens Advice Consumer Helpline

Conclusion

Despite the popularity of online marketplaces, problems are more widespread than we would hope. Young people and socio-economic groups C2DE are particularly at risk. Our analysis suggests that the users of online marketplaces may be at greater risk of being on the receiving end of sharp practices than in other forms of retail. But the problems they experience are all too familiar - scams and fraud continue to thrive in the online world alongside the standard breaches of consumer protection found elsewhere. The problems people find most difficult to resolve without seeking advice are similarly concentrated in the same high value, high risk products, which consistently appear in the top ten categories of consumer problems we see.

As intermediaries between the buyers and sellers who use their site, online marketplaces have a real opportunity to tackle time old problems which have proven difficult to eradicate elsewhere. In the final chapter we therefore consider the consumer experience of securing redress in online marketplaces.

Resolution and protections

Consumers have two routes to redress when they experience a problem with goods bought through an online marketplace - their statutory consumer rights and the mediation services offered by some online marketplaces. In this chapter we take a closer look at the protections currently in place and buyers' experiences of resolving their problems.

Consumer rights legislation

As we have seen, few of the problems that users of online marketplaces encounter are unique to this form of retail. The standard of service that can be expected, as well as the level and type of redress people can expect to receive, are set out in existing consumer rights legislation. However, this legislation is notoriously complex and government, regulators and consumer groups have long been concerned about persistently low levels of consumer rights awareness.¹⁴ This is crucial; people cannot confidently exercise their rights if they do not have a clear understanding of what these rights are.

The rights which apply when buying in online marketplaces are complicated by the distinction between two types of seller - businesses and private individuals. The level of protection a buyer can expect is very different depending on which type of seller they buy from. For example, when buying from a business a consumer is protected by the intricate web of consumer protections enshrined in the Consumer Rights Act 2015. Any goods sold must be fit for purpose, as described and of satisfactory quality and there are clear rules setting out when a consumer is entitled to a repair, replacement and/or a refund. The Consumer Contract Regulations provide additional rights for people shopping online, including the right to cancel any order for goods within 14 days of receiving the product.

In contrast, when buying from a private individual people have relatively few statutory rights. The seller must only have the legal right to sell the item (it can't be stolen) and the item should be as described in any advertisement.¹⁵ However, a private individual has no legal duty to inform the buyer of any faults, or offer a cancellation period. This limits routes to redress and leaves open the chance of

¹⁴ For instance The BIS' recent Consumer Detriment survey showed over 70% of consumers do not know that if a major appliance breaks down 18 months after purchase they still have the right to have it repaired or replaced, even if they did not purchase an extended warranty. (Department for Business, Innovation and Skills, *Consumer Engagement and Detriment Survey: 2014* (2014))

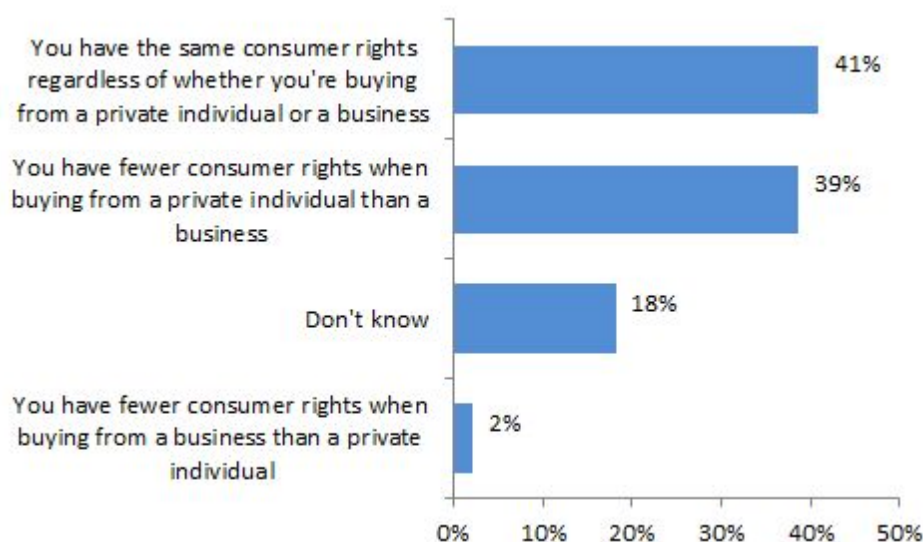
¹⁵ http://www.adviceguide.org.uk/wales/consumer_w/faq_index_consumer_affairs/faq_consumer_affairs_faulty_item_bought_through_newspaper_advert.htm

misleading buyers by omission - for example by not mentioning the condition of the good.

