



Department
for Business
Innovation & Skills

SWITCHING PRINCIPLES

Government Response and
Action Plan

MAY 2016

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1. Foreword from the Minister of State, Nick Boles



Every night, you turn on the TV and see adverts with catchy jingles encouraging you to compare and switch your energy provider, your bank, your broadband.... You find it hard to remember the last time you switched anything. You look at your latest bill and think you could be paying too much. You managed to make the time to go online to check what the best deals are and you're swamped by offers, but which one is the best for you?

When you talk with family and friends, you get encouragement: 'I switched my energy provider and saved lots of money!' and cautionary tales: 'I tried to switch my mobile phone contract recently, and it took forever!'

We asked for your views on switching, through our Call for Evidence, and we received a great number of responses, over 500 in total! Over 82%, of you said that you had switched a service across the three markets and that most of you felt that the switch was free, quick and easy. This clearly indicates that when the switching process works, it's quick, reliable, free- and most importantly, saves you money.

However, some of you thought switching was too much 'hassle' and that the process is not perfect. We want to get to the bottom of that. By not switching, you may be missing out on the best deals that could have a significant impact on your personal budget (saving £300 on your energy bill could pay for your next holiday.) We've listened to your concerns and come up with actions that will make switching even easier.

We want to reinvigorate the whole switching process across three key UK markets; banking, energy, telecoms. We want you to confidently and quickly look for the best deals and switch. Why? Greater consumer engagement drives competition and results in better prices for all. So, we are going to deliver on our commitments to legislate for easier and quicker switching in communications markets, and to ensure you have access to the data you need to help you switch. We've already challenged

mobile phone operators to make unlocking handsets cheaper and easier, and most operators have committed to unlocking many more of their customers' handsets for free.

This won't be the end of the process. We will be watching closely to see what impact these measures have. And if we need to go further, we will.

A handwritten signature in blue ink, appearing to read "Neil Me".

2. Introduction

Consumers' ability to engage with and access competitive markets, and trust those markets to work effectively, is vitally important to the UK. Competitive markets drive innovation and better services and products to consumers, which ultimately leads to growth for the UK economy. Industry needs the right environment to grow and innovate, but consumers also need to be protected by the right safeguards against poor levels of service, and empowered to find the right products and services to suit their lives.

The Government is already delivering improved rights for consumers, after passing the Consumer Rights Act 2015. In July 2015, the UK Government published the Productivity Plan¹ which set out a commitment to 'Introduce clear new principles for consumer switching'. This is driven by the belief that the engaged consumer pushes firms to become more innovative and offer better deals. This is good for consumers and good for growth.

In October 2015, we published six switching principles in our Call for Evidence² on switching. The principles were aimed at setting out an overarching set of aspirations and standards across energy, telecoms and current account switching, and recognising that they may also apply to wider products.



The Call for Evidence closed in December 2015, and generated over 500 direct responses as well as over 6,000 to a parallel questionnaire run by Which?

¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443898/Productivity_Plan_web.pdf

²<https://www.gov.uk/government/consultations/switching-suppliers-making-it-easy-for-consumers>

In November 2015, we announced a package of commitments to improve switching in: ‘A better deal’³. And, over the last 9 months, we’ve been holding roundtables and discussions with regulators and industry leaders on potential barriers to implementing the switching principles in different sectors. We’ve also been working closely with external partners such as Money Saving Expert, Citizen’s Advice and Which?

This is not the end of the process. This report sets out the main things you told us in the Call for Evidence. It also reports on progress so far on our commitments and sets out the future direction of travel.

³ <https://www.gov.uk/government/publications/a-better-deal-boosting-competition-to-bring-down-bills-for-families-and-firms>

A better deal: boosting competition to bring down bills for families and firms

Summary of switching commitments



The government will take steps to help consumers find the best bank for them. Switching can save the average customer £70 a year and heavy overdraft users £260 a year.

The government will reduce the projected cost of green policies on the average annual household energy bill by £30 from 2017. The government will also make switching supplier easier and quicker. The average household could currently save £160 from switching supplier.



Facilitating the launch in the first half of 2016 of a switching guarantee – similar to that in current accounts – for the energy sector; and working towards a similar guarantee in communications markets to be in place as soon as possible. This will ensure that consumers can switch with confidence.



Consumers can face costs of up to £20 to unlock their phones with an estimated £48 million spent per year. The government expects industry to start automatically unlocking customers' handsets at the end of their contracts, and will consult in 2016 on ending the practice of handset locking for customers outside any initial contract period.

Legislating for easier and quicker switching in communications markets, and working with Ofcom to ensure that consumers can switch services and bundles of services with the minimum of hassle. The government believes that consumers should only have to deal with the party that most wants their switch to go smoothly – their new provider.

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 household retail competition before the end of this Parliament.



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

Commissioning independent research on the best form and timing for 'trigger points' whether in banking, energy or telecoms, to report by spring 2016.

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

3. Analysis of responses to our Call for Evidence

Summary of Responses to the Call for Evidence



Considerably more consumer respondents had switched energy suppliers (71%), than other sectors. The energy sector also accounted for the largest number of responses from industry.



Our proposed switching principles were generally supported, with some respondents suggesting possible improvements. However, organisations in some sectors, notably telecoms, argued that the principles were not fully applicable in their particular market circumstances.



Reliability of the process and certainty around the switching date appear to be more important to consumers than the actual speed of the switch. Respondents in the energy sector faced the most problems when it came to the length of the process and any agreed switching dates being met. Industry and consumer groups agreed more could be done to improve communication between suppliers.



The majority of those who switched did not face any costs or penalty charges. However the perception of those who did not switch differs, particularly in telecoms. Organisations who responded also thought perceptions of switching might be inaccurate, suggesting there needed to be more education and awareness-raising.



The majority of consumers in all sectors said they would be more likely to switch if they only had to contact the gaining provider. However the consultation received mixed responses from organisations. Those against raised concerns about mis-selling and slamming practices if the process was gaining provider led. Consumer organisations were generally supportive of the principle.

The majority of those who switched said they found it easy to understand their transaction data but some consumers struggled, most in the energy sector. Organisations appeared to have mixed views on what constituted transaction data and how comprehensive it is.

Comparison websites are widely used, but the majority of those who switched (61%), did not think they showed all deals on offer, and many non-switchers thought it was difficult to compare deals. The latter is linked to the large number of complex tariffs on offer, particularly when faced with bundles of services in telecoms. However, most people said they would still use a comparison site when thinking about switching.

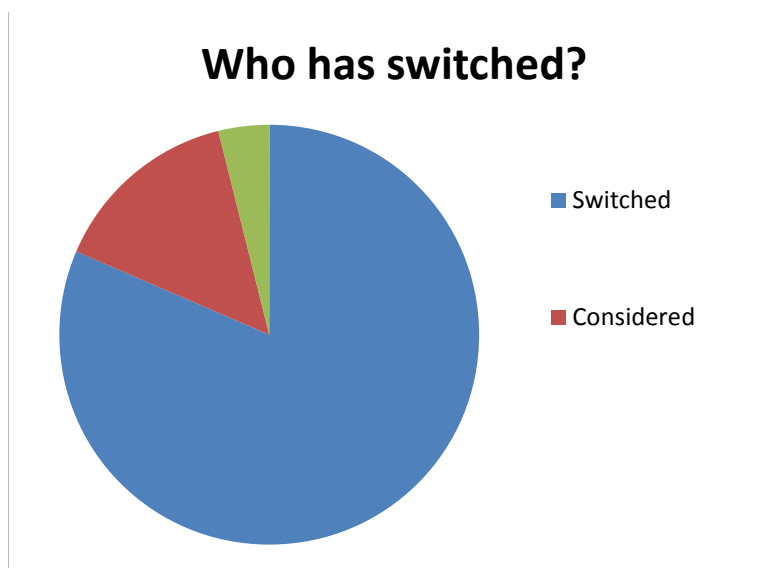


Industry believes that there is an efficient form of redress, but consensus amongst consumers and other non-consumer groups is a less certain. Whilst there are ombudsmen in place, many felt redress was still not enforced adequately.



Overview of Respondents

The Call for Evidence received a total of 564 responses. We saw a good range of views from both individuals and organisations, though we recognise that in isolation this exercise is not statistically significant. However, switching, and consumer empowerment more generally, is the subject of a number of other studies and investigations from UK regulators and other bodies, including; OFCOM⁴, OFGEM⁵, Which? Switch⁶, the CMA⁷, BACS⁸, FCA⁹, the European Commission¹⁰ and many others¹¹. The work of these bodies will feed into future recommendations.



505 consumers responded to the call for evidence, of which 418 had switched, 75 had considered switching but had not and 20 had not considered switching. A parallel survey run by the consumer group Which? had 6083 respondents.

⁴ This includes all the yearly Strategic Review of various telecom sectors/aspects including; the Strategic Review of Digital Communications 2015 and the Consumer Experience of 2014: Research report, January 2015

⁵ E.g. the Ofgem tracker Sep. 2015

⁶ The Which? Switch website

⁷ This includes the CMA's their various yearly market reports across the three markets, including; the CMA Energy market investigation 2015, the CMA Retail banking market investigation 2015 etc.

⁸ BACS: Consumer Engagement in the Current Account Market 2016

⁹ FCA ongoing market study into the credit card sector, <<https://www.fca.org.uk/news/credit-card-market-study>>

¹⁰ E.g. the Consumer Market Study: Retail Electricity Markets EU- 2015, the Consumer vulnerability across key markets in the European Union 2016 & EU's E-Communications and Telecom Single Market Household Survey 2014

¹¹ E.g. My Home Energy Switch website (run by the National Housing Federation)

The table below shows the percentage of all respondents who said they had switched suppliers in the last two years in each sector:

Energy	71%
Banking	32%
Mobile	22%
Fixed line phone	24%
Broadband	31%
Pay -TV	6%
Other	19%

59 organisations responded to the call for evidence, which included:

- 7 Telecoms
- 17 Energy
- 10 Banking
- 4 insurance
- 6 Regulators
- 4 Price Comparison Sites
- 11 across other groups – including consumer organisations, academics, Non Departmental Public Bodies, charities and credit reference agencies.

