



Department
for Business
Innovation & Skills

Switching Principles

Next steps – action plan

MAY 2016

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Switching Call for Evidence – Next Steps (action plan)

The Principles

Overall, the Call for Evidence¹ has demonstrated that the switching principles we introduced in 2015 strike a good balance between a high-level guide for industry to follow, without imposing unnecessary or punitive burdens. However, we have listened to respondents, and as a result have made some minor changes (in bold) to some of the principles, which now read:

- **Switching should be free to the consumer, unless they are aware of and have consented to fair, reasonable and clear restrictions and charges to do so.**
- **The switching process itself should be quick, easy and at an agreed date.**
- **The switching process should be led by the organisation with most interest in making the switching process work effectively – the gaining provider.**
- **Consumers should be able to access and copy their consumption or transaction data so they can easily reuse it for their own purposes. Consumers should be able to authorise third parties such as comparison websites to access their data to help them switch. This data should be made available in a secure and sharable format.**
- **Sites and tools providing comparisons to consumers that receive payments from suppliers should make clear where this affects the presentation of results.**
- **There should be a quick, easy to access, simple and effective process for consumers to get redress if anything goes wrong in the switching process.**
- **What have we committed to on switching: Update on Government Commitments**

Commitments

As noted, the Government has already made a number of commitments to improve switching. We list these commitments below, and provide more detail on how we are delivering these commitments. We have committed to:

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/469998/BIS-15-533-call-for-evidence-switching.pdf

Legislating for easier and quicker switching in communications markets, and working with Ofcom to ensure that customers can switch services and bundles of services with the minimum of hassle

The Government intends to legislate in this area through the Digital Economy Bill. We think that this will encourage easier switching (including GPL where appropriate) in telecoms. We are also committed to working with Ofcom to address the increasing complexity of telecoms contracts, including bundled services.

Consulting on ending the practice of handset locking for customers outside any initial contract period

Mobile phone locking can deter some people from switching. Survey data compiled by uSwitch² suggests 4.8 million phones are unlocked each year, at a cost of £48 million to consumers. Handset locking remains a widespread practice, despite little evidence that it serves a significant practical purpose. Moreover, locking represents a barrier to competition between networks, and could act as an obstacle to the growth of the SIM-only market.

As announced as part of the 2016 Budget, even when a handset has been paid off, some operators still charge customers to unlock it. At Autumn Statement 2015, the government challenged the industry to do better; since then the major operators have committed to unlocking many more of their customers' handsets for free. The Government welcomes these voluntary commitments, and looks forward to their swift implementation.

CMA analysis of price comparison websites during 2016

The CMA will start their analysis in the summer, and they will be considering whether there is a case for a common accreditation framework, whether lack of access to free, readily-available tariff data is a barrier for innovative or new price comparison websites, and whether price comparison websites in specific sectors should be subject to more rigorous propriety and transparency standards.

Facilitating the launch in the first half of 2016 of a switching guarantee – similar to the Current Account Switching Guarantee – for the energy sector; and working towards a similar guarantee in communications markets to be in place as soon as possible

Energy UK, with Government support, is leading work by the energy industry to develop an Energy Switch Guarantee.

Ensuring, using legislation if necessary, that by 2017 consumers across the regulated sectors have easy access to the data they need to find the best

² <http://www.uswitch.com/media-centre/2015/06/brits-spend-over-48-million-unlocking-mobile-phones-every-year/>

deals for them, and can authorise third party intermediaries such as price comparison websites to access this data on their behalf using secure APIs.

The Government is continuing to work with the energy industry enable consumers grant automated access to their key energy data through secure APIs.

Last year the government asked the Open Banking Working Group (OBWG) to engage with a wide range of stakeholders to produce a report setting out how an open banking standard for application programming interfaces (APIs) could be designed and delivered in the UK.

With an open banking standard in place, customers will have more control over their bank data which could dramatically increase individuals' engagement in their banking and financial affairs. The government welcomes the OBWG's report and is now working closely with industry to agree how these recommendations will be taken forward.

In its provisional decision on remedies the CMA proposed requiring the largest retail banks in Great Britain and Northern Ireland to develop and adopt an open API banking standard by early 2018. The Government remains committed to improving data access and supports the wider application of open data principles across regulated sectors.

Data usage promises to be a growth opportunity, and the UK should be seeking to lead in the development of innovative tools and solutions, and business adoption. As the OBWG's report notes, "a strong data infrastructure will be as important to the UK's economy today, as roads have been to our success in the industrial economy for over a century."³

Commission Research on Trigger Points

As announced at the 2016 Budget, the Government has published the first of two reports, compiled by research firm GFK-NOP, into the role that key 'trigger' points can play in empowering consumers. This research will explore what triggers different people to switch.

The first report reviewed existing material, including academic papers, primary research reports, literature reviews and market commentaries to assess current knowledge on consumer behaviours in order to inform the main research. This was published earlier this year⁴.

