

Guidance on unfair terms and conditions
Competition and Markets Authority
Department for Business, Energy and Industrial Strategy
RPC rating: validated

Description of the measure

In July 2015, following the Consumer Rights Act 2015, the Competition and Markets Authority (CMA) published a package of guidance for business explaining the legal provisions on unfair terms contained in the Act. The package consisted of three parts:

- *Unfair contract terms guidance*: a 144-page piece of guidance explaining the unfair terms provisions contained within the Consumer Rights Act.
- *Unfair contract terms explained*: a 28-page shorter version of the guidance.
- *Unfair contracts what do businesses need to know*: a two-page summary of the guidance.

The package replaced, in its entirety, former guidance from the Office of Fair Trading (OFT) on unfair contract terms (OFT311). There was no equivalent to the two shorter pieces of guidance.

Impacts of the measure

Publication of the unfair contract terms guidance will have generated a familiarisation cost to business. This is both one-off and ongoing, since the new guidance is slightly longer than the previous OFT guidance. The regulator has estimated a familiarisation cost of around £160,000 (equivalent annual net direct cost to business or EANDCB) using data on labour costs, reading speeds and the number of recorded visits to the online guidance.

The publication of the two shorter documents is expected to have generated a benefit to business, as some businesses who read these would not have to read the longer guidance. The estimated benefit of around £70,000 (EANDCB) is calculated on the same basis as above. The combined EANDCB figure rounds to £0.1 million.

Quality of submission

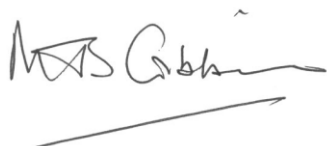
The CMA has provided a well structured and full, yet proportionate, assessment. The CMA's assessment includes the familiarisation cost of the full 144-page guidance explaining the legal provisions on unfair terms contained in the Act, which was not captured adequately in the impact assessment for the Consumer Rights Act 2015.

Regulator assessment

Classification	Qualifying regulatory provision (IN)
Equivalent annual net direct cost to business (EANDCB)	£0.1 million
Business net present value	-£0.8 million

RPC assessment¹

Classification	Qualifying regulatory provision (IN)
EANDCB – RPC validated	£0.1 million
Business impact target score	£0.5 million



Michael Gibbons CBE, Chairman

¹ For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.