We find a troubling lack of awareness of these differences. Less than 40 per cent of people taking part in our poll were aware that they have fewer rights when buying from a private individual: forty one per cent believed that they have the same consumer rights regardless of whether they are buying from a private individual or a business, while a further 18 per cent said that they did not know.

Figure 14: Two in five people are not aware that they have fewer rights when buying from a private individual

Consumer awareness of the variation in applicable consumer rights when buying from a private individual rather than a business

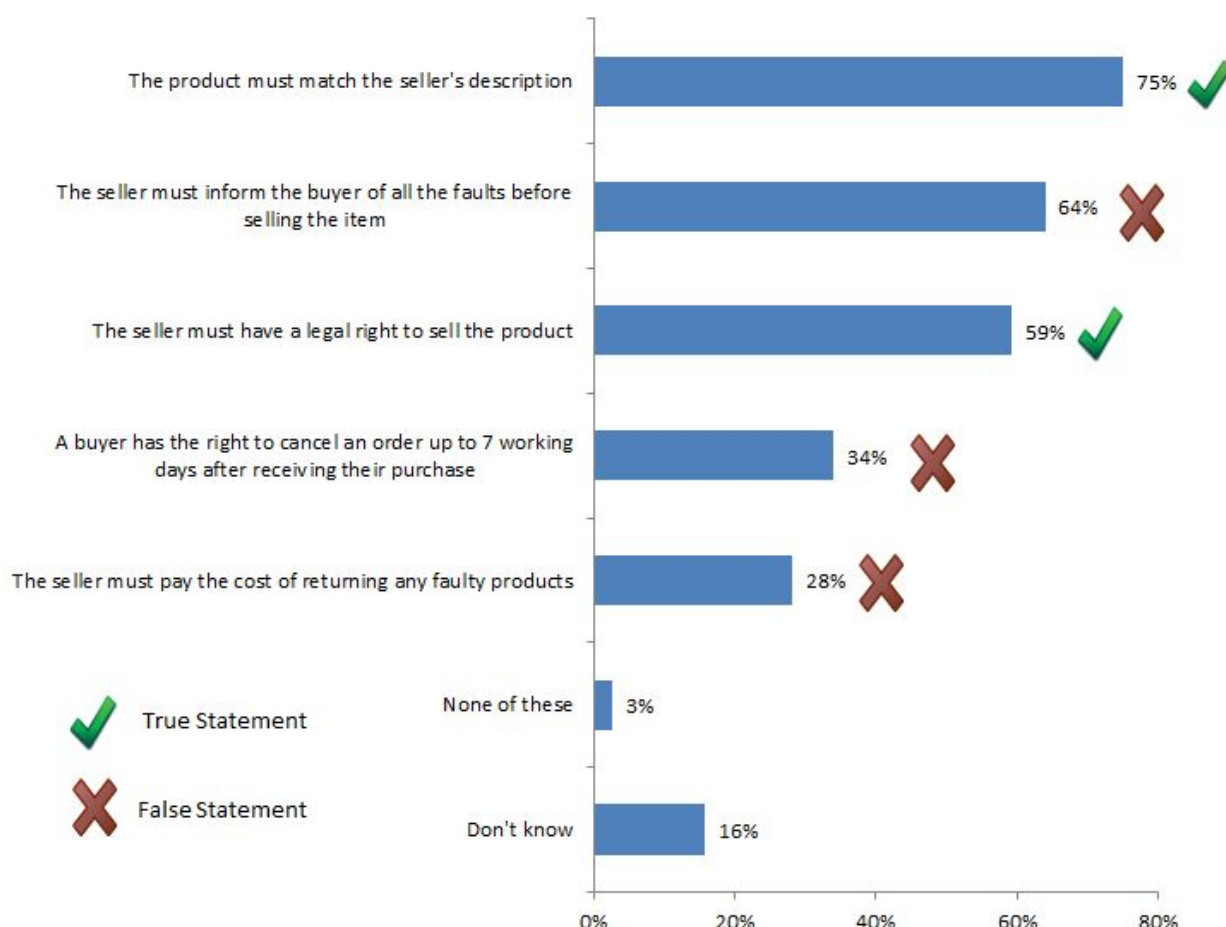


Citizens Advice analysis of data from YouGov PLC (base 1,398)

