

Getting a good deal on a low income

**Britainthinks**

— Insight & Strategy —

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# Getting a good deal on a low income

Qualitative research conducted with vulnerable  
consumers on behalf of the Competition and  
Markets Authority (CMA)

Final report

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## 1. Executive summary

### Background to this research

In September 2018, the Competition and Markets Authority (CMA) commissioned BritainThinks to undertake qualitative research with consumers on low incomes, with and without additional vulnerabilities. This was conducted as part of the CMA's programme of work on vulnerable consumers, to inform its understanding of the challenges that such consumers can face in engaging with markets.

A smaller group of 'control consumers' on higher incomes and without any additional vulnerabilities were also included in the research as a comparator group and to highlight which impacts and experiences of each market are felt by consumers in general, and which may be specific to those with vulnerabilities. The markets explored in this research in greatest detail are telecommunications (particularly mobile and broadband), energy, insurance and credit.

The findings of this qualitative research reflect the perceptions, feelings and attitudes of the participants, and focus on what these consumers considered to be their priorities and experiences, both overall and in relation to each market.

### Understanding vulnerability and the context of vulnerable consumers' engagement with markets

This research, and existing research consulted as part of a literature review, suggests that consumers' vulnerability has an impact on their ability to get value for money for products and services. Vulnerability is often multi-layered, complex and fluid, meaning that the experiences of vulnerable consumers when engaging with markets, and the nature of the challenges they face, tend to vary from person to person and may fluctuate over time.

Nonetheless, despite the diversity of circumstances, experiences and challenges facing vulnerable consumers, this research has identified a set of common needs which the individuals interviewed considered to be particularly important:

1. **Certainty over finances and billing.** Consumers on low incomes often struggle with constrained and fluctuating finances, particularly if they have a health condition which fluctuates in and of itself, or if they have dependent children and are a single parent. This means that as much certainty as possible in the cost of goods and services, and in the contracts for those services, is considered to be important.

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- 2. Reliability of products and services.** Consumers on low incomes can find that a lot of their energy or 'headspace' is taken up with worry about managing to balance finances or other problems in their lives. This means that the reliability of services 'running in the background' without any problems or disruption is also very important. The need for reliability is heightened for consumers with an increased dependency on certain services such as energy and telecommunications, such as disabled consumers or older consumers.
- 3. Real and effective choice in products, providers and contracts.** A number of consumers on low incomes feel that they do not have effective choice as a result of numerous barriers, including barriers related to the area in which they live (particularly for more rural consumers) and those related to their past behaviour, such as historic debt problems. This means that they can find that they do not have the ability to 'shop around' to get a good deal in some service markets.
- 4. Clarity and simplicity in marketing, contracts and billing.** This research suggests that challenges in engaging with marketing, contracts and billing from service providers can be experienced by all consumers, but are particularly heightened among vulnerable consumers, and especially those with no formal education and/or limited experience dealing with markets and providers.
- 5. Supportive customer service and communications.** Some consumers on low incomes, especially those with mental health problems, can lack the confidence to engage with providers and can feel that any needs specific to their vulnerability are not necessarily understood or recognised by their supplier. Participants identified supportive customer service, greater clarity and simplicity in communications, and providing a range of different ways of communicating with suppliers as particularly important.

## Managing finances on a low income

Many consumers on low incomes are in a careful balancing act with their finances, whereby even small deviations from what they expect to happen can throw everything off kilter. This means that 'knowing where you stand' financially at any given time is a priority for vulnerable consumers to keep their carefully balanced lives moving and to pay for essentials. As a result, research participants often had a detailed knowledge of their income flow and regular outgoings, as well as the exact amounts of their bills and when they are due to be paid.

In this context, being 'good' or 'confident' with money is often about managing a limited pot sufficiently effectively so that there is enough to cover what you need. Many consumers on low incomes describe themselves as feeling relatively confident in managing their money in this way. Tools and tactics that are felt to help with

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managing money allow consumers to keep track of where they stand at any given moment, including online and mobile banking, and using direct debits and standing orders to provide confidence that bills will be paid on time. This is in comparison to a control group of consumers on higher incomes who spoke much more of 'making their money work for them' and utilised a variety of money management tools and financial products to help them to do so.

### Defining value for money and getting a good deal

For most consumers on low incomes, value for money is primarily (and in some cases exclusively) defined by price. This often comes down to finding a product or service for the cheapest price possible through 'bargains', 'savings' or 'discounts' – something that is easy to identify for products in the grocery market, but less so for service markets such as telecommunications, energy, insurance and credit.

