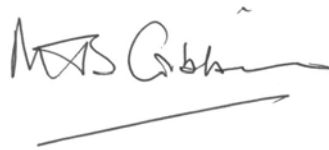
 <b>Regulatory Policy Committee</b>	<b>OPINION</b>	
<b>Impact Assessment (IA)</b>	Consumer redress for misleading and aggressive commercial practices	
<b>Lead Department/Agency</b>	Department for Business, Innovation and Skills	
<b>Stage</b>	Final	
<b>Origin</b>	Domestic	
<b>IA number</b>	BIS0393	
<b>Date submitted to RPC</b>	08/01/2013	
<b>RPC Opinion date and reference</b>	08/02/2013	RPC13-BIS-1635
<b>OIOO Assessment</b>	<b>GREEN</b>	
<p>The IA says that “<i>this measure is in scope of OIOO as it has direct impacts on business and civil society organisations. The Government expects the proposed changes to result in an ‘OUT’ of £2.8m. This has been calculated on the basis of best estimate calculations on impacts which are direct and in scope for businesses and civil society organisations...</i>”.</p> <p>The proposal does appear to be net beneficial to compliant businesses and the Equivalent Annual Net Cost to Business (EANCB) of (-)£2.8m seems to provide a reasonable assessment of the likely size of this. The IA does not explicitly address how this qualifies as an OUT against paragraph 19 of the current One-in, One-out Methodology, i.e. by removing or recasting existing regulations. However, the department has provided separately information which explains that the proposal repeals existing law as far as business-to-consumer transactions are concerned. This information should be included in the IA. The assessment that this is an OUT would therefore appear to be consistent with the current One-in, One-out Methodology.</p>		
<p><b>Overall quality of the analysis and evidence presented in the IA</b></p> <p><i>Consumer benefits.</i> Whilst this does not affect the EANCB, the Committee has concerns about the assessment of consumer benefits.</p> <p>i) <u>Improved consumer confidence leading to increased sales</u> (pages 17-18)</p> <p>The IA assumes that increased consumer confidence results in a 0.25% increase in sales (e.g. door-step double-glazing). The resultant £5.8m annual figure is then taken to be a benefit to the consumer. However, the IA should assess the economic impact through effects on consumer and producer surplus. In particular, the estimate might heavily overstate the net benefit to consumers by not taking into account the (lost) benefit from what they would have done with the money under the counterfactual.</p> <p>ii) <u>Greater consumer redress</u> (page 17)</p> <p>Compensation payable from the increased number of cases that go to court amounts to about 25% of the overall estimated increased compensation of £2m to £5m per year. Although footnote 23 on page 17 provides an indication of what the</p>		

other forms of compensation are, the IA should provide further details on what makes up the remaining 75% of the estimated compensation. The IA should also discuss further why the department considers it appropriate to exclude the cost to employers (of paying the compensation) from the NPVs.

*Summary Sheet Presentation and Uncertainty of Estimates.* On page 3 the IA presents the “high” and “low” estimate for benefits as the same as the “best” estimate. However, the table from which this figure is drawn (on page 19) has different figures for the “high” and “low” estimates (reflecting the £2m to £5m range referred to above). The IA should address this inconsistency. Given that the £5.8m figure relating to improved consumer confidence (referred to above) seems to be even more uncertain, the IA should have provided a range for that also.

**Signed**

A handwritten signature in black ink, appearing to read 'Michael Gibbons', with a long horizontal line underneath it.

**Michael Gibbons, Chairman**