Respondents across sectors, regulators, consumer groups and others were largely in favour of the spirit and aims of the principles, with some respondents suggesting tweaks to the current wording. Some industry respondents were less supportive, particularly of the principle that switching should be led by the gaining provider and more generally they were concerned that the principles might result in unnecessary regulation.

Which sectors should the principles apply to?

As we said in the Call for Evidence, the key focus was to understand how best to adopt the principles as the industry standard across energy, telecoms and current accounts, and we also welcomed any views and experiences of switching providers in other areas such as insurance, credit cards, savings and mortgages.

The Call for Evidence focused on energy, telecoms and banking as these are sectors which provide basic services that we all rely on. Consumer engagement in these sectors also tends to be lower compared to others like general insurance (home and car) and credit cards, where switching rates are usually higher. Relatively high rates of switching tend to reflect customer perceptions about how easy it is to switch in that sector.¹²

Car and home insurance generally operates on the basis of annual contracts with renewal triggers. There was therefore a strong message from the general insurance sector that the principles should not be extended to include insurance, on the basis that certain of the principles are not applicable, and consumer-led processes and annual renewals means that there are already high levels of engagement.

The mortgages market also has some features distinct from other regulated sectors. Getting a mortgage (including re-mortgaging) requires detailed and sensitive customer information, and the market is also distinctive in the heavy presence of third party intermediaries such as brokers who will lead the process for the customer. The FCA launched a Call for Inputs¹³ on competition in the mortgage market in October 2015, the results of which will be published in the first quarter of 2016 and may inform any future actions on switching.

These differences in consumer engagement and market structure, and the evidence generated from the Call for Evidence, suggests that adoption of all the principles as a standard across all sectors may not be appropriate. This does not mean that there are no improvements to be made to switching in these sectors and the principles remain a good starting point. The Government will continue to work with industry, regulators and consumer groups to assess where improvement can be made – either in processes or engagement - and taken forward either on a voluntary or legislative basis.

¹²https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/469998/BIS-15-533-call-for-evidence-switching.pdf. Annex C: Analytical review. To note, more recent figures have since been released, showing that switching rates in both energy and telecoms markets have increased.

¹³ <http://www.fca.org.uk/your-fca/documents/cfi-mortgage-sector>

3.1 Principle: Switching should be free to the consumer, unless they are aware of and have consented to fair and reasonable restrictions and charges to do so

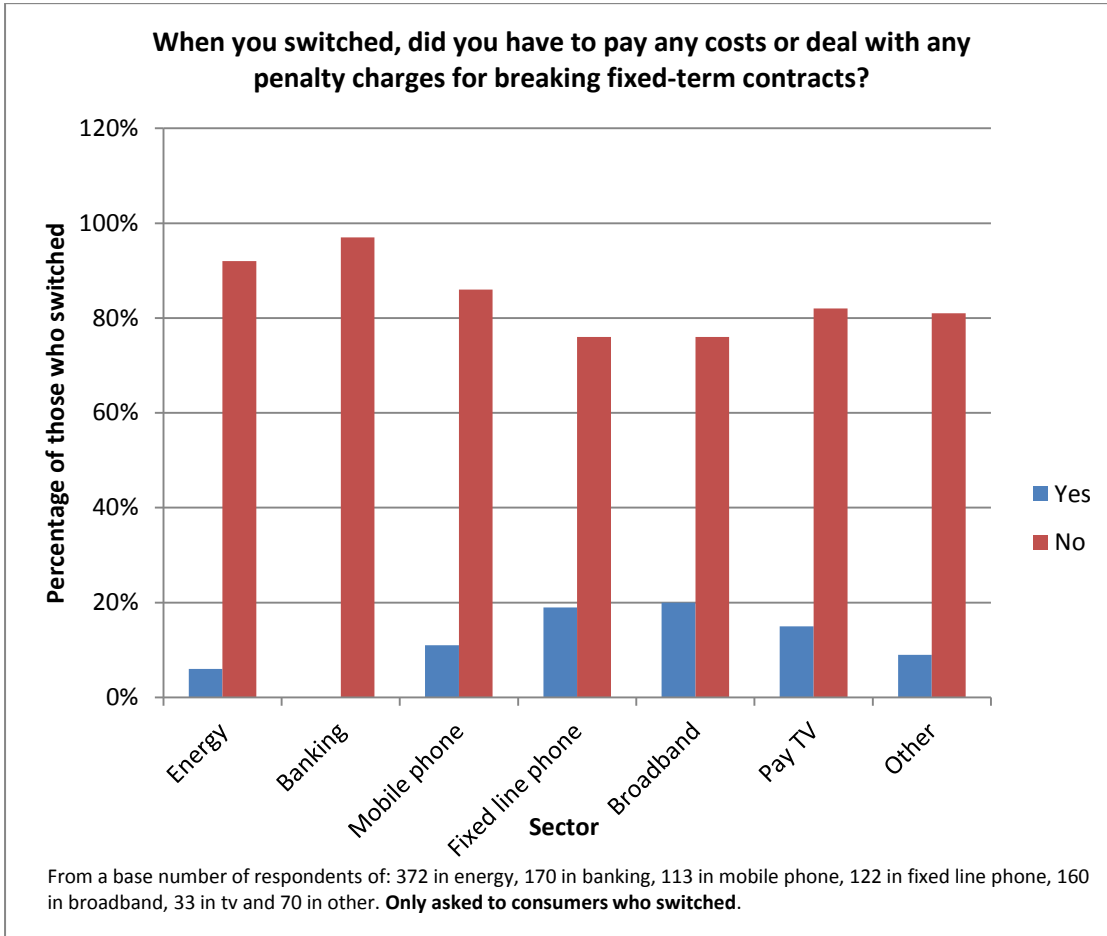
Introduction

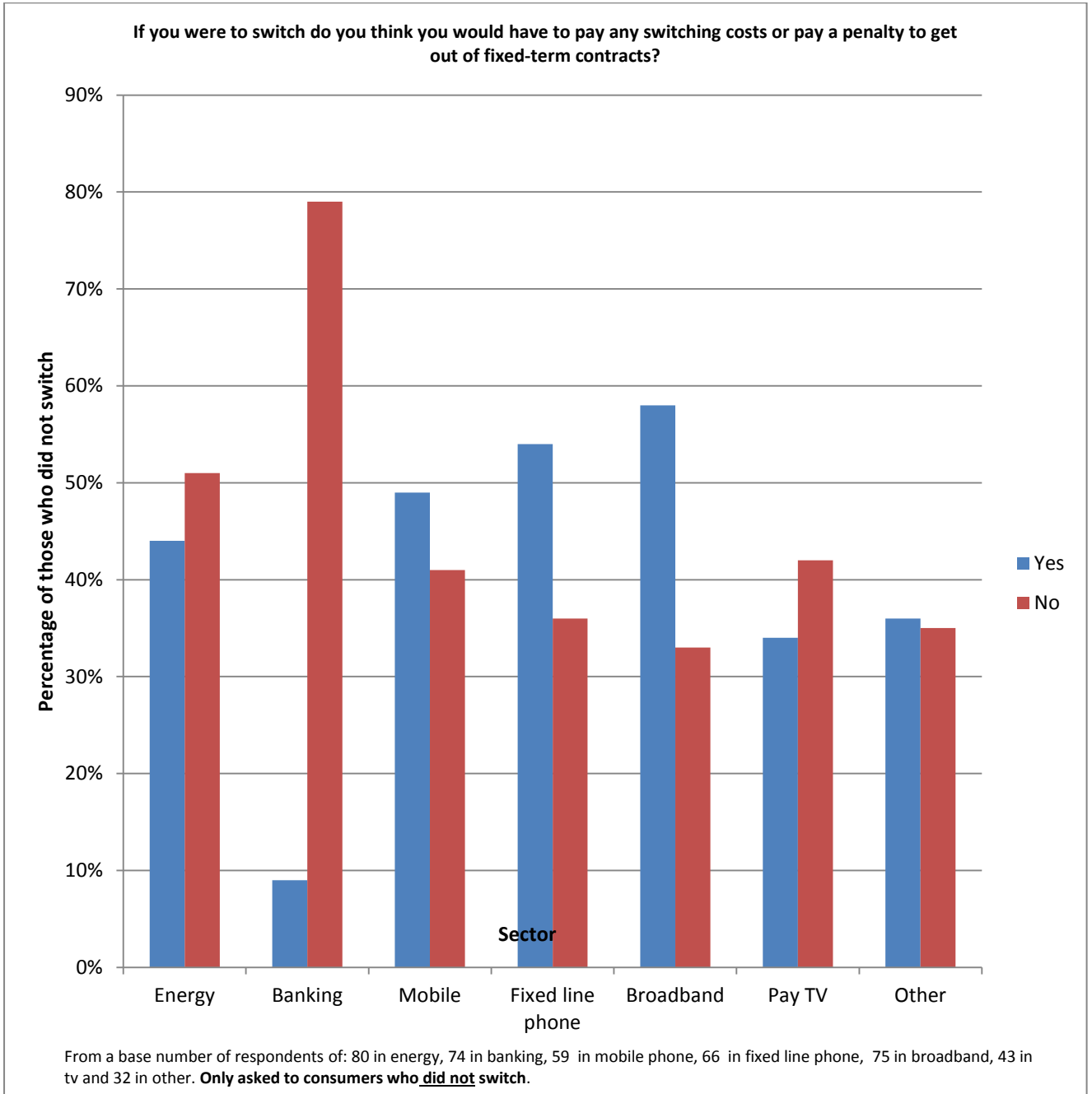
This principle focuses on the costs and exit fees that might be charged as a penalty for leaving current providers, and any associated fees incurred as part of the process, once a consumer has committed to a switch. It does not focus on the time-cost, which is covered in the second principle.