People were equally confused about the specific rights they have when buying from an individual. 64 per cent incorrectly believed that private individuals had to tell buyers about any faults before making a sale. 34 per cent incorrectly thought a buyer had a right to return the product up to seven days after receiving it if they changed their mind. More reassuringly, 75 per cent correctly said that the item must match the seller's description and nearly 60 per cent correctly answered that the seller must have the legal right to sell it.

Figure 15: Awareness levels of the rights which apply when buying from a private seller are low

Consumer awareness of their rights when buying from a private individual



Citizens Advice analysis of data from YouGov PLC (base 1,811)

These findings highlight a worrying lack of awareness amongst users of online marketplaces about the level of protection they can count on when buying goods. This is particularly troubling as users will both buy and sell goods using these sites. Individual and small business sellers, may, like consumers, need more support in understanding both their obligations and rights.

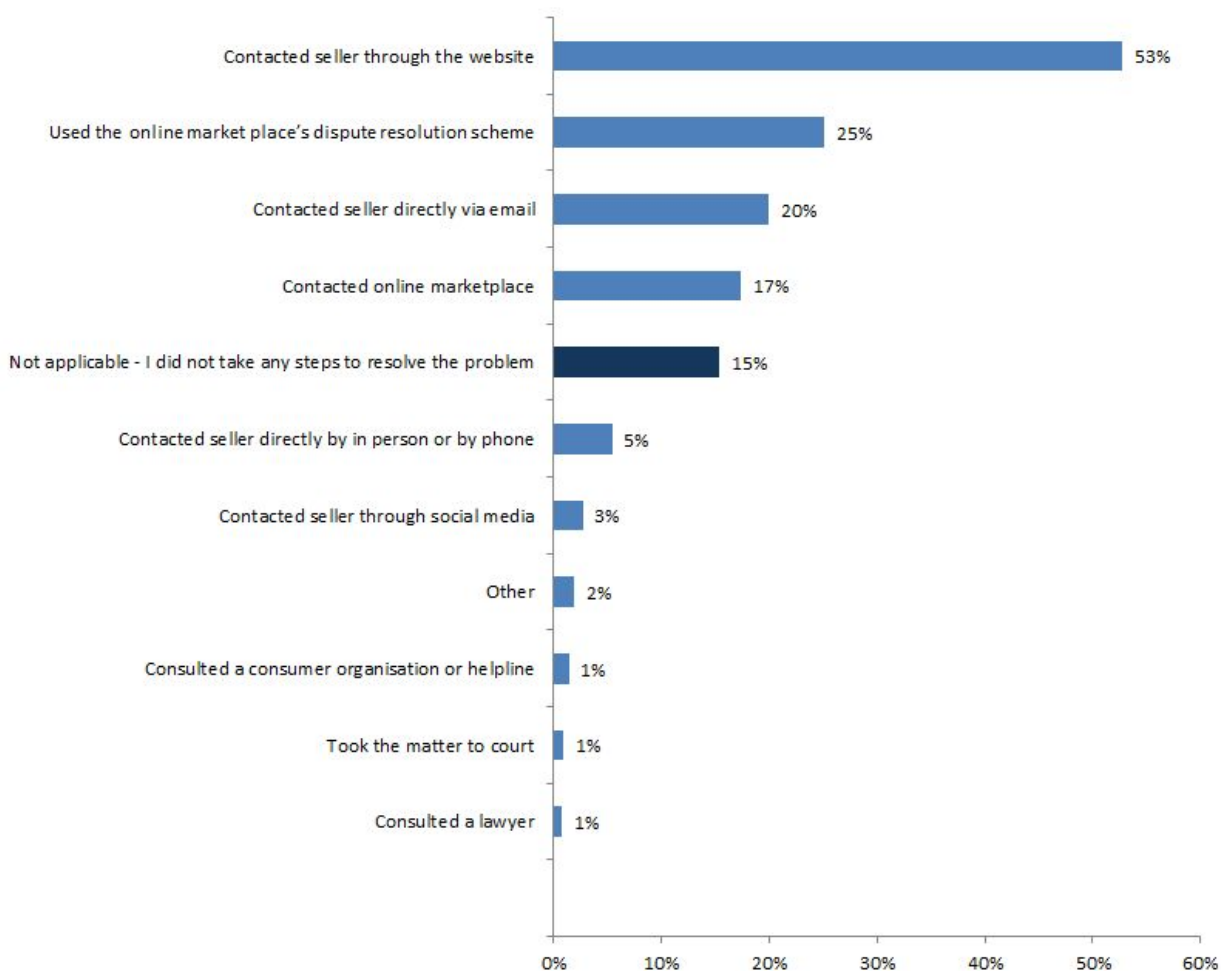
Dispute resolution services

Given the lack of clarity and confusion around statutory consumer rights it is not surprising that people often turn instead to the mediation services offered by some online marketplaces. The extent to which online marketplaces take an active role in resolving disputes between buyers and sellers varies significantly from marketplace to marketplace. While all leading online marketplaces provide a mechanism which allows buyers to contact sellers through the website, some provide far more comprehensive support, such as dispute resolution schemes. Where they are available, these services are well used - more than half of the people who had

