



National Audit Office

Update on consumer protection landscape reforms

APRIL 2014

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Summary

1 Consumer law aims to protect consumers from harm that may result from various activities, such as unfair commercial practices or scams. The responsibility for protecting consumers spans several organisations, which make up the UK's consumer protection landscape. These organisations share responsibilities for consumer protection in several areas, including:

- enforcing consumer protection;
- consumer information, advice and education; and
- consumer advocacy.

We scrutinised the consumer protection landscape in our 2011 report *Protecting consumers – the system for enforcing consumer law*. The report's findings prompted the government to introduce changes to the consumer protection landscape.

2 This paper summarises recent changes to the consumer protection landscape arrangements that were completed in April 2014. It also sets out the proposed benefits of these new arrangements to consumers, businesses and taxpayers as well as the possible risks to be managed. The paper includes:

- a brief description of the previous arrangements for the consumer protection landscape, including the organisations involved and their main responsibilities;
- an outline of the new consumer protection landscape arrangements and the responsibilities of the organisations involved;
- a timeline of the changes; and
- issues that we could consider in future value-for-money work.

3 We spoke to several organisations directly involved in the consumer protection reforms, to build up our knowledge and understanding of the issues involved. They were:

- the Department for Business, Innovation & Skills;
- the Office of Fair Trading;
- Consumer Futures;
- the National Trading Standards Board;
- the Trading Standards Institute; and
- Citizens Advice.

These interviews allowed us to better understand existing concerns about the changes and some of their potential effects on consumers.

Part One

Background and objectives of the reforms

1.1 We examined the consumer protection landscape in 2011, and our report *Protecting consumers – the system for enforcing consumer law*¹ described the interactions among the organisations involved. **Figure 1** on page 7 is adapted from that report and outlines the consumer protection landscape in 2011.

1.2 In 2011, the Department for Business, Innovation & Skills (BIS) had overall responsibility for the consumer protection landscape. Several other bodies also had relevant powers:

- The Office of Fair Trading (OFT) was responsible for enforcing national priorities for consumers.² The OFT was funded by, and accountable to, HM Treasury for these activities. The OFT was also responsible for providing consumer advice and information and for operating Consumer Direct, a telephone service for consumer complaints and advice.
- The Trading Standards Services (TSS) were responsible for all local consumer law enforcement and were funded by local authorities. TSS could also tackle regional or national enforcement cases; however, the responsibility and funding for these cases was unclear and was split between TSS, the OFT and BIS.
- BIS set up and funded regional teams, such as Scambusters and Illegal Money Lending, to tackle regional enforcement gaps and to target specific illegal practices. These teams required authorisation from local TSS to operate within a local authority.
- BIS also funded Consumer Focus, a consumer body operating across the whole of the economy in Great Britain and covering postal services in Northern Ireland, with specific responsibilities to act as consumer advocate in the regulated gas, electricity and postal services markets. Consumer Focus was a consumer policy and advocacy organisation designed to address market-wide problems such as fuel poverty.

¹ Comptroller and Auditor General, *Protecting consumers – the system for enforcing consumer law*, Session 2010–2012, HC 1087, National Audit Office, June 2011, available at: www.nao.org.uk/wp-content/uploads/2011/06/10121087.pdf

² National priorities mean consumer enforcement work that is directed towards meeting national policy objectives.

- Citizens Advice, an independent charity with a network of its bureaux across England and Wales, provides free and independent consumer advice. To provide consumer advice and information, Citizens Advice received 75 per cent of its funding from BIS in 2011-12 and was accountable to BIS for this spending.
- The Trading Standards Institute (TSI) gathered trading standards professionals to discuss priorities for consumer protection enforcement.
- The Competition Commission was a competition body that investigated particular markets that cause harm to consumers. All of its inquiries followed referral from other organisations, mainly the OFT.

1.3 Our 2011 report concluded that the consumer protection landscape was not achieving value for money because the delivery landscape was very fragmented and was therefore not functioning properly. In addition, the report showed that:

- Accountability arrangements for achieving national priorities were unclear, demonstrated by poor performance reporting at the system level.
- The governance arrangements for the consumer law enforcement system were not clear, as shown by the development of two separate and incompatible national intelligence databases.³

1.4 After the publication of the Committee of Public Accounts' 2011 report, the government started to plan the consumer protection landscape reforms.⁴ BIS established the following objectives:

- to reduce the complexity surrounding the consumer protection landscape – and the publicly funded institutions that exist to help consumers;
- to strengthen the effectiveness of enforcing consumer rights; and
- to ensure that activities aimed at empowering consumers are delivered more cost-effectively, in a way that links national and local intelligence about the problems consumers face.⁵