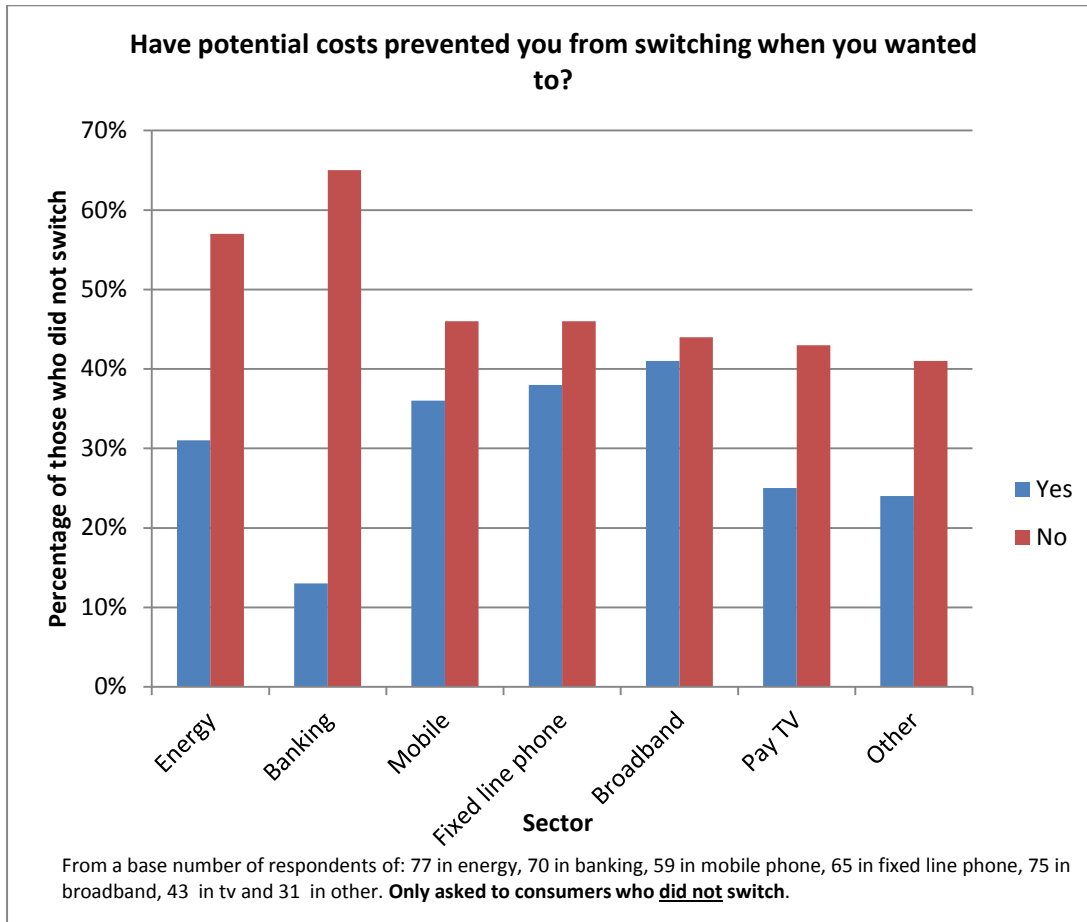
The principle does not prevent early exit fees, so long as they are reasonable and clearly sign posted to consumers. We do not consider it proportionate or appropriate to ban minimum contract terms with financial penalties for early exit (indeed, in many cases there is a strong rationale for this). However, as stated, consumers should be made aware before they take out a contract of financial switching costs (including the circumstances where costs are incurred) and when they would apply.

We were interested in consumers' actual experiences of switching costs, the perception that they might incur costs and how this might affect their ability or motivation to switch. We sought views on similar questions from interested organisations, as well as suggestions for removing any existing cost barriers.

Consumers







There is a difference between the perception of the non-switchers and the experiences of the switchers. The majority of switchers did not face any costs or penalty charges, but a larger amount of non-switchers believed they would, especially in telecommunications. This does not necessarily mean that the non-switchers were wrong: they may have been correct in assuming that they would face costs or penalty charges (for example because of their specific contract terms) and this is why they didn't switch, whereas switchers only did so because they would not face costs.

However there is a difference between the proportion of non-switchers who believed they would face costs and the proportion who said these costs had prevented them from switching. There are a number of reasons why this amount could be lower, including that although non-switchers believed they would face costs; this was not the main reason they didn't switch.

The qualitative data breaks this down further. It suggests that the cost of early termination charges is an issue, but that other cost concerns, such as the cost of calling providers, are of more interest to consumers. This may be because consumers are made aware of early termination charges before signing up to a contract and therefore have already made the decision to either face this cost or stick with their contract. Call charges however may come as an unwelcome surprise.

Having to make charged-for calls to existing providers or helplines was an issue found in the qualitative data across all sectors. Some consumers felt these were things that could not be done online or by another free means.

Telecoms

Broadband, fixed line phone and mobile had the highest proportion of consumers who said potential costs had prevented them from switching at 41%, 38% and 36% respectively. In these sectors the majority of those who had not switched thought that they would have to pay a switching cost or penalty charge.

Many of the qualitative responses on the subject of costs related to those in telecoms. In the mobile phone sector the cost (call charges) of having to contact the existing provider in order to get a PAC code was raised repeatedly. Anecdotal responses gave examples of conversations with suppliers lasting significant lengths of time before they were able to get their PAC code, with suppliers trying to offer new contracts, deals or simply persuade them not to switch. Some consumers found this practice intimidating.

“Companies use web sites to allow people to sign up or change packages but if you want to cancel this, more often than not, means calling the company- many on 0844 expensive calls. If you sign up via a web site then you should be able to cancel, or leave using the same method.”

Energy

Only 6% faced a switching cost or penalty charge when switching, but 44% thought they would face costs if they were to switch.

In energy a concern that arose from the qualitative responses was that it was hard to get back credit from suppliers once consumers had switched and this could cause financial costs whilst pursuing this (for example in the cost of phone calls), or due to a lack of prompt payment.

Banking

None of those who had switched in banking had faced any switching costs, although 13% of non-switchers still said that potential costs had prevented them from switching.

Organisations

- Q1. Do you think switching costs or contract terms act as a deterrent to switching?
- Q2. In your sector, what are the key factors that contribute to switching costs and prevent free switching?
- Q3. What would need to happen to remove these factors and implement free switching?

Across all types of non-consumer respondent, there was a general agreement that the switching process is for the most part free to the consumer, at the end of a contract period. Some related costs were noted across sectors, such as multiple phone calls to providers' non-free phone numbers.

Early Termination Charges (ETCs) were seen as appropriate by respondents, but they agreed that these should be made clear to the consumer (through terms and conditions). ETCs under 'evergreen' contracts (a contract that automatically renews the length of the agreement after a predetermined period), should not occur. 3 respondents suggested such contracts should be banned - perhaps replaced with mandatory contracts with clear prompts prior to the end date, similar to the insurance sector.

Clarity was raised as a particular concern for bundled telecoms services (broadband, fixed line, pay TV and mobile). Respondents across industry, regulators, consumer groups and PCWs noted that bundled services contracts can be confusing to the consumer, with different end dates for different services. There is a risk that such confusion could leave consumers locked in to such packages. Broadband and pay TV installation costs are seen as a possible deterrent to switching, but necessary with current technology and process.

Overall there was recognition that the perception of costs is a greater deterrent to consumers than reality, but that this is outweighed by other non-financial deterrents – hassle of searching and dealing with providers, fear that the process will go wrong, loss of service (particularly in banking and energy). In telecoms, loss of personal email addresses when switching broadband was raised.

Conclusion

The apparent gap between actual costs incurred by consumers who have switched, and the perception of non-switching respondents suggest that Government, its agencies, industry and consumer groups may need to do more to make consumers aware of switching processes and any costs that they might incur. This could help them weigh these costs against the future savings they make through switching. The Government has already begun research into consumer behaviour and trigger

points. We will work with our partners, including Citizens Advice, to make sure any future work in this area is effective and targeted.

While the perception may be that switching costs are high compared to the reality, it is also clear that in some cases costs do exist. For example, as ‘bundling’ becomes more common in telecoms, we think it is important that, from the start, consumers are clear about how to cancel/switch some/all of their bundle and the consequences for doing so. As Ofcom noted from the response to its recently published Digital Communication Review¹⁴, “Respondents to the Discussion Document recognised the potential complexity of bundling for consumers, and were broadly supportive of measures by Ofcom to empower consumers and improve the process of switching across bundles.”

We also want to avoid situations where a consumer might find that the service they are receiving is persistently and severely below an acceptable standard, but can’t leave because they are in an inflexible contract and will be hit with high exit fees. The recent Consumer Rights Act 2015 places an emphasis on clear terms and conditions, and the Government has published a Call for Evidence on how current rules on Terms and Conditions¹⁵ might be amended to address this. As a first step, we have refined this principle to clarify that restrictions must also be ‘clear’.

Refined principle: Switching should be free to the consumer, unless they have agreed to fair, reasonable and clear restrictions and charges to do so.

¹⁴ <http://stakeholders.ofcom.org.uk/telecoms/policy/digital-comms-review/dcr-feb-16/>
¹⁵ <https://www.gov.uk/government/consultations/improving-terms-and-conditions>

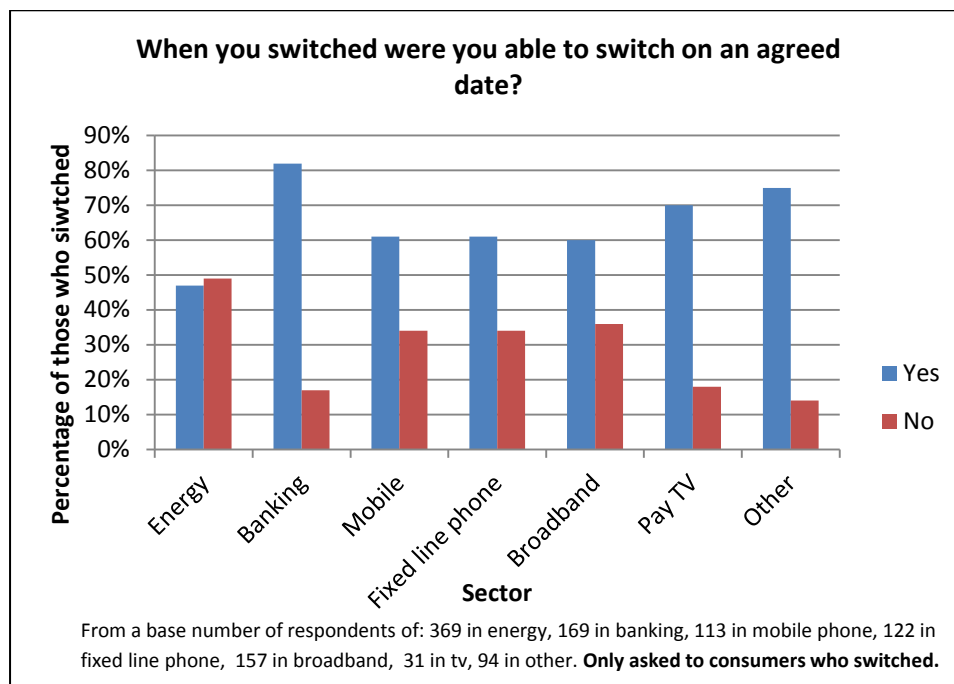
3.2 Principle: The switching process itself should be quick, at an agreed date.