experienced a problem in the past 12 months had contacted the seller through the website and a quarter had used the online marketplace's dispute resolution scheme. Concerningly, 16 per cent of people who had experienced a problem had not taken any steps to resolve it.

Figure 16: Where available, the dispute resolution services provided by online marketplaces are popular with users who experience a problem

Steps people took to resolve their most recent problem with a product bought through an online marketplace (multiple response permitted)



Citizens Advice analysis of data from YouGov PLC (base 498)

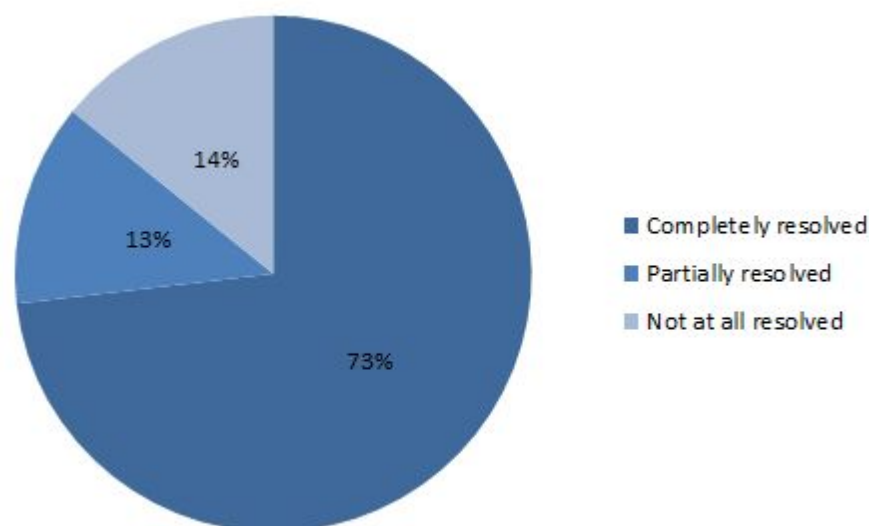
** Figures exclude those who said that they did not know/could not recall*

Most people secure redress when they experience a problem buying through an online marketplace - 73 per cent said their most recent problem was completely resolved and a further 13 per cent were partially resolved. However, 14 per cent, an estimated total of 1.4 million people across England and Wales, had been unable to resolve their most recent problem at all.¹⁶

¹⁶ Citizens Advice estimate based on YouGov figures, see Appendix A for methodology

Figure 17: 1.4 million people with unresolved problems

% of respondents who were able to resolve their most recent problem with a product bought through an online marketplace



Citizens Advice analysis of data from YouGov PLC (base 472)