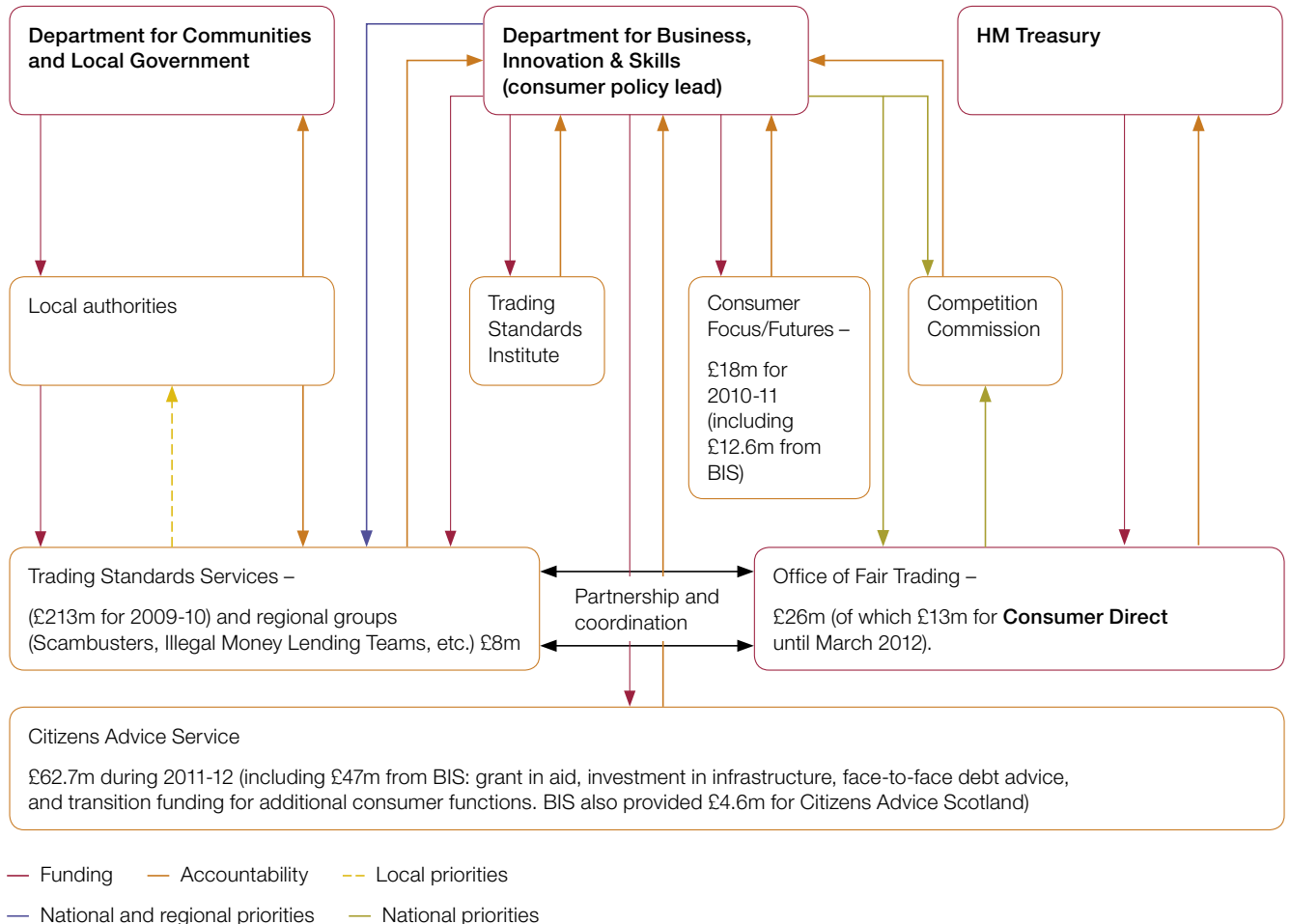
3 Comptroller and Auditor General, *Protecting consumers – the system for enforcing consumer law*, Session 2010–2012, HC 1087, National Audit Office, June 2011, p. 11, available at: www.nao.org.uk/wp-content/uploads/2011/06/10121087.pdf

4 HC Committee of Public Accounts, *Protecting consumers – the system for enforcing consumer law*, Fifty-fourth Report of Session 2010–2012, HC 1468, October 2011, available at: www.publications.parliament.uk/pa/cm201012/cmsselect/cmpubacc/1468/1468.pdf

5 House of Commons Library, *Government proposals to change the consumer landscape*, Commons Library Standard Note SN/HA/6021, January 2012, available at: www.parliament.uk/briefing-papers/SN06021.pdf

Figure 1

The consumer protection landscape in 2011

**Notes**

- 1 BIS – Department for Business, Innovation & Skills.
- 2 Total expenditure for Trading Standards Services covers all consumer activities. Fair trading enforcement costs were not reported separately, but BIS estimated them to be less than 50 per cent of the total. Source: NAO report *Protecting consumers – the system for enforcing consumer law*, June 2011, Figure 1, p. 6, available at: www.nao.org.uk/wp-content/uploads/2011/06/10121087.pdf
- 3 The Office of Fair Trading did not provide details of its expenditure on consumer enforcement. BIS estimated this cost at more than £13 million a year. Source: NAO report *Protecting consumers – the system for enforcing consumer law*, June 2011, Figure 1, p. 6, available at: www.nao.org.uk/wp-content/uploads/2011/06/10121087.pdf
- 4 Consumer Focus: total operating expenditure of £18 million for 2010-11 including £12.6 million from BIS. Source: *Consumer Focus Annual Report and Accounts 2010-11* p. 55, available at: www.consumerfocus.org.uk/files/2011/07/Consumer-Focus-Annual-Report-2011-ia.pdf
- 5 Regional groups (Scambusters, Illegal Money Lending Teams, etc.) funding of £8 million. Source: NAO report *Protecting consumers – the system for enforcing consumer law*, June 2011, Figure 1, p. 6, available at: www.nao.org.uk/wp-content/uploads/2011/06/10121087.pdf
- 6 Citizens Advice: £62.7 million during 2011-12 (including £47 million from BIS: grant in aid, investment in infrastructure, face-to-face debt advice, and transition funding for additional consumer functions). Source: *Citizens Advice Annual Report and Accounts 2012-13*, p.12 and sum of BIS grants from p. 27, available at: www.citizensadvice.org.uk/index/aboutus/publications/annualreports/annual_report_2013.htm

Source: Adapted from the National Audit Office report *Protecting consumers – the system for enforcing consumer law*, June 2011

Part Two

The new consumer protection landscape

2.1 Following the consumer protection landscape reforms set out by the Department for Business, Innovation & Skills (BIS), the new arrangements were completed in April 2014 (**Figure 2**).

2.2 In this new landscape, BIS still has overall responsibility for consumer policy and allocates funding to various organisations for consumer protection activities.⁶ However, large changes have taken place to the consumer protection landscape arrangements, as described below.

2.3 The Office of Fair Trading (OFT) and the Competition Commission ceased to exist at the end of March 2014 and the Competition and Markets Authority (CMA) has been formed by combining most of the functions of these two organisations.