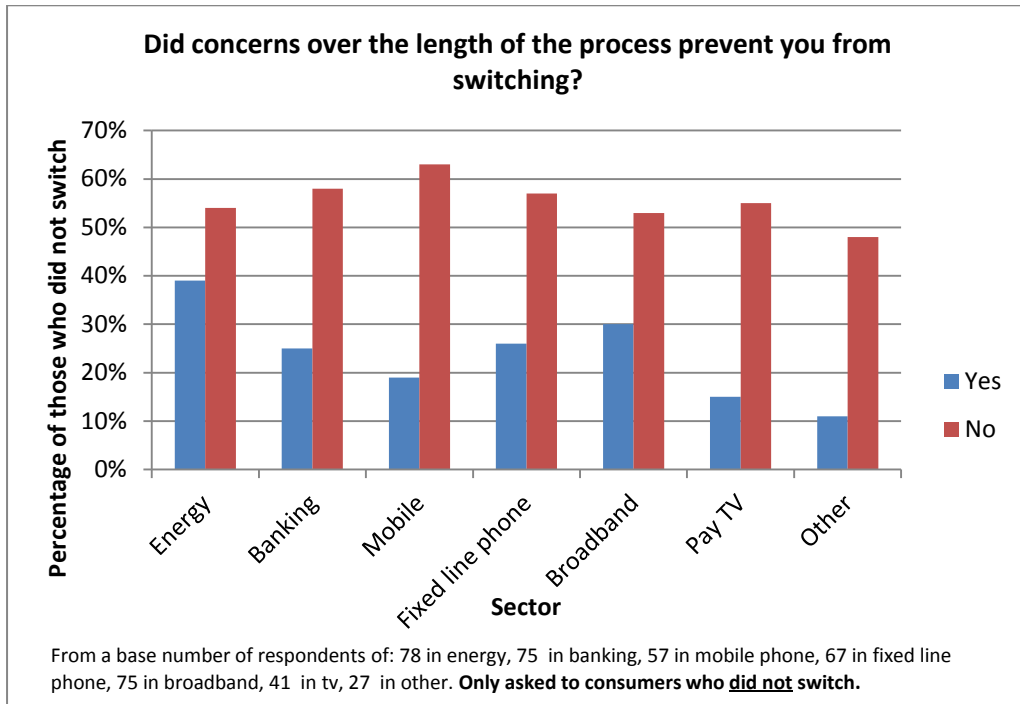
Introduction

Our Call for Evidence and other evidence (such as research by Bacs) tells us that consumers are put off switching as they perceive it to be a hassle. We think searching and switching should be easy and reliable; checks should be done quickly and the consumer should be able to agree a switch date with their new supplier- they should know what's going to happen when.

We wanted to hear from consumers and organisations about experiences of the actual process, any problems known or faced in a particular sector, if speed was a key determining factor in a decision to switch (or not), or whether other factors such as reliability were of equal or greater importance.

Consumers



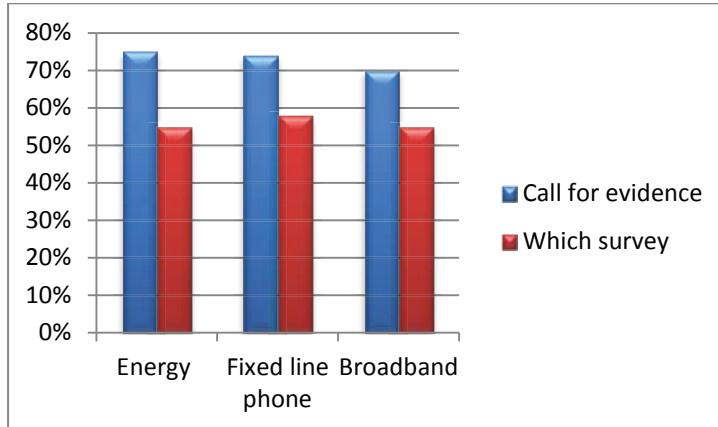


In all Sectors - More than half of those who switched (in all sectors) were able to switch as quickly as wanted.

Telecoms and banking - More than half of those who switched were able to switch on an agreed date

In all Sectors - Less than half of those who had not switched said the length of the process had prevented them from switching.

Data from the survey that Which? ran varies slightly in comparison to the data from our call for evidence under this principle, as can be seen in the chart below. For those who switched in energy, fixed line phone and broadband a higher proportion were able to switch as quickly as they wanted with 75% in energy, 74% in fixed line phone and 70% in broadband. This compares to rates of 55%, 58% and 55% respectively from our Call for Evidence.



The Which? data also varied for those who did not switch. In banking, mobile, fixed line phone, broadband and pay-TV the proportion who said concerns over the length of the process prevented them from switching were higher, with 39% in banking, 32% in mobile, 41% in fixed line phone, 46% in broadband and 27% in pay-TV.

The qualitative data suggests that issues with the length of the process may occur at an earlier stage. Consumers felt that it could be time-consuming and difficult to research the different deals and that they were prevented from engaging in the switching process because of the (perceived) time and effort it took to consider these.

“Both companies should be able to agree the switch-over date and inform the customer in less than a working week.”

The length of time it takes to set a switching date and the fear of being left without service are other prevalent concerns. This primarily had to do with suppliers not communicating with each other to make the arrangements, or delays caused by the existing provider. It seemed important to the consumers that the process was reliable, and although a quick switch would be preferable, knowing when a switch would take place appears to be more valuable.

The length of time solving problems or complaining after the switch has taken place can be an issue for the consumer. The switching process may not go wrong often, but the length of time it takes to solve a problem when it does can be a frustrating issue.

Overall, the qualitative data suggests that although consumers would be happy to switch quickly, a very quick switching process is not a

“I hate that I have to spend so much time shopping around”

priority. The responses instead suggest that the reliability of the switch and the length of time spent on research before switching are bigger concerns.

Energy

Of those who responded to our call for evidence in the energy sector 47% were able to switch on the agreed date and 49% were not. In other sectors the majority of consumers were able to switch on an agreed date.

Organisations

- Q4 .Do you think the length of time it takes to switch acts as a deterrent to switching?
- Q5. In your view, what factors might slow the speed of the process and/or prevent the switch taking place on an agreed date?
- Q6. What would need to happen to remove these factors and implement quicker switching on an agreed date?

While there was some recognition amongst organisations that long process times could act as a deterrent to switching, the vast majority of respondents – across sectors and non-industry groups – stated either that the switching process was already quick, or that consumers are less worried about speed than they are about reliability of the process and having a clear date.

The energy industry noted that the current process is generally 3 days, plus a mandatory 14 day cooling off process. There was general acknowledgement that Government, Ofgem and industry are working together to speed up

“The switching process has been updated and made so much easier for the consumer by taking away a lot of time-consuming paperwork when trying to ensure that everyone is aware of the switch - particularly so for banking.”

the process further, aiming for reliable next day switching. The industry and consumer groups also recognised that more could be done in terms of co-ordination between providers and the customer to ease the process and avoid mistakes: inaccurate industry data, and ensuring customers' existing accounts are settled (to prevent problems later) were two highlighted examples of where the process can currently stall or go wrong.

In banking 99% of switches via the Current Account Switch Service (CASS) take place within the service's seven day switching target.¹⁶ Respondents referenced the FCA's review of CASS in March 2015, which found that customers thought reliability was more important than the speed of the process. The FCA looked into reducing the switch target from seven to five days, but concluded that such a reduction would not deliver a material benefit to consumers. When asked about this, customers were concerned that more time pressure could increase the likelihood of errors being made during the process.

Mobile switching was generally seen to be quick (between 1-3 days), but some respondents noted that speaking to their existing provider and obtaining a PAC code can slow the process. Bundled services were again highlighted as slowing down and deterring switching. However, for some telecoms services, a slower process is seen as unavoidable – e.g. delivering equipment and physical installation of broadband services by Openreach and the new provider; installation of pay-TV equipment. Many respondents considered that clear, agreed timelines, to an industry wide standard, would help consumer confidence.

Conclusion

Our Call for Evidence and other evidence has suggested that the time taken to search for a better deal puts people off switching, as opposed to the time of the actual process which is the purpose of this principle. We've found that it's the start of the process that puts people off; people worry that it will be time consuming and won't be worth the savings. A continual theme was the perception that switching could be difficult, often differing from the reality, which is why we've added the word 'easy' to this principle.

"I like the principles and if applied I would be more likely to switch. What prevents me now is the time and hassle involved"

¹⁶ <https://www.fca.org.uk/static/documents/research/making-current-account-switching-easier.pdf>

While speed of the actual process is a factor in switching decisions, the Call for Evidence results suggest that reliability, transparency and having an agreed date are just as important. As noted, the Government has already committed to making switching quicker and easier in both the energy and the communications sectors, with a target of reliable next day switching in the energy sector. The Government's ambition is not limited to these two sectors, and we would like to see improvements to the speed and reliability of switching across all sectors. This ambition has been achieved to an extent in banking through the 7 day Current Account Switch Service which allows customers to switch their current accounts – reliably, quickly and on an agreed date. Bacs' CASS Dashboard¹⁷ suggests that consumer confidence in an error free process is improving, but that there is further work to do in this respect. The banking industry has recently launched a new ad campaign to address these concerns.¹⁸

Refined Principle: The switching process itself should be quick, easy and at an agreed date.