Aside from price, three other factors were used by the vulnerable consumers consulted as part of this research as determinants of value for money. These are:

1. **Reliability:** ensuring that products and services can be trusted to run without outages or problems.
2. **Time impact:** for some, the best value deals are those that take the least 'hassle' to find and have the smallest impact on their time.
3. **Quality:** where affordability and price are not barriers, many consumers on low incomes want to know that the products they purchase will last.

Price was also an important factor for the control group of higher income consumers. However, this group were less likely to frame value for money in terms of 'discounts' and 'bargains', and more likely to mention additional factors related to customer service and quality. Control group consumers were also more likely than vulnerable consumers to be make long-term judgements such as spending more in the short-term to save money in the long-run.

### Experiences of engaging with service markets

In line with their circumstances and experiences more widely, vulnerable consumers' experiences of service markets tend to be diverse and complex. However, this research points to a number of consistent themes in the barriers that consumers on a low income feel may be preventing them from getting a good deal in key service markets.

1. **A lack of effective choice.** For some vulnerable consumers, factors such as location, credit history and housing type can make it seem very difficult to

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switch provider. For example, in telecommunications, participants talked about poor credit history being a barrier to accessing a mobile contract, while those participants who are tenants of social housing or a private landlord can sometimes find themselves restricted in the energy market by what has already been installed in the property.

2. **A lack of flexibility.** Across the markets explored in the research, vulnerable consumers felt there to be a lack of flexibility in payment plans if their circumstances change. Where contracts are of a longer length (for instance, 18 or 24 months) and seemingly difficult to exit – particularly in the telecommunications and credit markets – and consumers' circumstances change, this can mean that the contract is no longer suitable, and some participants have run into unmanageable debt.
3. **A lack of clarity and transparency.** Seemingly complex terminology can make contracts and pricing hard to understand for some vulnerable consumers, and difficult to relate to their specific needs. Research participants described this challenge as particularly pronounced in the insurance and energy markets, with some feeling that complexity may even be a deliberate strategy to justify seemingly arbitrary price hikes.
4. **Poor customer service.** A significant proportion of consumers in the sample had experienced inconsistent and one-sided communications in general and when things go wrong with their services. This was especially identified in the telecommunications market, in which communication is felt to be particularly poor and problems not readily resolved.
5. **Inconsistencies in providers' and markets' treatment of (vulnerable) customers.** Some consumers felt that they had experienced particular flexibility and good customer service from a certain provider or in a certain market, while other customers of the same provider or in the same market felt that they had been treated poorly. Consistently, consumers with mental health problems were more likely to feel negative about the willingness of markets and providers to recognise and meet their needs than those without this vulnerability.

## Getting a good deal in mobile, broadband, energy, insurance and credit

Drawing on their perceptions and experiences, vulnerable consumers identified a number of features in each of the service markets explored in this research that they felt could either help or prevent them from getting a good deal. These perceived features, as well as vulnerable consumers' wider levels of engagement with each market, are briefly outlined in the table below:



Figure 1: Key findings for each service market explored in this research

<p><b>Telecommunications</b> (including mobile phone products and services, internet services such as broadband, landline line rental, and pay TV services)</p>	<ul style="list-style-type: none"> <li>• Vulnerable consumers' levels of interest in this market were highest of all four markets.</li> <li>• However, despite these levels of interest, consumers were less likely to report switching in this market. Instead, this is the market in which consumers were more likely to describe negotiating with their existing providers in order to secure a better deal, if they were engaging at all.</li> <li>• Consumers felt that a number of features of this market supported them to get a good deal, including: using familiar language (such as texts and minutes for mobile services), and the <i>principle</i> of bundling. For vulnerable consumers specifically, the perceived availability of low cost, flexible options in the mobile market also stand out as positive (e.g. pay as you go and SIM-only deals).</li> <li>• However, there were also a number of perceived barriers to getting a good deal for vulnerable consumers which were not identified by the control group. These include, but are not limited to:             <ul style="list-style-type: none"> <li>○ Long and inflexible contracts with a lack of prompting and communication when they end;</li> <li>○ Poor customer service and communication when problems arise; and</li> <li>○ Unexpected charges.</li> </ul> </li> </ul>
<p><b>Energy</b> (including electricity and heating)</p>	<ul style="list-style-type: none"> <li>• This is a very important market for many vulnerable consumers, and one that is heavily relied upon. This means that, while some were switching providers in this market, others often felt reluctant to do so for fear of compromising the reliability of service.</li> <li>• A number of features of this market were felt to offer vulnerable consumers better value for money including flexibility, financial support, and services that seem to enable greater control over spending (e.g. pre-payment meters).</li> <li>• However, there are also perceived barriers. Most notably, both vulnerable and control consumers point</li> </ul>