Competition and Markets Authority

2.4 The Enterprise and Regulatory Reform Act 2013⁷ enabled the creation of the CMA in shadow form from October 2013. This allowed the CMA to prepare for becoming fully operational on 1 April 2014, but not to begin casework. The act also made a number of provisions about the CMA's consumer enforcement functions, such as the ability to modify them.⁸

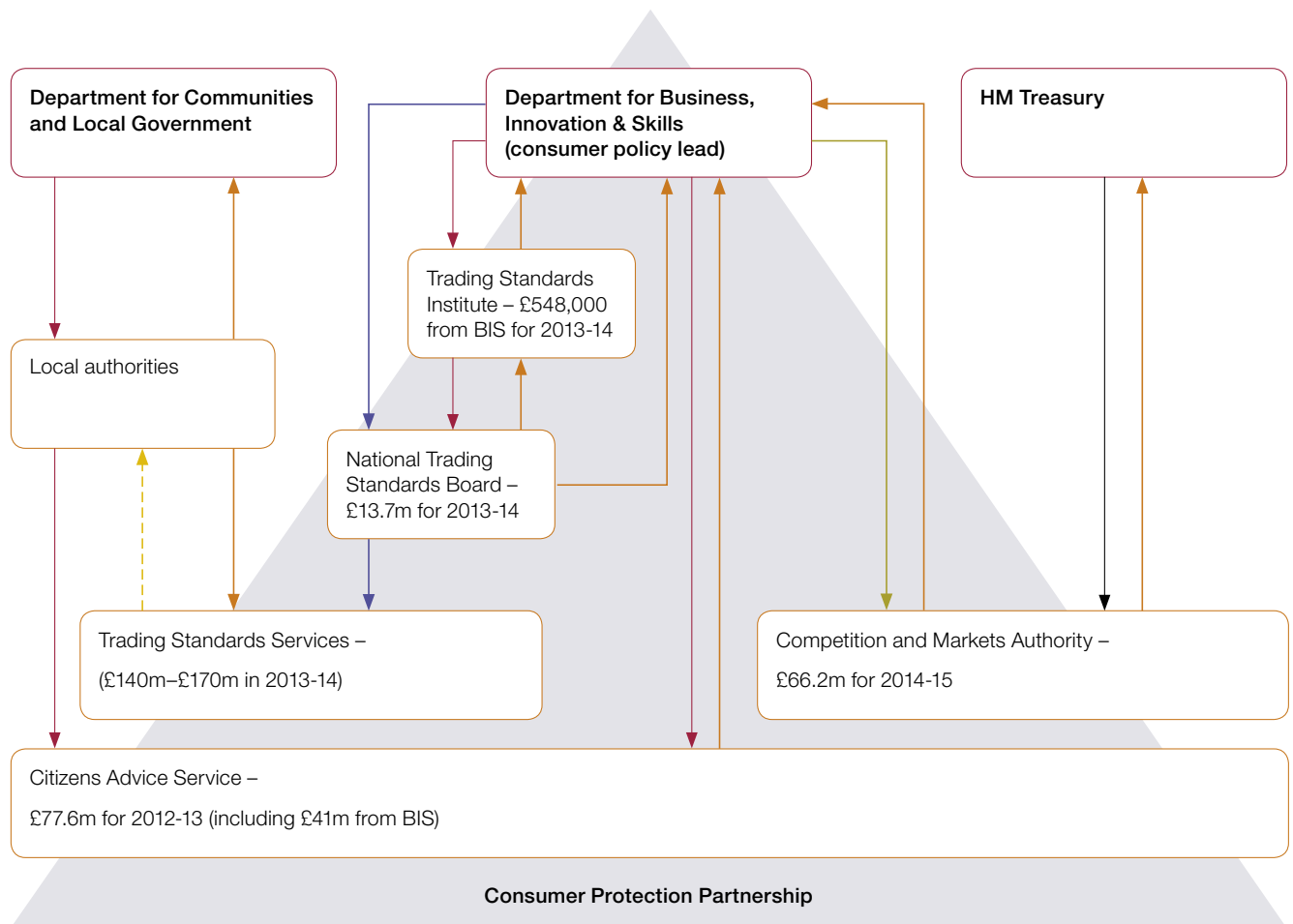
6 The Government consultation on the landscape reforms was published on 21 June 2011. Associated documents, including the suite of IAs and the response can be found here: www.gov.uk/government/consultations/empowering-and-protecting-consumers

7 *Enterprise and Regulatory Reform Act 2013*, available at: www.legislation.gov.uk/ukpga/2013/24/contents/enacted

8 See section 99(1) and 99(3) of the *Enterprise and Regulatory Reform Act 2013*, available at: www.legislation.gov.uk/ukpga/2013/24/contents/enacted

Figure 2

The new consumer protection landscape



— Funding — Accountability — Local priorities — National, regional and local priorities
 — Funding (until 31 March 2013) — Funding (from 1 April 2014)

Notes

- 1 BIS – Department for Business, Innovation & Skills.
- 2 Trading Standards Services (£140 million to £170 million in 2013-14) shows TSS funding for 2013-14. Source: NAO report *Protecting consumers – the system for enforcing consumer law*, June 2011, Figure 1, p. 9, available at: www.nao.org.uk/wp-content/uploads/2011/06/10121087.pdf
- 3 Trading Standards Institute – TSI funding of £10.1 million from BIS for 2012-13. Source: NAO calculation of TSI funds received from BIS based on BIS monthly returns in 2011-12, available at: www.gov.uk/government/collections/bis-spending-totals
- 4 National Trading Standards Board – budget of £13.7 million for 2013-14. Source: *National Trading Standards Board Annual Business Plan 2013-14*, p. 6, available at: www.actso.org.uk/component/attachments/download/685
- 5 Competition and Markets Authority – total budget of £52 million for 2014-15. Source: *The new Competition and Markets Authority: how will it promote competition?*, speech given by Competition and Markets Authority chairman David Currie to the Beesley Lectures on 7 November 2013, available at: www.gov.uk/government/speeches/the-new-competition-and-markets-authority-how-will-it-promote-competition
- 6 Citizens Advice – total income of £77.6 million for 2012-13 (including £41 million from BIS). Source: *Citizens Advice Annual Report and Accounts 2012-13*, p. 12, and sum of BIS grants from p. 27, available at: www.citizensadvice.org.uk/index/aboutus/publications/annualreports/annual_report_2013.htm