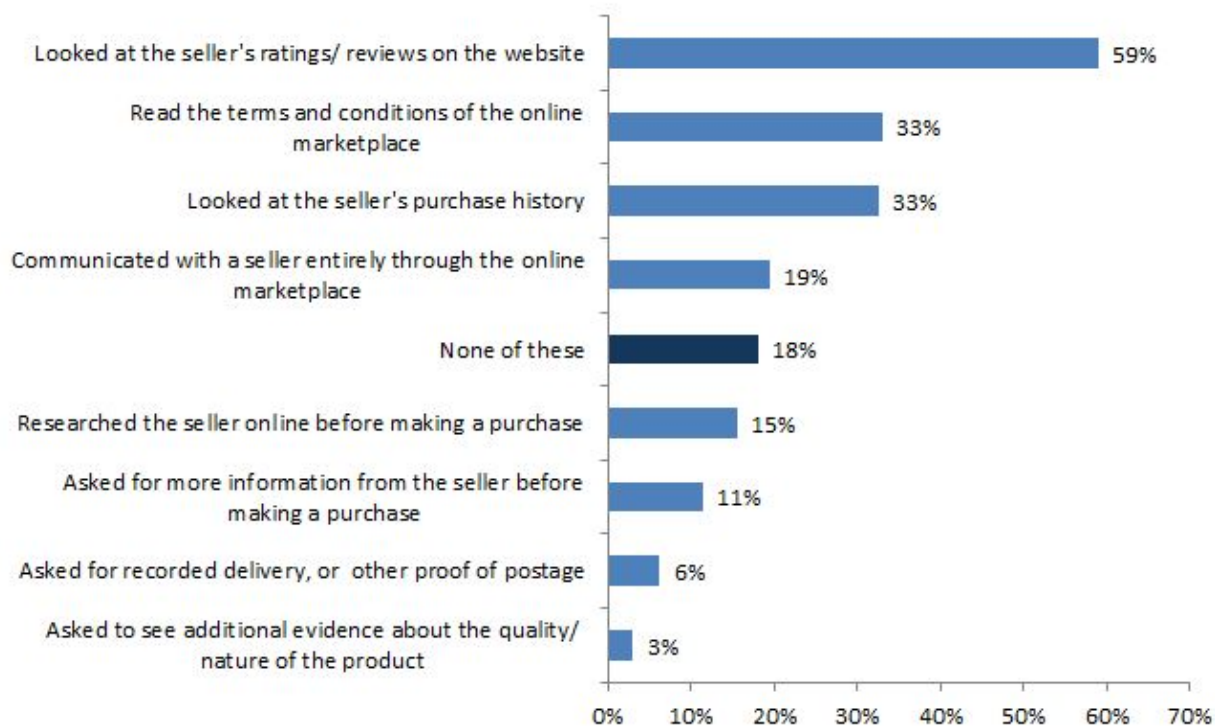
** Figures exclude those who said that they did not know/could not recall*

Problem prevention

Preventative action is an important part of consumer protection: there are steps buyers can take to reduce the risk of encountering problems, and people should be encouraged to take precautions when shopping online. A majority of online marketplace users do take at least one of the common precautionary measures we asked about, for example nearly 60 per cent had looked at the seller's ratings/reviews on the website. However, nearly one in five (18 per cent) had not taken any of the listed steps to protect themselves.

Figure 18: One in five online marketplace users do not take any steps to protect themselves

% of people taking common steps to prevent problems with purchases (multiple response permitted)