¹⁷ https://www.bacs.co.uk/DocumentLibrary/CASS_dashboard_-_published_21_April_16.pdf
¹⁸ <https://www.simplerworld.co.uk/Pages/Home.aspx>

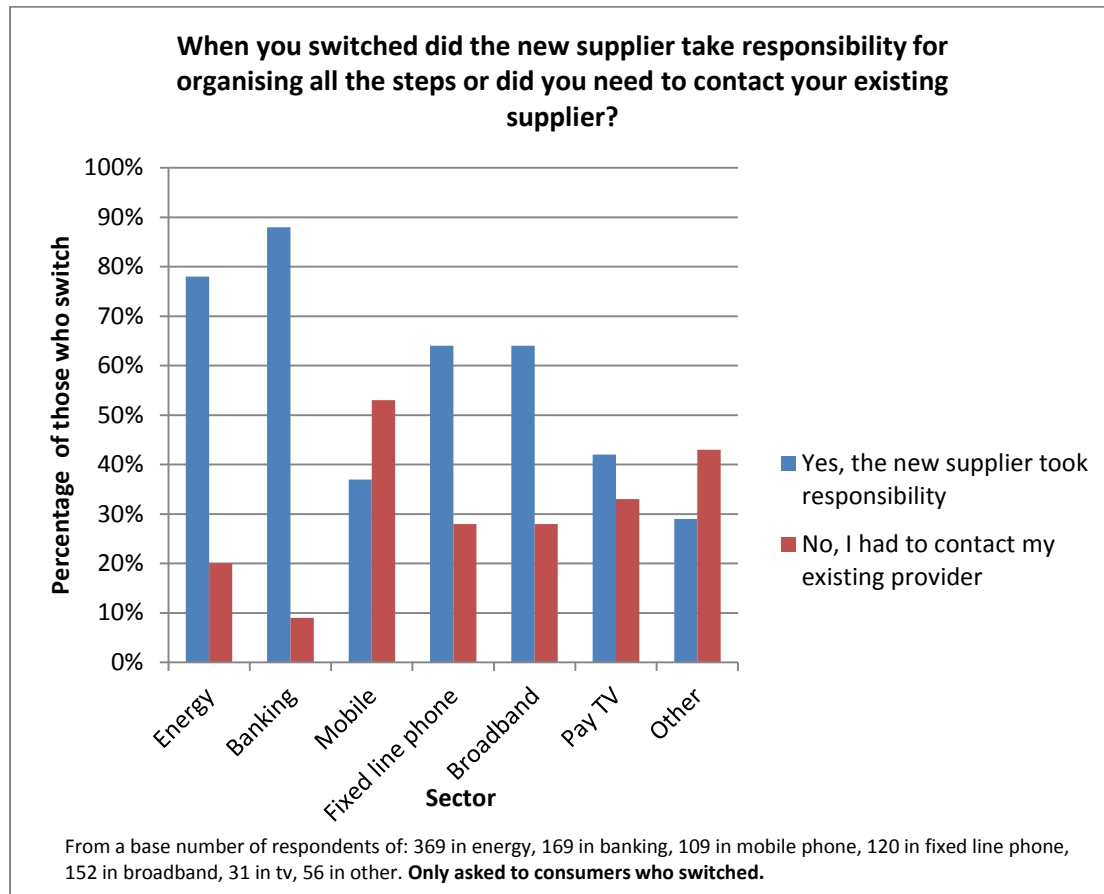
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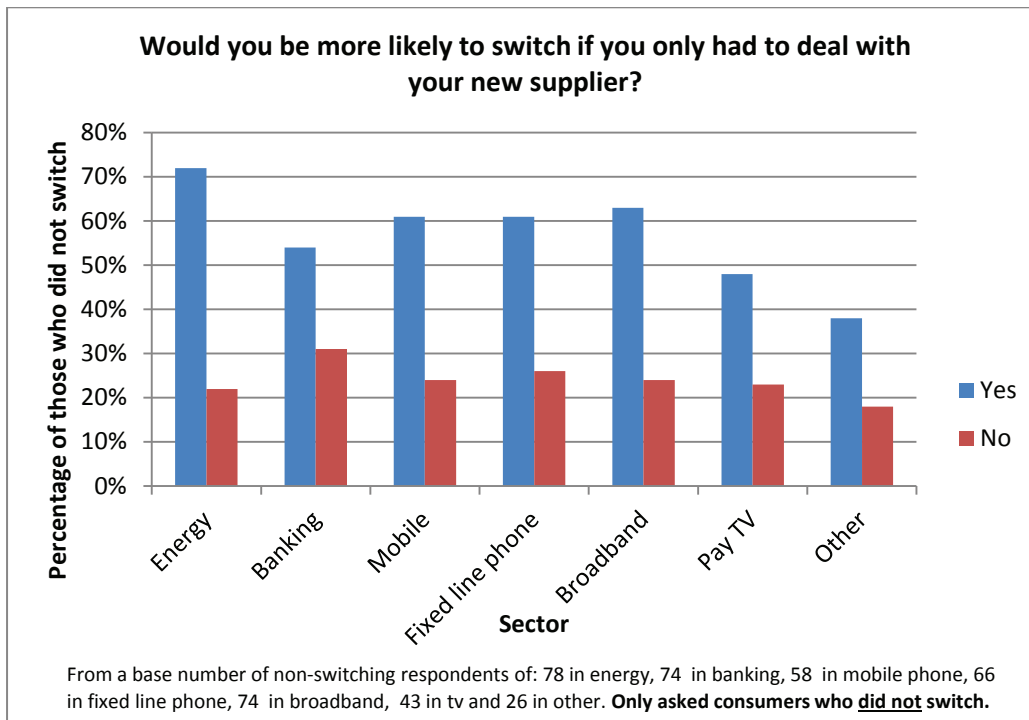
Introduction

The provider consumers need to contact as part of the switching process has implications for the consumer experience. When the process is led by the gaining, or new provider, (gaining provider-led or GPL) there is an incentive for the process to be quick and efficient. When the process is led by the losing, (or current) provider, (losing provider-led or LPL) the consumer is required to liaise with a provider that has little incentive to make the switch happen. This can result in delays, increased costs and sometimes unwanted pressure on the consumer to stay with that provider (albeit that may result in the current provider offering their customer a better deal if they stay).

Through the Call for Evidence, we wanted to understand whether consumers preferred or would prefer a GPL process, and how far such processes already existed across different sectors.

Consumers





In all sectors more than half of those who had not switched said they would be more likely to switch if they only had to deal with the new supplier. The qualitative data showed that some consumers found contacting their existing supplier could be time-consuming and costly. There were concerns that the existing supplier could appear aggressive in seeking to retain the customer and this may be intimidating for more vulnerable consumers.

Which? data varies slightly with regard to this point; in banking 38% said they would be more likely to switch if they only had to deal with their new supplier whereas 42% said they would not and in fixed line phone 41% said they would more likely to and 42% not. In energy, mobile and broadband the proportion of consumers that would be more likely to switch if they only had to contact their existing provider was lower than in the Call for Evidence, but still higher than the percentage who said they would not.

Telecoms

Mobile had the highest proportion of consumers who had to contact their existing supplier (53% of those who switched mobile). This is most likely in order to end contracts or obtain a PAC number to transfer their mobile number across to a new supplier. Both processes are currently not gaining

“My main concern is about having to deal with the old supplier, particularly to need to get a PAC number to retain an existing phone number.”

provider led.

There were several responses in the qualitative data that said consumers had difficulty obtaining PAC codes when contacting existing suppliers. Some found the process unclear. There was also anecdotal evidence of suppliers trying to persuade the consumer to stay with them or to sell them new deals instead of giving them their PAC code straight away.

Energy

In energy an additional issue that arose from the qualitative data was that contact was needed with the existing supplier in order to correct a final bill or get credit back. This could be time consuming. In addition more than one respondent said that their information had been put into a database incorrectly and they were unable to switch until this was corrected; in these cases only the existing supplier was able to correct the problem and took a long time doing so.

These qualitative responses may explain why only 78% of those who switched said that the new supplier took responsibility for organising all the steps in the switch despite the fact that energy switching is currently a gaining provider led process.

Banking

Banking had the lowest proportion that had to contact the existing provider compared to other sectors, with 9% having to contact their existing provider.

Organisations

- Q7. Do you think consumers would be more likely to switch if they only had to deal with the gaining provider (i.e. where the new provider takes responsibility for organising all steps in the switch)?
- Q8. In your view what factors might prevent the gaining provider taking responsibility for organising all steps in the switch, or force the consumer to engage with their existing provider to arrange the switch?
- Q9. What would need to happen to remove these factors and implement gaining-provider led switching?

Respondents noted that Current Account Switch Service is already a GPL process, and that GPL processes also exist for credit cards and mortgages (though the latter can also be led by intermediaries). Clarity of the process, simplicity and removing hassle barriers such as fear of speaking to an existing provider where a relationship has broken down were cited as benefits of GPL in this sector, and which could be relevant to other sectors.

Energy is also a GPL process, though some responses highlighted that settling outstanding debt and the losing provider raising objections to a switch can result in customers having to contact the existing provider. Government notes that Ofcom will be consulting on GPL in the mobile phone sector in 2016, and is currently consulting on GPL processes for mobile switching¹⁹.

Responses from the telecoms industry were split. Some respondents were clearly not in favour of a GPL process, particularly in the mobile phone market, raising concerns about mis-selling and slamming²⁰ practices, and losing the opportunity to offer revised deals to existing customers to try to retain their custom. Others were supportive, citing the CASS example as a successful, clear process and suggesting GPL should be used across all relevant sectors.

Responses concerning bundling were less clear, simply restating that some form of clarity needs to be implemented, possibly through a new Telecoms Code of Practice.

Non industry responses were largely in favour of GPL processes across sectors, though one respondent noted that retention could also promote innovation and competition, and the Money Saving Expert noted that their own survey indicated 64% respondents said they liked LPL as the LP gave them offers, while 35% supported GPL.