Source: National Audit Office analysis

2.5 In addition to its competition powers, the CMA has a range of roles and consumer enforcement powers, to tackle practices and market conditions that prevent consumers from exercising choice or seeking out the best deal. These roles are shown below:

- It enforces a range of consumer protection legislation, in conjunction with partners such as the Trading Standards Institute (TSI) and the National Trading Standards Board (NTSB). Under the Unfair Terms in Consumer Contracts Regulations 1999⁹ the CMA and TSS have joint responsibility for enforcement, while the CMA is considered the lead authority and primary source of expertise and guidance.
- It acts as the UK's single liaison office to ensure that the UK complies with the EU Consumer Protection Cooperation Regulation (the CPC Regulation)¹⁰ and coordinates the UK's interaction with the EU and international enforcers.
- It investigates markets that do not meet consumers' needs, responds to 'super' complaints, and conducts in-depth analyses of these markets to identify and address market failures.

2.6 The CMA's consumer role aims to complement and reinforce the action it takes to improve competition in markets and support economic growth, by addressing problems where competition enforcement alone does not, or cannot, make a market work well for consumers. The CMA, therefore, generally focuses on cases with market-wide implications.

Trading Standards

Trading Standards Institute

2.7 The TSI is an association that represents UK trading standards professionals who work in local authorities, business and consumer sectors and central government. Since April 2013, the TSI has been responsible for facilitating the Consumer Code Approval Scheme previously operated by the OFT. The scheme is self-regulatory and aims to improve consumer protection by approving and promoting codes of practice, setting out the principles of effective customer care and recognising trusted traders.¹¹ By voluntarily signing up to this approved code of practice, businesses can display the TSI-approved code logo, which allows consumers greater confidence in selecting a trader. The TSI introduced the scheme on a self-funded basis.

9 *The Unfair Terms in Consumer Contracts Regulations 1999*, available at: www.legislation.gov.uk/uksi/1999/2083/pdfs/ukxi_19992083_en.pdf

10 *EU Consumer Protection Cooperation Regulation*, available at: <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32004R2006>

11 Trading Standards Institute website, available at: www.tradingstandards.gov.uk/advice/ConsumerCodes.cfm

2.8 Also in April 2013, the responsibility for providing business education moved to TSI from the OFT, except:

- specific guidance for businesses where the OFT had conducted a market study or other in-depth analysis of business practices in a particular sector; and
- areas covered by the Unfair Terms in Consumer Contracts Regulations.

Trading Standards Services

2.9 Trading Standards Services (TSS) are officers who work for local authorities. They are responsible for safeguarding the interests of consumers and businesses by enforcing legislation on environmental health, licensing and unfair trading. In the new consumer protection landscape, TSS continues to enforce a range of consumer protection legislation locally and regionally. From 1 April 2013, TSS also became largely responsible for enforcing consumer law at the national level.

2.10 In April 2013, responsibility for operating the Consumer Regulations website and the Central Register of Convictions transferred to the NTSB. As in the previous consumer protection landscape, local authorities have access to a local intelligence database of their choosing.

2.11 From April 2014, TSS became responsible for the regulation of estate agents in relation to the operation of the negative licensing system and approval of estate agents redress schemes. Regulation of estate agents under anti-money laundering regulations has transferred to HM Revenue & Customs.

National Trading Standards Board

2.12 The NTSB was created in April 2012 to provide leadership and support to TSS in enforcing consumer protection. This board consists of experienced Trading Standards officers who represent TSS across England and Wales. The equivalent functions will be performed by the Convention of Scottish Local Authorities (COSLA) for Scotland and by the Department of Enterprise, Trade and Investment (DETI) for Northern Ireland.

2.13 The NTSB is neither a public body nor a legal entity and therefore cannot enter into a legally binding agreement. BIS, which sponsors the NTSB, first provides the grant money to the TSI. The TSI keeps the money for the NTSB as a client account; but can only allocate the funds on the written request of the NTSB. The agreement between the three organisations is formalised in a memorandum of understanding.

2.14 The National Tasking Group (NTG) is a subgroup of the NTSB with its own decision-making ability and consists of representatives of TSS and the CMA. The NTG meets bi-monthly to consider, prioritise, allocate and fund cases through the regional Scambuster Teams where harm is being caused to consumers nationally. It has delegated authority to make funding available from the NTSB's national enforcement budget to prioritise and task enforcement where:

- TSS identify a national case suitable for funding or referral to the CMA;
- CMA identify a national case suitable for TSS action;
- the CPP has identified a priority area for enforcement but neither TSS nor CMA plan to take action in that area; or
- another partner in the consumer regime spots an issue that appears to require enforcement action.

Citizens Advice

2.15 Citizens Advice is an independent charity that, with Citizens Advice Scotland and Citizens Advice Northern Ireland, provides financial, legal and consumer advice across the UK. In April 2012, it took over running the government-funded consumer advice function, including the call centre Consumer Direct. Since April 2014, it has the responsibility for coordinating consumer education and advice, and consumer advocacy.

2.16 The Public Bodies Order 2013 authorised the transfer of the OFT's statutory consumer advice scheme function to Citizens Advice and Citizens Advice Scotland.¹² It also amended the payment of levies on gas, electricity and postal service industries to allow these industry levies to fund Consumer Direct, which transferred from the OFT to Citizens Advice.

2.17 In April 2014, Citizens Advice took on the functions of Consumer Futures (formerly Consumer Focus, renamed in May 2013).¹³ Consumer Futures has been funded by a levy that BIS collects from companies which operate in energy and postal services and, in Scotland, water utilities. The same arrangements exist now that Consumer Futures is part of Citizens Advice and Citizens Advice Scotland.

