 <b>Regulatory Policy Committee</b>	<b>Opinion</b>	
<b>Impact Assessment (IA)</b>	Alternative dispute resolution	
<b>Lead Department/Agency</b>	Department for Business, Innovation & Skills	
<b>Stage</b>	Final	
<b>IA number</b>	BIS CCP004	
<b>Origin</b>	European	
<b>Expected date of implementation</b>	July 2015	
<b>Date submitted to RPC</b>	26 August 2014	
<b>RPC Opinion date and reference</b>	15 September 2014	RPC13-BIS-1967(2)
<b>Departmental Assessment</b>		
<b>One-in, Two-out status</b>	<b>Out of scope (EU)</b>	
<b>Estimate of the Equivalent Annual Net Cost to Business (EANCB)</b>	<b>£9.2 million</b>	
<b>RPC Overall Assessment</b>	<b>GREEN</b>	
<b>RPC comments</b>		
<p>The IA is fit for purpose. The IA assesses sufficiently the impacts of the proposal. Based on the evidence presented, the RPC is able to validate the estimated £9.2 million annual cost to business of the EU requirements. These costs are correctly assessed as out of scope of 'One-in, Two-out'.</p> <p>The IA states that the proposal will go further than the EU minimum requirements by establishing a consumer facing helpdesk. However, the costs of the helpdesk will be funded by government and as such will have no direct impact on business or civil society organisations. The RPC is able to validate the Department's estimate of the gold plating as having no cost to business, and being out of scope of 'One-in, Two-out'.</p>		
<b>Background (extracts from IA)</b>		
<b>What is the problem under consideration? Why is government intervention necessary?</b>		
<p><i>“Consumers considering cross-border purchases in the EU can be put off by concerns about resolving disputes with traders based abroad, with the result that consumers are not participating fully in the Internal Market. Coverage of Alternative Dispute Resolution (ADR) schemes is not universal across the Internal Market. Even where sectors are covered by ADR, awareness of ADR as a means of redress is limited and therefore it is rarely used. These issues impact consumers' participation in domestic as well as cross-border markets. Without access to ADR, consumers may resort to costly court action to resolve complaints. Intervention is needed to improve access to quick, easily accessible and low-cost ADR mechanisms so EU consumers</i></p>		

*are able to solve problems quickly and without going through the courts. Consumers will have greater confidence that problems will be resolved, meaning they are more likely to shop with unfamiliar traders, driving competition and economic growth both within and across Member States.”*

### **What are the policy objectives and the intended effects?**

*“The main objective of the ADR Directive is to improve the functioning of the retail internal market by enhancing redress for consumers. This will be achieved by requiring Member States to ensure quality ADR is available for all contractual disputes between consumers and business. It will promote awareness of ADR by ensuring businesses provide information to consumers about ADR schemes. The Online Dispute Resolution (ODR) Regulation will enhance the Digital Single Market by establishing an EU-wide portal, that will signpost consumers to ADR providers able to resolve online, cross-border and domestic disputes.”*

### **Comments on the robustness of the OITO assessment**

The proposal is of European origin. There is evidence that the increase in regulation would go beyond minimum requirements. However, the part of the proposal that goes beyond the minimum requirements will not have any direct impacts on business. It is, therefore, a regulatory proposal with no costs to business that are in scope of ‘One-in, Two-out’. Based on the evidence presented, the Department’s assessment of the proposal as out of scope of ‘One-in, Two-out’ is consistent with the Better Regulation Framework Manual.

### **Comments on the robustness of the Small & Micro Business Assessment (SaMBA)**

The proposal is European in origin. Therefore, a SaMBA is not required.

### **Quality of the analysis and evidence presented in the IA**

The EU requirements are to:

- establish a body that will be able to provide alternative dispute resolution (ADR) for consumer disputes that are not already covered by existing ADR schemes;
- create an online dispute resolution (ODR) contact point; and
- create a competent authority to monitor compliance with the Directive.

The Government will also establish a consumer facing helpdesk to assist consumers in accessing ADR processes.

The main costs to business will be as a result of:

- requirements to provide information on ADR and ODR to consumers (including updating terms and conditions, and websites - £15 million one-off costs, £0.6 million annual costs);
- ADR case fees (£5.6 million annual costs);
- redress for consumers as a result of additional ADR cases (£1.7 million annual costs); and

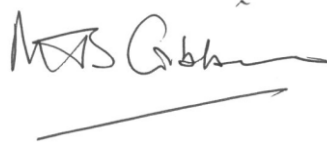
- familiarisation (£17 million one-off cost).

There are also expected to be costs preparing for an additional volume of cases, but these are expected to be offset by savings to business from the reduced burden of preparing for an ADR case compared to preparing for court cases. The preferred option has a marginally lower net present value (NPV) than the minimum implementation. This is because the costs of the creation of the helpdesk have been monetised, but it has not been deemed proportionate to monetise the benefits. The IA includes sufficient qualitative explanation to support the preferred option.

*Ranges.* When discussing estimated costs, the IA says that there is some uncertainty associated with the figures and sets out a range of potential costs (of +/- 20%), but does not provide any justification for this range. The IA should discuss why the range presented is appropriate and how it reflects the relevant uncertainties.

*Assumptions.* The estimates include a number of assumptions, for example on the cost of updating website terms and conditions (paragraph 26). While the estimates do not appear obviously unreasonable, the IA would benefit from including further explanations of why the estimates used are appropriate for all affected businesses. For example, the IA assumes that it will cost businesses, on average, £23.10 for an IT programmer to update a website, but provides no qualitative discussion of the extent to which some businesses may not employ IT programmers and may have lower costs as a result of updating their website themselves.

**Signed**



**Michael Gibbons, Chairman**