The insurance industry respondents noted that introducing GPL for general insurance makes little sense, as it is a consumer led process, driven by the need to renew annual contracts. One exception may be vehicle breakdown cover, which is not governed by annual contracts.

**“She received an email from her current provider asking her to contact them and she was anxious to do so as she had been faced with aggressive questioning.”
(Referring to elderly mother)**

¹⁹ <http://stakeholders.ofcom.org.uk/consultations/mobile-switching>

²⁰ Slamming involves switching a consumer to another telephone provider without their knowledge or permission. (Source: Ofcom)

Conclusion

All else being equal, the total time spent by the consumer is expected to be shorter under a GPL process, and the evidence suggests GPL processes provide the best consumer experience. If this principle were adopted across the regulated sectors, it is likely to reduce friction in the processes. Switching in the banking and energy sectors already adheres to this principle with GPL processes in place. Some sub-sectors of telecoms are also GPL.

Of course, consumers should be able to contact their current providers if they so wish and consumers should be able to lead the switching process (for example, car insurance is consumer led). Our view remains however that consumers should not have to contact their existing supplier- it should not be an integral part of the switching process. We also recognise that losing providers will have to, in some instances, get in touch with customers to provide final bills (in fact, we would like to see more providers telling their customers that they are in credit). Ultimately, the Call for Evidence suggests consumers value having a single point of contact when switching; and we think the gaining provider is best placed to be the point of contact. We look forward to the outcome of Ofcom's review of bundled telecoms services to help us assess how best to take forward GPL provision in that sector.

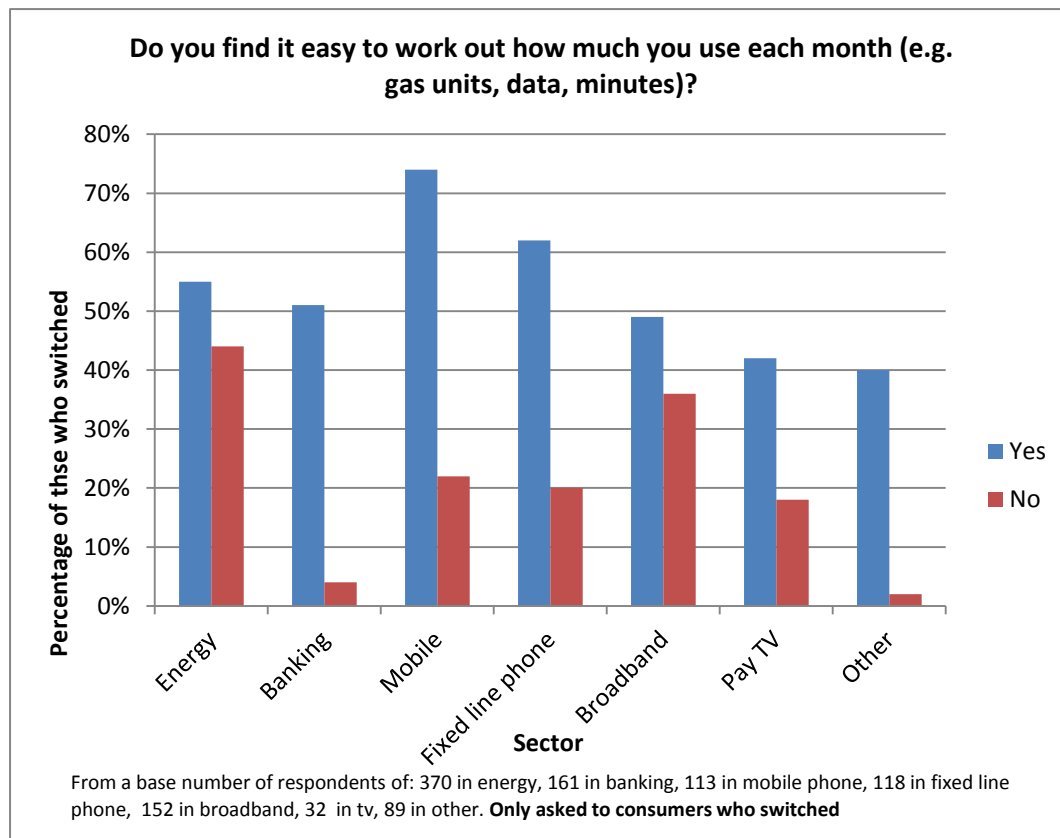
3.4 Principle: Consumers should have access to their consumption or transaction data. This should be in a format that can be easily reused (e.g. midata) and they should be able to authorise third parties such as comparison sites to access their data to help them to switch.

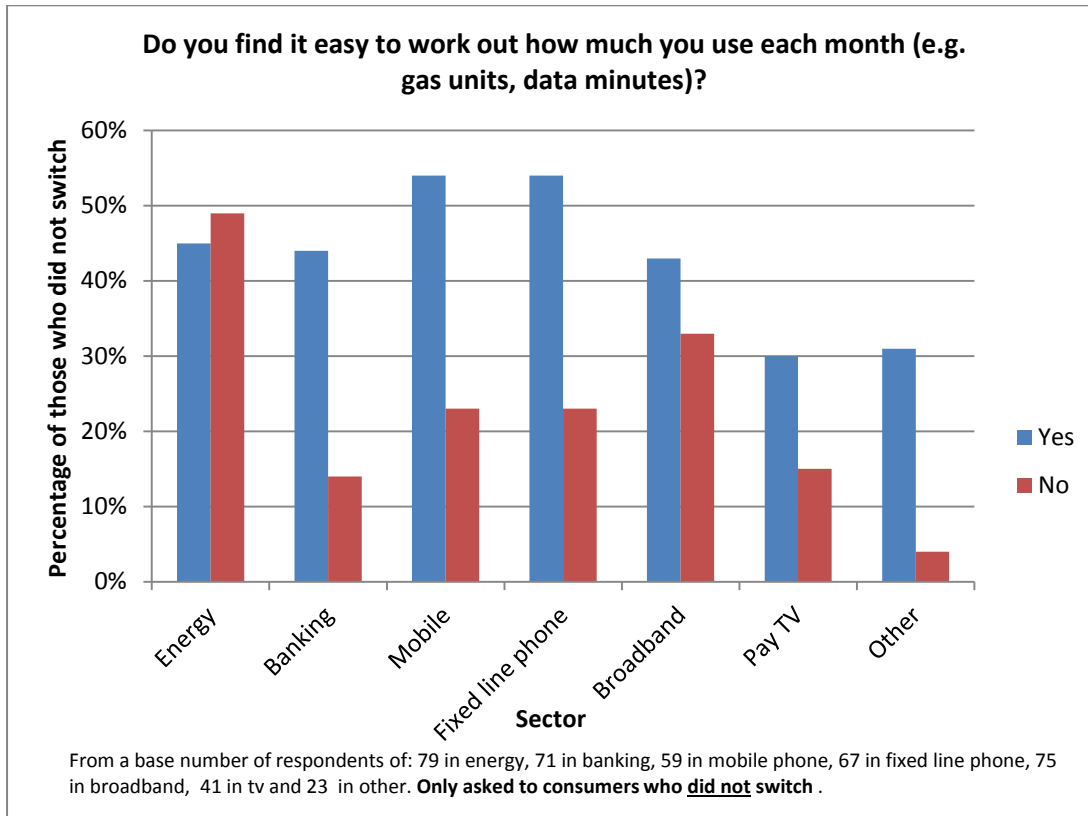
Introduction

In order to make effective comparisons and select between services, the Government believes consumers need to have knowledge of their own usage patterns. Without this information, or if it is difficult to find, it may be hard for consumers to make an informed choice, and they may be deterred from comparing the offers available on the market.

We also think that consumers can reap the benefits of analysing their data, and want to make it easier for consumers to understand their data and gain insights from it. Using this data effectively could help people save money as it could provide valuable insight into spending patterns- helping consumers make better decisions.

Consumers





Of those who switched the majority in all sectors found it easy to work out how much they used each month. Aside from in the energy sector, the majority of non-switchers also found it easy to work out how much they used each month.

Energy

The energy sector was a prevalent source of issues in both the qualitative and quantitative data.

Respondents found energy measurements can be difficult to understand. There were several complaints surrounding difficulty working out annual use because consumers had only ever received estimates which led to issues in comparing prices and tariffs of different suppliers. Consumers also expressed concerns surrounding inconsistency in the time periods they were sent data for (for example not always for a round month or year). Although consumers have access to their annual usage data on their bills and annual statements, it was apparent from these responses that not all are aware of this.

Telecoms

Although the quantitative data shows that there may be some issues in the broadband sector as well this was not picked up on specifically in the qualitative comments. One point which came across from the responses was that speed and

local availability may matter more for comparison purposes than user data when it comes to broadband.

Organisations

- Q10. Do you think consumers are easily able to work out how much they are using each month (e.g. gas units, data, minutes) and use this information to manage their accounts or make valid comparisons of deals?
- Q11. What would need to happen to make it easier for consumers to better understand their usage patterns and use this information to manage their accounts or to make valid comparisons of deals?

There were mixed views of what constitutes access to data, and how understandable data is to their customers. For example, some energy companies believe their customers have good access to understandable data through their bills, and in some cases are able to download and upload data to Price Comparison Websites (PCWs). Others suggest data access is poor and say that the data available is confusing and, “contain information that most customers have no need of or no comprehension of”.²¹ One suggested solution is a review of licence conditions to standardise the format in which information is provided.²² There was overall support for improving data access, and for the ‘midata’ programme, though some respondents had reservations about granting third party intermediary access.

Telecoms and banking responses present similar pictures, particularly in banking where respondents cite a large number of initiatives to make data more open to consumers (e.g. through information on bills, or mobile phone alerts). Bacs noted that banking transaction data is complex and ‘multi-dimensional’ compared to many other sectors and may be difficult for consumers to use and make comparisons.