¹² Cabinet Office, *Public Bodies 2013*, December 2013, available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/274828/PB13_21-jan-14.pdf

¹³ Consumer Focus established a new Regulated Industries Unit (RIU) to identify and represent consumers' interests in complex, regulated sectors, including energy and postal issues and, in Scotland, water. The RIU, subject to Parliament, will transfer to Citizens Advice in October 2014. This information comes from the House of Commons library note *New consumer landscape*, 19 November 2013, available at: www.parliament.uk/business/publications/research/briefing-papers/SN06759/new-consumer-landscape

Other partnership working

2.18 Other aspects of the new consumer protection landscape that aim to promote a joined-up approach are:

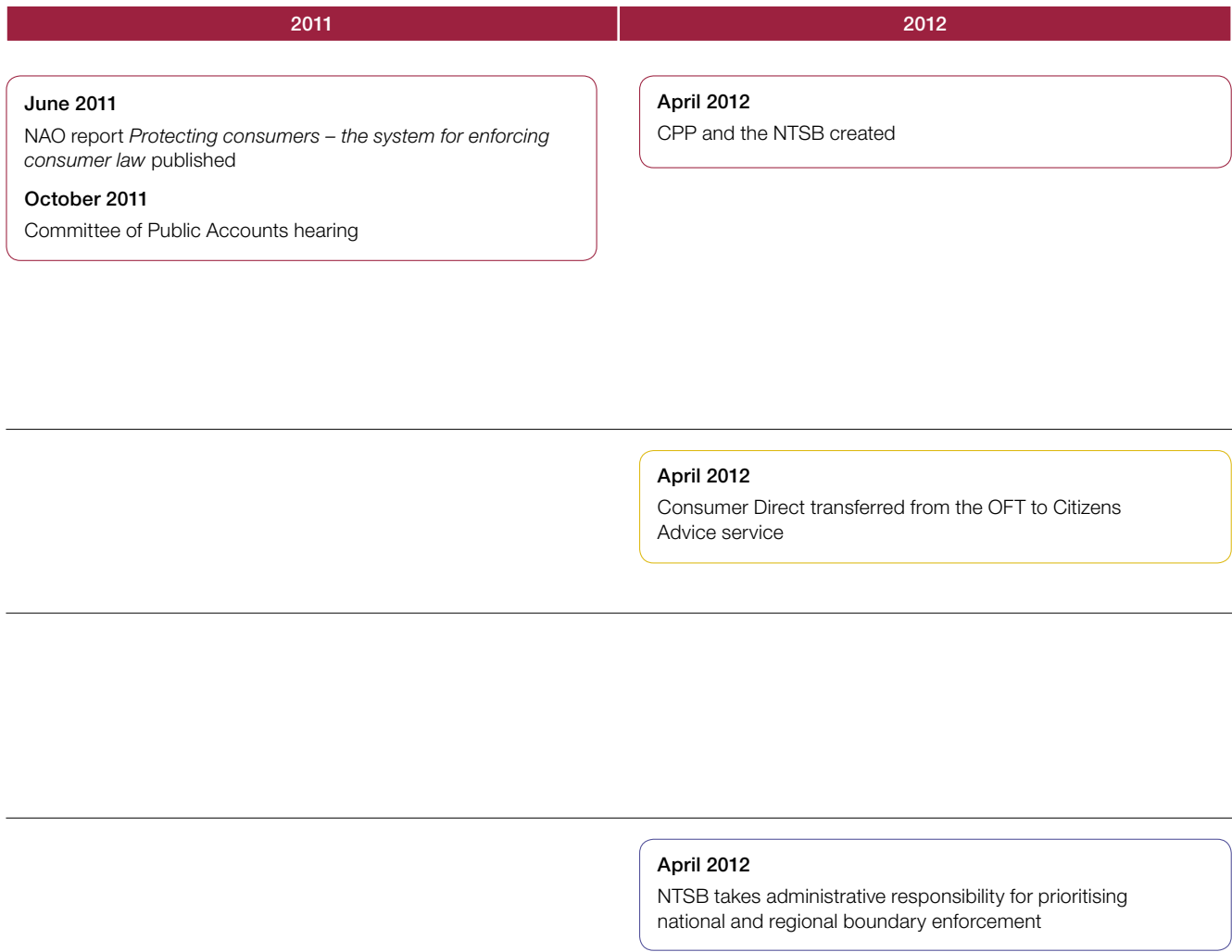
- Consumer Protection Partnership (CPP). This is a new group established to better identify both current and emerging areas where there is, or is likely to be, greatest consumer detriment, and to prioritise and coordinate collective action. The CPP includes BIS, the CMA, the NTSB, the TSI, Trading Standards Scotland, Citizens Advice and Citizens Advice Scotland, the Financial Conduct Authority, the Consumer Council for Northern Ireland, and DETI (in Northern Ireland).
- Consumer Concurrency Group. This group aims to ensure that issues from the regulated sectors are reflected in discussions about threats to consumers. This group consists of the Advertising Standards Agency, the Civil Aviation Authority, the CMA, COSLA, DETI, Information Commissioner's Office, Financial Conduct Authority, the NTSB, Ofcom, the Office of Rail Regulation, Ofgem, Ofwat, PayphonePlus, and Which?. During our fieldwork the members of the group expressed uncertainty about its future.

Timeline of changes

2.19 During 2011, BIS started designing the new consumer protection landscape and consulted with stakeholders. The first changes were implemented from April 2012. To allow organisations to develop the capacity to fulfil their new roles, these changes have been implemented in stages and were completed in April 2014. **Figure 3** on pages 14 and 15 outlines the changes to the consumer protection landscape and the order in which they have taken place.

Figure 3

Timeline of major events in the consumer protection landscape



- Institutional changes and other activities
- Business guidance and education
- Consumer advice and education
- Enforcement

Notes

- 1 CPP – Consumer Protection Partnership.
- 2 NTSB – National Trading Standards Board.
- 3 OFT – Office of Fair Trading.
- 4 ERR13 – Enterprise and Regulatory Reform Act 2013.
- 5 TSI – Trading Standards Institute.
- 6 TSS – Trading Standards Services.
- 7 CMA – Competition and Markets Authority.
- 8 UTCCRs – Unfair Terms in Consumer Contracts Regulations 1999.