The second report will consist of analysis of in-depth qualitative interviews with consumers, exploring barriers to engagement and trialling the idea of several 'triggers'. The research is on track to be completed in Spring 2016 and will be published shortly.

³ <http://www.scribd.com/doc/298568600/Introducing-the-Open-Banking-Standard>

⁴ <http://www.uswitch.com/media-centre/2015/06/brits-spend-over-48-million-unlocking-mobile-phones-every-year/>

Reliable Next Day switching in energy

Ofgem, with Government support, has initiated a programme of work to radically overhaul the change of supplier process for gas and electricity customers and deliver reliable next day switching. The Government has published draft legislation for pre-legislative scrutiny which would strengthen Ofgem's powers to coordinate and deliver these important reforms. We intend to take forward these measures as part of the Better Markets Bill, announced as part of the Queen's Speech on 18 May 2016.

Working with Citizens Advice to improve access to switching advice over the phone

Citizen's Advice is updating their consumer helpline to capture queries about switching.

The government is driving water market competition. Business and other non-household customers will be able to switch suppliers from 2017. Ofwat will provide an assessment by summer 2016 of the costs and benefits of extending retail competition to household water customers. Following this, the government will work with water companies to begin the transition to retail competition before the end of this Parliament

1.2 million business and other non-household customers will be able to switch water suppliers from 2017. The new market is estimated to deliver a net benefit of about £200 million to the UK economy. It will enable businesses to shop around to get the best deal – and be protected if things go wrong. This will enable them to access a range of benefits: higher standards, more tailored services, lower prices and advice on using less water.

Ofwat will provide an assessment by summer 2016 of the costs and benefits of extending retail competition to household water customers. This will include analyses of the sensitivity of costs and benefits to different models of competition and assess each of the corresponding outcomes against a range of objectives, including value for money, quality of service, affordability and protecting vulnerable customers.

Competition and Markets Authority (CMA) retail banking market investigation

The CMA published its provisional decision on remedies on its market investigation into retail banking on 17 May, with proposals that broadly focus on interventions designed to increase consumer and SME engagement in banking. The CMA found that nearly 60% of customers have stayed with the same bank for more than 10 years, and suggests that personal current account customers in Great Britain could save an average of around £116 per year if they were to switch – with bigger savings for overdraft users of an average of £153 per year. In Northern Ireland, these figures are about £85 and £115 respectively.⁵

The CMA is now consulting on its provisional decision on remedies. The government welcomes the CMA's work as an important step towards the goal of a highly competitive

⁵ Retail Banking Market Investigation: Summary of provisional decision on remedies, May 17 2016, p23, https://assets.digital.cabinet-office.gov.uk/media/573a377240f0b6155900000c/retail_banking_market_pdr.pdf

banking sector, and stands ready to take action as necessary once the CMA publishes its final report in the summer.

Competition and Markets Authority (CMA) Energy market investigation

On 10 March 2016, the CMA published its Energy Market Investigation: summary of provisional decision on remedies. The CMA highlight their own survey research where, “34% of respondents said they had never considered switching supplier, while 56% of respondents said they had never switched supplier, did not know if it was possible or did not know if they had done so.”⁶ They also note that currently around 70% of customers are on the standard variable tariff – potentially missing out on “material, persistent gains from switching supplier, tariff and/or payment method” Their suggested package of remedies include:

- the establishment by Ofgem of a programme of research, including randomised controlled tests where appropriate, to provide customers – directly or through their own suppliers – with information to prompt them to engage;
- Ofgem making greater use of principles rather than prescriptive rules in addressing potential adverse supplier behaviour concerning the comparability of their tariffs;
- enhancing the ability and incentives of Third Party Intermediaries (e.g. Price Comparison Websites), to promote customer engagement in the retail energy markets;
- creating an Ofgem-controlled database of ‘disengaged customers’ on default tariffs, to allow rival suppliers to prompt these customers to engage in the retail energy markets (the Database remedy); and
- a range of remedies to increase the number of tariffs available to customers on prepayment meters and to make it easier for them to switch supplier.

The Government will consider the CMA’s provisional findings, and awaits its final report, due to be published in June 2016.

Further Steps

⁶ Energy Market Investigation: Summary of provisional decision on remedies, March 10 2016, p21,

https://assets.digital.cabinet-office.gov.uk/media/56e1974ae5274a036b000018/Energy_PDR_Summary_March_2016.pdf

Following the responses to the Call for Evidence, and drawing on the wider body of evidence, the Government is considering how to make switching even easier and quicker; looking at the time it takes to switch in different sectors.

As a first step, we have launched a Call for Evidence on improving the consumer landscape and quicker switching. This asks for views on introducing more consistent switching times across sectors, giving consumers greater certainty of the level of service they should expect. It also explores a number of additional, related areas around improving consumer choice and engagement.

We will also be working with Citizen's Advice and the Money Advice Service to target switching support as part of the wider package on improving financial capability.



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