PCWs were uniform in their view that as things currently stand, consumers struggle to understand and use their data, and while there has been some improvement through initiatives such as ‘midata’, more should be done to make data access understandable and portability easier. This was also the general tone of non-industry respondents. Consumer groups and charities noted that financial expertise and confidence was key, along with improved internet access for some groups. Trust and security was also an issue for non-industry respondents. They felt strongly that data passed onto third parties by consumers should only be used for a stated purpose and not sold on or used in any other way without consent.

²¹ Energy UK: response to the Call for Evidence.

²² Ofgem has a piece of work under way with industry reviewing the requirements for info on bills to make them clearer, <https://www.ofgem.gov.uk/publications-and-updates/effective-billing-and-information>

Insurance respondents and mortgage responses suggested that data was either simple to understand, or that no consumption data was generated; so data access was not an issue.

Conclusions

Our Call for Evidence suggested that most organisations allow consumers to see their own data in some form. There is less evidence that consumers can easily use this data to authorise third parties, such as PCWs, to access their data in order to help them identify a good deal. We think that this is a crucial step, as it addresses one of the biggest frictions in the switching process - the time taken to compare offers, and the hassle involved. PCWs can make the process of finding a good deal easier, but consumers are still required to enter consumption information, which may be difficult to find (e.g. the information needed could be on various letters, emails and bills). This can be time consuming and frustrating for consumers and puts people off switching. We want consumers to be able to authorise a third party, (such as a PCW), to have automated access to consumers' transaction data to make the switching process even more streamlined and accessible.

That's why we've made a commitment that, by 2017 consumers across the regulated sectors will have easy access to the data they need to find the best deals for them, and will be able to authorise third party intermediaries such as price comparison websites to access this data on their behalf using secure APIs.

'Midata' is one way of consumers accessing their data, but it is not the only way, and the Call for Evidence responses showed that there are a lot of different interpretations about what 'midata' means. In banking, the Government is leading the world on innovation in this space through its work to deliver an open banking standard in the UK. This will revolutionise the way customers can use and engage with their banking and financial affairs. At Budget 2015 the government committed to deliver an open banking standard in the UK using application programming interface (API) technology. An open banking standard will allow customers to have much more control over their bank data and benefit from a wide range of value-added services.

The government established the Open Banking Working Group (OBWG) in August 2015 to explore how more open data in UK banking can benefit consumers and businesses, and design the detailed framework of an open banking standard. The OBWG published its report on the open banking standard on 9 February 2016,²³ detailing a robust set of recommendations on the standards, security and governance required to deliver an open banking standard in the UK alongside an ambitious timetable for implementation.

²³ <http://www.scribd.com/doc/298568600/Introducing-the-Open-Banking-Standard>

The government welcomes the OBWG's report and is now working closely with industry to agree how these recommendations will be taken forward. The report notes that any systems and specifications developed for the banking sector should be transferrable to other sectors, which the Government supports.

Our Call for Evidence also highlighted concerns about data security, which is of utmost importance to us. We want to clarify that it is consumers that authorise third parties to use their data, and it is always the responsibility of the data holder (be that a supplier, or a third party) to keep that data safe and comply with data protection legislation. We are not suggesting that third parties and price comparison websites should have unfettered access to consumer data - they should only be able to access it when the consumer wants them to. For these reasons, we have clarified the principle.

Refined Principle: 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.

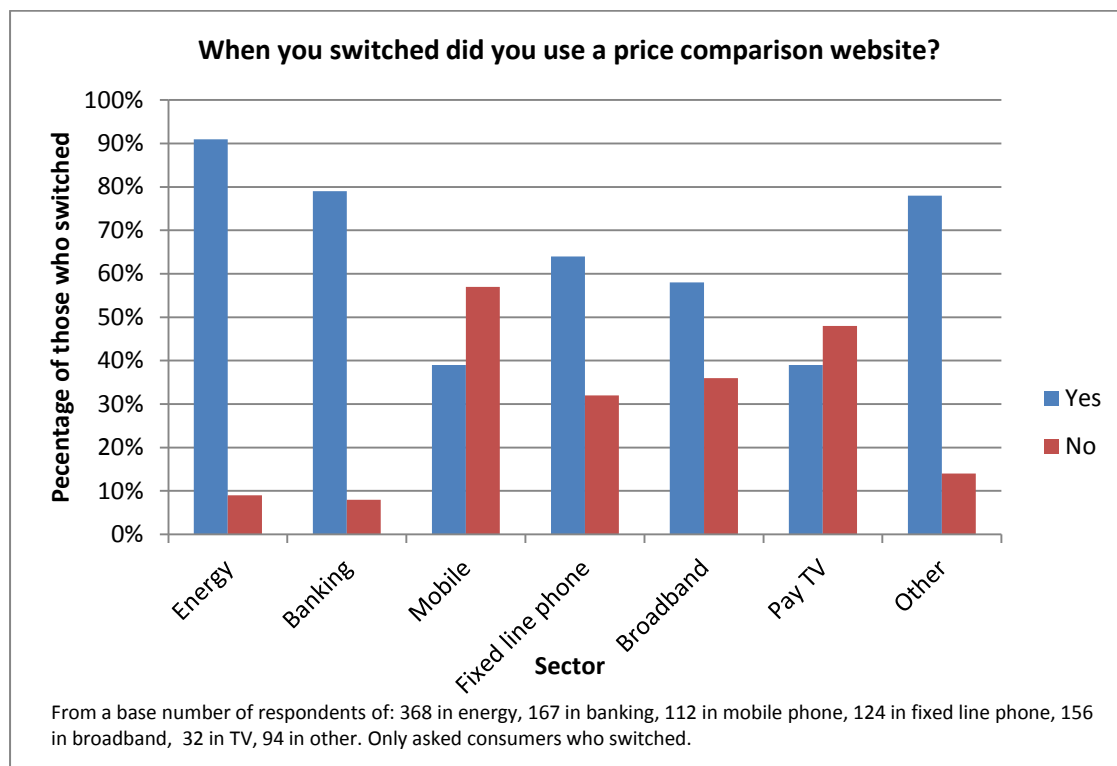
3.5 Principle: Sites and tools providing comparisons to consumers that receive payments from suppliers should make clear where this affects the presentation of results.

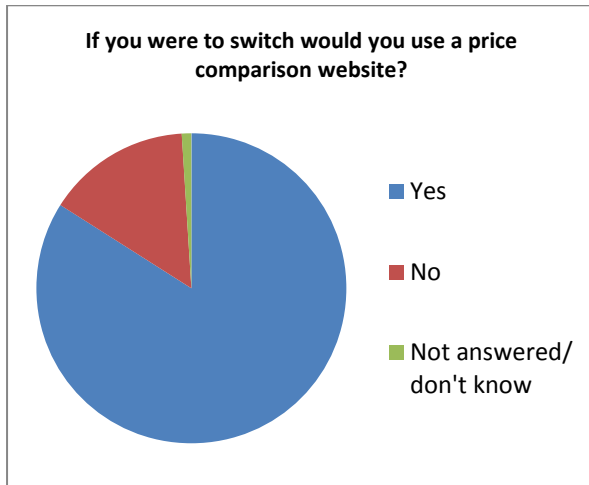
Introduction

Price comparison websites (PCWs) can be a really effective way of helping consumers engage with switching. The aim of this principle is to increase trust in comparison sites by ensuring consumers have the information they need to understand how comparison sites work and how best to use them to compare different providers.

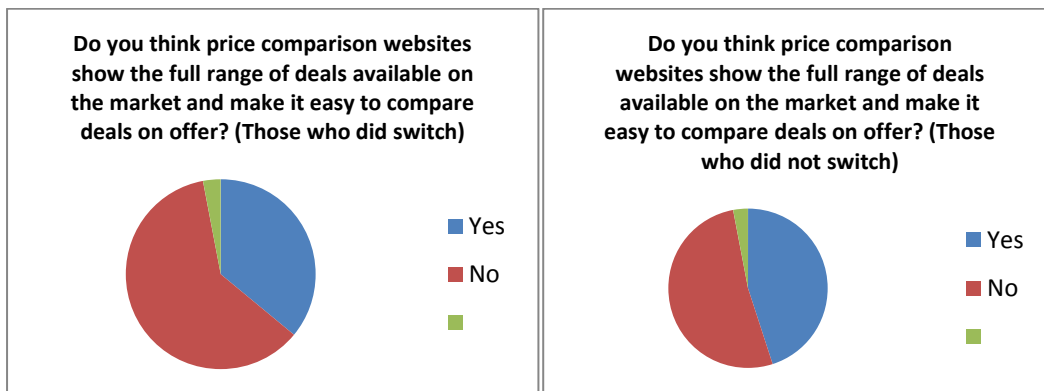
The Call for Evidence sought to ascertain the level of PCW use by consumers in different sectors. It also sought views from non-consumer bodies on topics outside of the principle's main focus (funding transparency) to include whether PCWs were offering consumers the best deals and how this might be improved.

Consumers





Of those who switched 61% did not think that price comparison websites showed the full range of deals available on the market or make it easy to compare deals on offer. Of those who did not switch 84% would use a price comparison website but only 45% thought price comparison websites made it easy to compare deals on offer.



There was a concern amongst respondents that assumptions by PCWs on tariffs were sometimes misleading or incorrect. For example, the difference between daily charges and standing charges are not always made clear. Consumers also find that there is limited option to enter varying time frames and product offerings are sometimes too complex for a standard comparison.

The Call for Evidence suggests that consumers find it hard to compare different types of tariffs and would find it easier if the data on these was consistent. In both the Call for Evidence and the Which? survey results there were requests for simpler or fewer tariffs in order to make it easier for consumer to understand and compare their own data.

There were also concerns that deals often flagged on the PCW were different in reality. For example, when consumers clicked through to a supplier website the deal differed once they entered more detail. This highlights the need for accurate consumer data (see previous chapter).

A further issue that arose was concerns about credit checks. Consumers appear uncertain about the impact, but concerned that using a PCW, or switching more generally may affect their credit rating.

Telecoms

In the telecoms sector comparing different bundles can be complex. As fixed line phone, pay-TV, and broadband are increasingly supplied as a package comparing different deals across each of these services can be difficult to do via a PCW.

Banking

The complexity of some banking products can make it difficult to make comparisons using a PCW. An example given by a respondent was attempting to compare mortgages.