Source: National Audit Office

2013

2014

April 2013

ERRA13 receives a Royal Assent

May 2013

Consumer Focus renamed as Consumer Futures to represent consumer interests in gas, electricity and postal services

June 2013

TSI launched its successor to the OFT's Consumer Code Approval Scheme

December 2013

Publication of Public Bodies Order

April 2014

Creation of CMA:

- OFT and Competition Commission and Consumer Futures cease to exist.
- FCA to operate the Consumer Credit Licensing system.
- TSS receives Estate Agency supervision and negative licensing, redress schemes and anti-money laundering.

April 2013

Citizens Advice service takes on responsibility from the OFT for national coordination of consumer advice, education and information

April 2014

CMA to have an international consumer advocacy role and UK's single liaison office for interaction with the EU and international enforcers

April 2013

Business education passed from the OFT to the TSI

April 2014

CMA to provide guidance material to businesses and consumers in relation to the application of the UTCCRs and use of the CMA's powers as well as in respect of matters relating to its functions

April 2013

Enforcement of consumer law at national level largely becomes the responsibility of TSS

OFT leads on of the Unfair Terms in Consumer Contracts Regulations 1999 but TSS receives a power to share its enforcement with the OFT

April 2014

CMA to:

- investigate markets that do not appear to be meeting the needs of consumers;
- respond to super-complaints;
- conduct in-depth analyses of such markets; and
- enforce consumer protection legislation to address systemic failures in a market.

Part Three

Issues to consider in future work

3.1 The consumer protection landscape reforms aim to reduce complexity, strengthen the effectiveness of consumer rights enforcement, and ensure that activities to empower consumers are delivered cost-effectively. We looked at the potential benefits, as well as the possible risks that the objectives will not be realised. The potential benefits include a reduced number of consumer organisations, better regional coordination of consumer enforcement, and improved communication between organisations through partnership arrangements. The possible risks to consumers and taxpayers include the costs of the reforms, mechanisms to ensure value for money, accountability and transparency arrangements, and the potential loss of some consumer protection functions.

Cost of reform

3.2 The Department for Business, Innovation & Skills (BIS) has estimated the cost of the reforms as £24.8 million from 2012-13 to 2013-14 (**Figure 4**). It expects the most expensive reform to be the £13.6 million transfer of Consumer Direct's functions to Citizens Advice, which includes £5.3 million for IT and communications integration.

3.3 BIS estimated the benefits of reform as yearly average benefits equal to £5.95 million (**Figure 5**), and it projected the costs and benefits for ten years starting from 2012-13. According to these estimates, the reform costs would be incurred only in the first two years, and the benefits would run in the subsequent eight years. For the ten-year period, BIS estimates a net benefit of £15.4 million.¹⁴ Future work could assess whether these cost estimates are accurate. Future work could also benchmark the costs of the reform against similar policy changes and look at whether the estimated benefits have been realised.

¹⁴ Department for Business, Innovation & Skills, *Consumer landscape review – Impact assessment*, June 2011, p. 2, available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/31395/11-981-consumer-landscape-review-impact-assessment.pdf

Figure 4

Cost of reforms estimated in June 2011 by BIS

Package of preferred options	Cost (£m)
Current resources allocated to consumer information, advice and education in the Citizens Advice service; cease funding for OFT's Consumer Code Approval Scheme; transfer advocacy functions of Consumer Focus to Citizens Advice and transfer most of OFT's enforcement powers to Trading Standards	
One-off redundancy costs to OFT associated with staff reductions across all relevant consumer policy areas	5.5–6.1
One-off transition costs incurred by the government (e.g. redundancy, IT systems, accommodation) associated with the transfer of Consumer Focus's functions and powers to Citizens Advice	3.8–6.8
Transfer of Consumer Direct's functions to Citizens Advice, comprising: recruitment and training costs (£1 million), transition team (£2.3 million), IT and communications integration (£5.3 million), other transformation costs (£2.4 million) and exit costs for existing contracts associated with implementing Consumer Direct's services (£2.6 million)	13.6
One-off costs of expanding the role of the Trading Standards Policy Board, including training and recruitment costs	0.1
Total cost	24.8

Notes

- 1 Cost based on 2011 prices, figures have not been adjusted for inflation.
- 2 Where a range is shown, the mid-point was taken to calculate the total cost.

Source: Adapted from *Consumer Landscape Review – Impact Assessment*, Department for Business, Innovation & Skills, June 2011, p. 2, available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/31395/11-981-consumer-landscape-review-impact-assessment.pdf

Figure 5

BIS's estimates of yearly average benefits from the reforms (June 2011)

Monetised benefits	Annual benefit (£m)
Expanded contact centre provision under Citizens Advice delivery model resulting in a reduction in the number of consumers experiencing detriment	2.5
Annual savings to taxpayers from ending the OFT's Consumer Code Approval Scheme	0.8
Ongoing efficiency savings from eliminating overlap and duplication between Consumer Focus and Citizens Advice	1.9–3.4
Total benefits (£m per year)	5.95

Notes

- 1 Cost based on 2011 prices, figures have not been adjusted for inflation.
- 2 Where a range is shown, the mid-point was taken to calculate the total benefits.

Source: Adapted from *Consumer Landscape Review – Impact assessment*, Department for Business, Innovation & Skills, June 2011, p. 2, available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/31395/11-981-consumer-landscape-review-impact-assessment.pdf

Complexity of the UK consumer protection landscape

3.4 One of the main aims of the consumer protection landscape reforms was to reduce complexity. Previously there were seven main organisations, including BIS in an oversight role (see Figure 1). The new landscape has six main bodies, and the interactions between these organisations are still complex (see Figure 2).