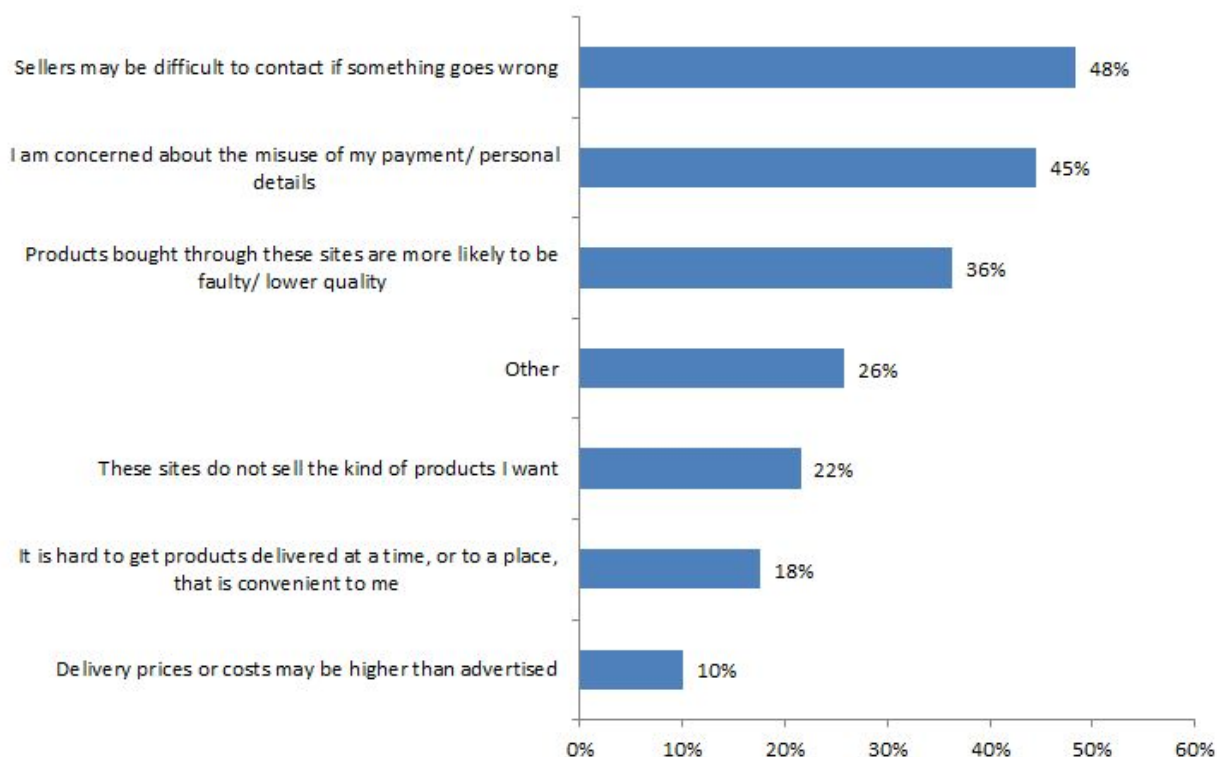
Citizens Advice analysis of data from YouGov PLC (base 1,398)

**Don't know/ can't recall not shown*

There is a clear business case for strong protections in online marketplaces. We asked the people who hadn't used an online marketplace in the past 12 months and were unlikely to use one in the next 12 months why this was the case. Less than a quarter said they were unlikely to do so because of the types of products on offer. Far more dominant were concerns about being able to contact the seller if something goes wrong (48 per cent), security of personal details (45 per cent) and the quality of the goods on offer (36 per cent). Many of these concerns can be addressed through the introduction of effective systems for verification, monitoring and redress.

Figure 19: Concerns about security and quality are key factors in people's decision not to use an online marketplace

Reasons people would be unlikely to buy anything through an online marketplace in the next 12 months.



Citizens Advice analysis of data from YouGov PLC (base 153)

**Don't know not shown*

Conclusion

Traditional consumer rights have limited application in consumer to consumer transactions. Most consumers do not realise this, and awareness of which specific rights apply in different circumstances is low. Our research suggests that the additional support services provided by some online marketplaces, such as independent dispute resolution, are the first port of call for many with a problem. But while a majority of online marketplace users who encounter a problem are able to fully or partially resolve their problems, we estimate that 1.4 million people in England and Wales will have been unable to resolve their most recent problem.

There is a strong business case for online marketplaces ensuring their users are well protected. Most people who wouldn't use an online marketplaces say that this is not because of the type of products that are on offer, but because they have concerns about redress, security and the standard of the goods on offer.

Conclusion

For a majority of their users, online marketplaces provide a convenient, secure means to access a diverse range of goods from a diverse range of sellers across geographical boundaries. However, as we have seen, online marketplaces are not immune to the sharp practices which have long plagued more traditional forms of retail. Our analysis also brings into focus the growing challenge of ensuring that consumer protection keeps up with the rapid pace of change as retail shifts online and the traditional rules of retail become more fluid. Online marketplaces, in which people often buy from private individuals present a particularly fundamental challenge. Consumer law simply isn't designed for this way of consuming.

As intermediaries between the buyers and sellers who use their site, online marketplaces have a real opportunity to tackle some of the time old problems which have proved so difficult to eradicate elsewhere. Our analysis identifies a number of opportunities:

1. **Feedback systems** are valued by online marketplace users. But not all sites use them and, among those that do, feedback is typically limited to the period around the transaction. We know from our wider work that faults often develop months after a purchase; this is why some statutory rights remain enforceable for years.