Organisations

- Q12. In your view, can consumers be confident that comparisons sites will give them a good chance of identifying the best deal for them?
- Q13. Do you consider that comparison sites make sufficiently clear where they have received funding from featured suppliers?
- Q14. What would need to happen for consumers to be confident comparison sites will help them identify the best deal for them, and / or make clear when they receive funding from featured suppliers?

Respondents across all sectors indicated that PCWs were a useful tool for the consumer and certainly a good starting point in searching for a new or better product. However, outside of PCW responses, transparency was clearly an issue. Respondents either questioned whether PCWs showed all products on the market, or were sufficiently clear about their funding model. PCWs stated that they were clear to customers that they received a small commission and/or had their funding model explained on their website.

Respondents also noted that the current Ofcom accreditation scheme and the industry's own code of conduct are both voluntary, but little evidence was presented to suggest regulation was required.

Some industry respondents suggested that PCWs' focus on price (notably in the financial services sector) is not a measure sophisticated enough to allow consumers

to effectively assess and compare products. For example, packaged current accounts may include other products such as insurance.

Linking PCW performance back to the data principle (see 3.4), it was noted that although PCWs are good at displaying a wide range of deals, improved data tools will improve customer service and narrow down the best deals for individuals – e.g. for switching credit cards. The CMA noted that smart meter data could bring similar benefits if third party access was available.

Access to the internet was again a concern for respondents representing vulnerable consumers, who suggested they could be locked out of preferential online only deals.

Conclusions

The Government accepts that PCWs do take steps to show how they are funded, either through a specific page on their site, or through notifications that they receive commissions for transactions. However, the Call for Evidence also indicated that more may need to be done in this regard.

Responses from consumers and non-consumers suggest that, while many see PCWs as legitimate and accessible tools, reservations exist around the way that deals are compared and displayed both in terms of funding transparency, and the nature of comparisons. The focus on price comparison may not be enough to adequately show which overall deal is best for a given individual once non-price factors are also taken into account. As discussed under the previous principle, improved access to and understanding of consumers' transactions data will improve the richness of comparisons.

To ensure the opportunities PCWs provide are being fully exploited, the CMA plans to undertake an analysis of price comparison websites during 2016. Among the issues to be considered will be 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.

“Using a comparison site is easy, but each result then needs to be studied carefully e.g. it takes me 10 minutes to compare home or car insurance and then at least 3 hours to check the levels of cover from the various offerings for either. I could go on.”

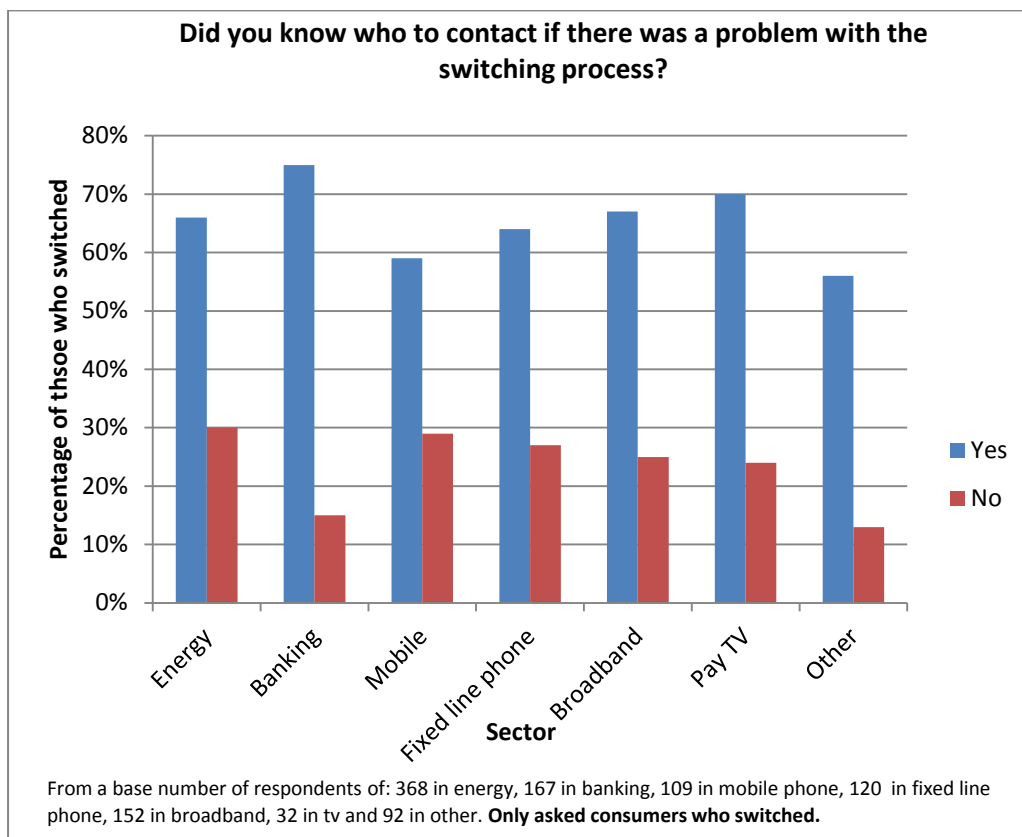
3.6 Principle: There should be an effective process for consumers to get redress if anything goes wrong in the switching process.

Introduction

As indicated in previous principles, one of the barriers to switching appears to be the perception that the benefit from engaging in the market is low and/or the costs are high. Added to this, consumers may worry about what happens if something goes wrong. Evidence suggests some consumers worry about being adequately compensated, and if the compensation be worth the time and effort involved in sorting it out.

The final principle holds that if the process for redress was clear and effective across all sectors, consumer confidence would increase. The Call for Evidence sought to understand how well consumers know their rights and who to contact if a switch goes wrong, along with views about the effectiveness of current routes to redress and what an improved system might look like.

Consumers



The majority of those who switched in all sectors knew who to contact if something went wrong with the switching process. However some consumers believed that it

would be easier if there was a direct switching helpline to go to if there were any issues with the process in order to avoid contacting general consumer helplines or other time consuming processes.

Energy

In energy there were some concerns expressed on the subject of redress where consumers faced a situation in which complaints were escalated but any decisions made were not acted upon. For example, consumers reported that no action was taken when an Ombudsman ruling was not met on time by a supplier, or they were not given complaint codes by their suppliers to take to the relevant authority (a required step to go to the Ombudsman).

Organisations

- Q15. Do you consider that there is an effective redress avenue available when a problem arises with the switching process?
- Q16. In your view what would an effective redress system look like and how could it be implemented?

Redress saw the most uniform responses from industry across all sectors. Telecoms, energy and financial services companies and associations believe that adequate routes of redress exist, either through Alternative Dispute Resolution (ADR) processes (including the Energy Ombudsman and Financial Ombudsman), and the Current Account Switch Guarantee which includes auto compensation, (fully protecting customers against financial loss if something goes wrong during the switch).

Outside of industry, responses were less certain redress measures were adequate for switching errors, particularly for the energy sector. Although the Energy Ombudsman does handle switching complaints, non-industry respondents suggested there was no clear process for redress.

Non industry respondents suggested automatic compensation, guarantees across all sectors and a dedicated switching ombudsman as means to improve redress. However, many respondents also noted that, no matter how effective the redress, a bad switching experience is very likely to put off consumers from engaging in the market, and improving process to prevent errors should be a key focus.

Conclusions

There are clearly existing systems in place for consumers to seek redress, or receive compensation for financial loss in the case of current account switching. This was reflected in the majority of responses stating that effective redress was already in place.

However, some stakeholders raised concerns with the amount of time it can take, and the fact that it's not always an easy process. The Government is keen to ensure that access to redress is quick, easy and effective, but also that having to resort to seek redress is the final option. The Current Account Switch Guarantee is one possible approach to this.

We are aware that in the energy sector, following a review of the Ombudsman service last year, the following new processes have been put in place to:

- **monitor compliance** with redress decisions – by contacting customers directly to confirm whether the redress has been provided within the timescale (28 days); and
- **incentivise compliance** with redress decisions by charging the company £100 each for two subsequent delays of a further 28 days each and then opening a new case if redress has still not been provided.

The Government also notes that Ofcom's Digital Communications Review includes recommendations to consider introduction automatic compensation in that sector. The Government welcomes the Digital Communications Review, in particular the focus on consumer empowerment. With the above in mind, we have clarified the principle on redress.

Refined Principle: 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.

“It's very easy to find a free contact number to set up a new account, very hard to find a contact for complaints and almost impossible to find information on how to switch or cancel your account”

4. Next Steps

The Principles

Overall, the Call for Evidence 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

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:

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 uSwitch²⁴ 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.

²⁴ <http://www.uswitch.com/media-centre/2015/06/brits-spend-over-48-million-unlocking-mobile-phones-every-year/>

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 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 to enable to 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."²⁵

²⁵<http://www.scribd.com/doc/298568600/Introducing-the-Open-Banking-Standard>

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 year.²⁶

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.

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

²⁶https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/515514/bis-16-203-evidence-review-of-trigger-point-in-regulated-markets.pdf

£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.²⁷

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 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.”²⁸ 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:

²⁷ 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

²⁸ 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

- 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

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.

Annex A : List of Respondents

Call for Evidence: organisation responses

ABI
Age UK
Bacs
BBA
BGL Group
BIBA
BT
Centrica/British Gas
Chartered Trading Standards Institute
Citizens Advice
CMA
Confused.com
Council of Mortgage lenders
E.ON
Economy Energy
Ecotricity
EDF
EE
Energy UK
Energylinx
Experian
FCA
First utility
GBEnergy
Go compare
Good Energy
Green Energy
Green Flag
Haven Power Limited
HSBC
Hudson Energy/Green Star

Information Commissioner
Jonquil Lowe, Open University
Money Advice Service
Money Saving Expert
Moneysupermarket.com
Nationwide
Npower
O2
Ofcom
Ofgem
Ofwat
Ombudsman Services
OVO
Payments UK
Scottish Power
Sky
SSE
The Money Charity
The UK Cards Association
Three
TSB
UEA
uSwitch
Virgin Money
VocaLink
Vodafone
Which?



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