Division of responsibilities for national consumer protection enforcement

3.5 Under the new arrangements, consumer enforcement is largely the responsibility of Trading Standards Services (TSS). The National Trading Standards Board (NTSB) provides leadership, resources and infrastructure to deal with serious regional and national consumer protection issues. The Competition and Markets Authority (CMA) inherited a 'range of consumer enforcement responsibilities' and ensures that competition and markets work effectively to benefit consumers.¹⁵ The ongoing communication between the NTSB and the CMA is important to ensure that cases are clearly defined for the relevant body to take action. The way in which cases are allocated between TSS and the CMA depends on the implications of the case rather than enforcing different types of legislation. Cases will be allocated to the CMA where:

- breaches of law point to systemic failures in a market;
- changing the behaviour of one business would set a precedent or have other market-wide implications;
- there is an opportunity to set an important legal precedent; or
- there is a strong need for deterrence.

Accountability arrangements

3.6 The Committee of Public Accounts' report of November 2011 recommended that accountability arrangements for the consumer protection landscape should be coherent.¹⁶ BIS has continued its oversight role through good communication with the organisations and by building a partnership approach around consumer issues. However, its control over the resources used is limited, and it will now focus more on influencing the consumer protection landscape.

¹⁵ Competition and Markets Authority, *Consumer protection: Guidance on the CMA's approach to use of its consumer powers*, consultation document, September 2013, p. 13, available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/243711/4-guidance-on-cma-approach-to-use-of-its-consumer-powers-consultation.pdf

¹⁶ HC Committee of Public Accounts, *Protecting consumers – the system for enforcing consumer law*, Fifty-fourth Report of Session 2010–2012, HC 1468, October 2011, available at: www.publications.parliament.uk/pa/cm201012/cmselect/compubacc/1468/1468.pdf

The funding model of the NTSB

3.7 As the NTSB has no legal status, BIS gives grants to the Trading Standards Institute (TSI), which is the body legally accountable for spending. The TSI can only allocate the funds on the written request of the NTSB. The NTSB regularly reports to BIS on its work and on how it meets the requirements for it to ensure value for money. So far the arrangement has worked well; however, the TSI is the body responsible for the NTSB's financial decisions, so this adds to the complexity of accountability.

Cuts to funding

3.8 TSS are responsible for enforcing consumer protection. They receive funding from local authorities, and are currently experiencing reduced funding. Local authorities have full discretion regarding their budget priorities and spending on TSS, and BIS has no influence over this. Our interviewees indicated that severe cuts across local government made spending on TSS a low priority and, according to the Trading Standard Workforce Survey, by 2016 most TSS will have been cut by an average of 40 per cent.¹⁷ As a result of these cuts 70 per cent of responders to the survey said they will restrict or stop some services. This could lead to gaps in local enforcement and could reduce the overall effectiveness of the whole landscape. Currently, local TSS do not ascribe performance measurement to its consumer law enforcement functions; there are no service standards, or performance indicators. Therefore it is unknown whether effectiveness is achieved.

Citizens Advice's role

3.9 Citizens Advice is a well respected charity that helps 2.1 million consumers a year. As one of the biggest charities in the UK and with over 3,300 community locations in England and Wales, it has a good overview of the problems consumers currently face. It also has years of experience of providing consumer advice on a wide range of issues, which makes it a suitable organisation to take on a greater role in consumer protection.

3.10 Transferring consumer advice, information and education from the public sector to Citizens Advice reduces BIS's control in this area. The existing grant agreement between BIS and Citizens Advice includes key performance indicators (KPIs), which are reviewed quarterly. To further ensure accountability, BIS will need to clearly spell out obligations and responsibilities in the new grant agreements.

¹⁷ QLocal Southport, *40 per cent cut in trading standards will devastate consumers*, 8 April 2014, available at: www.southport.gb.com/southport/news_list/40%25_cut_in_trading_standards_will_devastate_vulnerable_consumers-53112126.htm

3.11 Citizens Advice's annual reports indicate that it received 79 per cent of its funding from central government in grants during 2011-12 and 2012-13¹⁸ (**Figure 6**). Its total income in 2011-12 was £62.7 million. The government grants equalled £49 million, including £47 million from BIS. Other public bodies, such as city and county councils and the Legal Services Commission, gave £1 million of the total income. Other grants from private companies, charitable funds and trusts accounted for £7.1 million. The remaining income of £5.3 million included voluntary income, bank interest, delivery of services, training and support.

3.12 In 2012-13, Citizens Advice's total income increased to £77.6 million. Government grants accounted for £45.4 million, which included £41 million from BIS. Grants from public bodies rose to £18.6 million, £18 million of which was the Money Advice Service's face-to-face debt advice grant. Income from other grants rose slightly to £7.5 million, and the remaining income for 2012-13 was £6.1 million.

Transparency of organisations

3.13 From April 2014, Citizens Advice is subject to additional scrutiny from an agreement between BIS and Citizens Advice, which will result in a certain level of transparency. BIS needs to ensure that grant agreements signed with Citizens Advice and the TSI include a responsibility on the receiver's side to be transparent about how they spend public funds.

Partnership culture

3.14 BIS is bringing together relevant organisations to prioritise work on the most harmful areas for consumers. BIS designed the Consumer Protection Partnership (CPP) to create a joined-up approach among its members. In November 2013, BIS published a report on the CPP's work so far and its future priorities.¹⁹ The report mentioned joint collaboration on several issues by pooling knowledge, intelligence and expertise. Our interviews, however, indicated a lack of partnership culture among CPP members. The CPP is still new, and it is unclear what its contribution to the consumer landscape will be. It is starting to act more strategically rather than operationally, which should improve partnership working. The partnership should be able to change its members' behaviour to have a common approach. If that leads to allocating resources more efficiently, then it has reached its aim. Therefore, the CPP's effect on its members' behaviour should be monitored.