Our evidence suggests it would help consumers if online marketplaces offered extended feedback windows, allowing feedback later if a fault develops. Sites that don't offer feedback should also consider light touch ways of doing so.

2. **Monitoring and verification processes** are the way online marketplaces ensure buyers and sellers are who they say. Current practice is patchy. Verification processes vary from simply providing an email address to far more comprehensive verification of bank accounts and email addresses. Monitoring procedures are similarly varied. Some online marketplaces limit their oversight to the advert itself rather than the behaviour of the seller unless a serious complaint is made by another user. Those that have more rigorous procedures in place usually monitor only on the basis of a short term transaction timescale rather than a wider consumer rights agenda.

But our evidence does suggest that specific products - particularly cars and high value furniture - would merit verification processes to ensure sellers have their

contact details recorded. At a minimum, enhanced verification could be voluntary, with a kitemark to give buyers confidence and to give transparent sellers an edge.

3. The **dispute resolution services** provided by some online marketplaces are popular with users. However, the scope of these services, where they exist, is limited. For example there are strict limits on the time window in which a buyer can register a complaint. From July 2015 all traders will be legally obliged to give customers details of a suitable independent Alternative Dispute Resolution service in the event of an unresolved dispute.¹⁷

Online marketplaces should give their business sellers a convenient way to meet these new obligations, perhaps by working with an ADR to provide business sellers with an appropriate and simple default option.

4. **Consumer rights for consumer to consumer transactions** Consumer rights are limited when it comes to **consumer to consumer transactions**. This is partly because these rights were introduced at a time when such transactions were face to face, small-scale, informal and unmediated - the ad hoc seller in the local pub. Online marketplaces are a world away from this and even the idea of a 'trader' itself is now hard to define.

The Law Commission should review the law covering consumer to consumer transactions, including reviewing the definition of a 'business' or 'trader' and the protections consumers enjoy in consumer to consumer transactions.

5. The **information on consumer rights** provided by online marketplaces focuses on their own protection policies rather than statutory rights. It is rarely made clear, for example, that consumers enjoy far weaker legal protections when buying from an individual rather than a business. Our evidence suggests that buyers are often unaware of this distinction.

Online marketplaces should ensure their information on statutory consumer rights is up to date and they should give consumers more information on their statutory rights and educate business sellers about their legal responsibilities.

In the coming months we will work collaboratively with online marketplaces to develop practical measures which will reduce the risks buyers currently face.

¹⁷ Directive 2013/11/EU of the European Parliament and of the Council of 21 May 2013 on alternative dispute resolution for consumer disputes

Note on population figures

Estimates for the total number of people using online marketplaces cited throughout this report are Citizens Advice projections, calculated from the results of YouGov's polling.

They are based on a total online 18+ population of 38,986,063 for England and Wales.¹⁸ This was calculated on the basis of ONS statistics which show that 87 per cent¹⁹ of the GB 16+ population have used the internet in the past 3 months.

Number of people who have bought something using an online marketplace in the past 12 Months:

Proportion of respondents buying 1 product or more in the past 12 months (77.2 per cent.)²⁰ X online population of England and Wales (38,986,063) = 30,108,937

Number of people who have experienced problems with something purchased using an online marketplace in the past 12 Months:

Proportion of respondents who had experienced some type of problem in the past 12 months (35.58 per cent) X number of people who have bought goods through an online marketplace (30,108,937) = 10,712,760

Number of people who were unable to resolve their most recent problem with a good purchased through an online marketplace:

Proportion of respondents who were unable to resolve their most recent problem (13.45 per cent) X number of consumers experiencing a problem = 1,440,866

¹⁸ Based on a total 18+ population of England and Wales of 44,812,000. ONS, Mid-year Population Estimates, 2014.

¹⁹ ONS, Internet Access – Households and Individuals, 2014

²⁰ Respondents who selected 'Don't Know' were included in all population calculations.

Our aims

To provide the advice people need for the problems they face.
To improve the policies and practices that affect people's lives

Our principles

The Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. We value diversity, promote equality and challenge discrimination.

Anne Pardoe, Charles Smith & Glenn Marshall
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