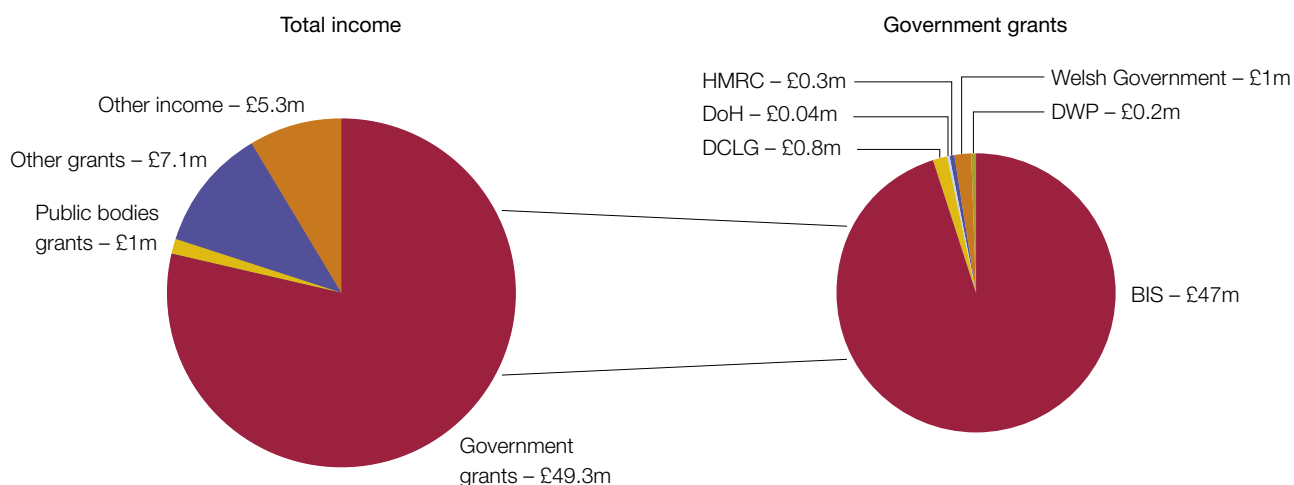
¹⁸ Citizens Advice, *Citizens Advice annual report and accounts 2011-12*, available at: www.citizensadvice.org.uk/index/aboutus/publications/annualreports/annual_report_2012.htm, and *Citizens Advice annual report and accounts 2012-13*, available at: www.citizensadvice.org.uk/index/aboutus/publications/annualreports/annual_report_2013.htm

¹⁹ Department for Business, Innovation & Skills, *Consumer Protection Partnership: Priorities Report 2013-14*, November 2013, available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/252730/bis-13-1267-consumer-protection-partnership-future-priorities.pdf

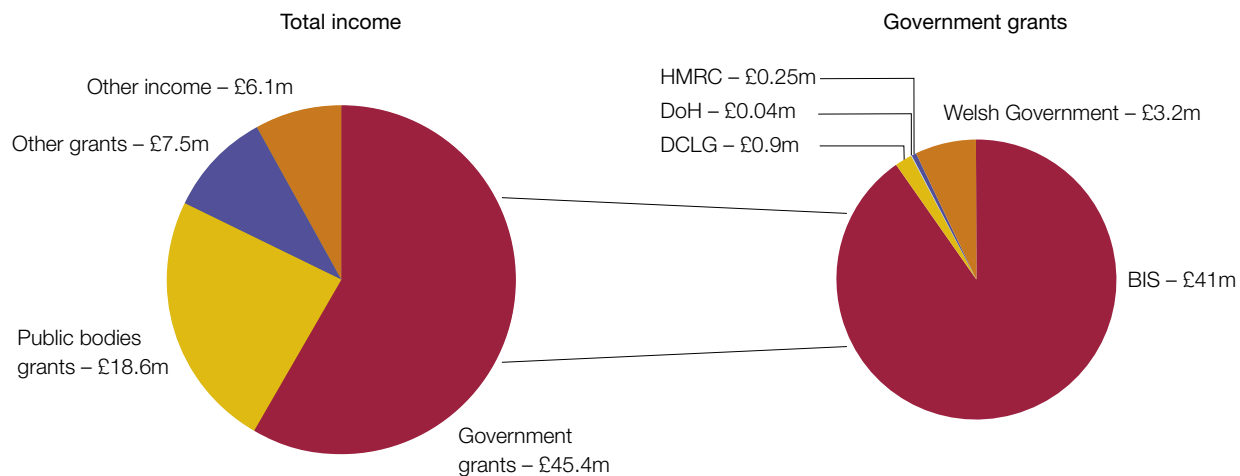
Figure 6

Citizens Advice income in 2011-12 and 2012-13

2011-12



2012-13

**Notes**

- 1 Income figures for Citizens Advice England and Wales only.
- 2 DWP – Department for Work & Pensions.
- 3 HMRC – HM Revenue & Customs.
- 4 DoH – Department of Health.
- 5 DCLG – Department for Communities and Local Government.

Source: The numbers for 2011-12 and 2012-13 come from *Citizens Advice Annual Report and Accounts 2012-13*, p. 21, and the sum of different types of grants from pp. 27–29, available at: www.citizensadvice.org.uk/index/aboutus/publications/annualreports/annual_report_2013.htm

Consumer Futures

3.15 Transferring Consumer Futures to Citizens Advice is a good step towards reducing the number of organisations in the consumer protection landscape. These two bodies represent a good match of consumer cultures, as both are well respected consumer bodies. Citizens Advice is well known as being able to help consumers with existing problems, whereas Consumer Futures looks into future problems. Combining these two outlooks may bring additional benefits to consumers. Citizens Advice has separated the Consumer Futures unit to ensure that this future-focused work can still take place. However, as an organisation that provides generic consumer advice, it will be a challenge for Citizens Advice to retain the technical expertise of Consumer Futures, for example in postal and energy markets. Funding to Consumer Futures has been reduced in recent years from £18 million in 2010-11 to £9.4 million in 2013-14 and therefore, Citizens Advice will need to ensure that resources are used effectively to achieve the same impact. There is also the challenge of working across three organisations, as the Consumer Futures work is split between Citizens Advice, Citizens Advice Scotland and the Consumer Council for Northern Ireland. Our future analysis could consider the benefits and drawbacks of Consumer Futures becoming part of Citizens Advice.



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