	<p>to the lack of clarity and transparency in this market – particularly in relation to terminology.</p>
<p><b>Insurance</b> (including home contents and building insurance and motor insurance)</p>	<ul style="list-style-type: none"> <li>• Vulnerable consumers tended to have limited engagement with and experience of this market. For those that did have insurance products, switching was most commonly described in this market of all four service markets, despite limited engagement and interest.</li> <li>• A number of features of this market were felt to offer vulnerable consumers better value for money, including bundled policies and well-timed renewal notices.</li> <li>• However, there were also perceived barriers. In line with the energy market, the most important barrier to getting a good deal was felt to be the complexity of pricing and contracts. In addition, vulnerable consumers often felt that they can be penalised for factors outside of their control, such as the area that they live in, their age and health conditions. This diverges from the experience of the control group, who were less likely to mention such barriers.</li> </ul>
<p><b>Credit</b> (including credit cards, loans, payday loans and store cards)</p>	<ul style="list-style-type: none"> <li>• Vulnerable consumers tended to strongly associate the credit market with high-cost, short-term products, which most seek to avoid as far as possible for fear of entering into unmanageable debt. In comparison, control consumers were more likely to associate this market with longer-term products such as mortgages, and those using credit cards often felt they had full control, and could see clear benefits.</li> <li>• In addition, many vulnerable consumers were unaware that switching credit products or consolidating debts is an option. The concept of ‘switching’ or ‘negotiating’ to get a better deal was particularly challenging for vulnerable consumers to engage with in the context of the credit market.</li> <li>• No features in this market were identified as helping vulnerable consumers to get a better deal, but vulnerable did point to a number of perceived barriers. These include seeming to having limited choice (often</li> </ul>

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	as a result of their financial history), aggressive sales tactics, a lack of clarity in charges and fees, and a lack of understanding and flexibility if their circumstances change.
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### **Awareness, perceptions and experiences of the ‘loyalty penalty’**

For most vulnerable consumers interviewed, the existence of a ‘loyalty penalty’<sup>1</sup> was not surprising. The loyalty penalty was often viewed through the frame of generally low trust in business, but also directly identified by those who have seen a better deal advertised to new customers only. Consumers on a low income differed very little from the control group in terms of their awareness of and attitudes towards the loyalty penalty.

The loyalty penalty is strongly viewed as unfair by vulnerable consumers and there are three key reasons why participants felt this to be the case:

- It appears to put the onus on the consumer to switch or negotiate in order to get a good deal - behaviours vulnerable consumers feel that they face particular barriers to adopting;
- It seems to have the potential to disproportionately affect consumers living on a low income or with a vulnerability; and
- It confirms consumers’ suspicions that providers are not rewarding their loyalty at present.

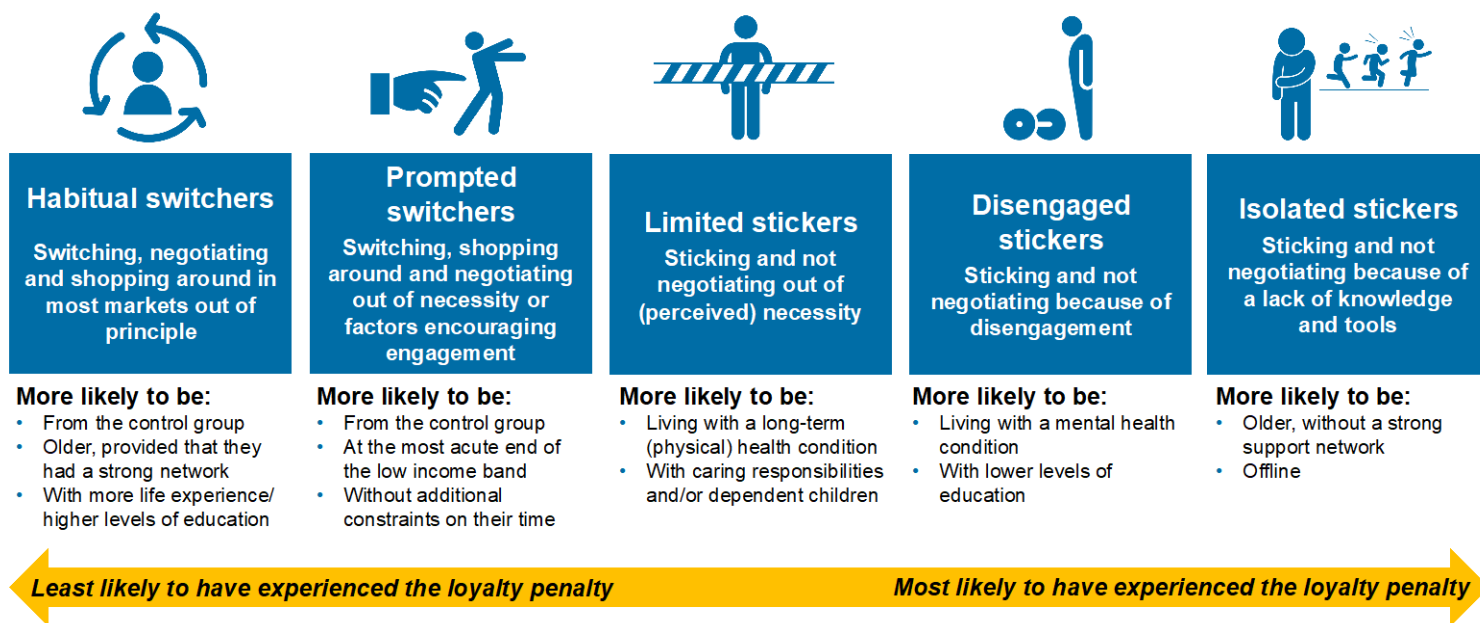
The extent to which vulnerable consumers seemed to be affected personally by the loyalty penalty was dependent on the extent to which they shop around, switch or negotiate with their current providers in service markets. While there was significant variation across the sample in this research, there appear to be five broad typologies of consumer in relation to these behaviours:

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<sup>1</sup> The loyalty penalty is the higher cost of being a long-standing customer, compared to a new customer receiving the same product or service.

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Figure 2: Diagram outlining the five typologies of consumers in relation to engaging in switching, shopping around and negotiating behaviours (Habitual switchers, Prompted switchers, Limited stickers, Disengaged stickers, Isolated stickers)



Within these typologies, the consumers who appear to be least likely to be engaging in switching, shopping around and negotiating behaviours are those with lower levels of education or a mental health problem, and older consumers without a strong support network or access to gateway products such as the internet. These consumers may therefore be at greatest risk of experiencing a loyalty penalty.

### Solutions to the challenges which vulnerable consumers face

Vulnerable consumers' own unprompted 'solutions' for overcoming the challenges that they feel can prevent them from successfully engaging with service markets and getting a good deal included:

- Having equal access to the same range of products and services available to consumers without any specific vulnerabilities. This was particularly important to vulnerable consumers who currently feel that their choice is in some way restricted because of factors outside their control, such as their location, living situation, or factors related to their vulnerability. It was also raised as important to provide the same services and prices to consumers irrespective of their access to gateway products, such as the internet.
- Greater flexibility in contracts so that these appear to be less focused on 'locking in' the customer, and allow for changes and fluctuations in

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consumers' circumstances over time. This was particularly important to those with fluctuating incomes, dependents and those with mental health problems.

- Simpler terminology in order to support consumers to align the services that they are buying to their circumstances and needs. This was particularly raised by consumers with lower levels of education and with mental health problems, who reported finding information more difficult to take in and remember.
- Seeing a greater emphasis on providers resolving problems as quickly and effectively as possible, offering greater flexibility in their options for communication, and demonstrating greater understanding of the needs of vulnerable consumers. This was particularly important to consumers who feel less confident communicating, and those who feel less confident that their vulnerability will be 'recognised', including those with mental health problems.

In the research we tested a series of solutions which might support consumers to engage with markets and to get a better deal.

*Figure 3: Potential solutions tested with participants and their responses*

Potential solution	Response
<b>Offering more favourable deals and discounts to consumers on a low income or living with a vulnerability who disclose their vulnerability or income</b>	Most felt positive in principle about this potential solution, particularly when they related this to markets where some have already seen this happening, e.g. access to the Warm Home Discount in the energy market. However, some had practical questions about how this might be applied to markets beyond energy, such as when and how they would tell their supplier about their vulnerability, particularly with markets in which they feel less engaged.
<b>Price Comparison Websites (PCWs)</b>	Almost all were aware of PCWs, and the majority were already using them in some markets, particularly energy and insurance. PCWs are seen as essential for shopping around for a better deal, and most vulnerable consumers did not have any concerns or questions about them. However, PCWs were perceived to be 'closed off' to consumers who are offline <i>and</i> who lack a support network (e.g. family or friends who can use the internet on their behalf).

<p><b>Prompts from a supplier or third party</b></p>	<p>This solution was viewed mostly positively, particularly in relation to longer term contracts (of 18-24 months) where consumers may lose track of renewal dates. Sending prompts feels like a basic expectation of providers, which is only being fulfilled in certain markets at present. There was greater concern about the idea of receiving prompts from an unknown third party, with some concerned about how they would gain this information.</p>
<p><b>Receiving quotes based on spending over time</b></p>	<p>Most viewed this potential solution positively, although there were some concerns and questions over data portability and privacy, which made this solution feel more time consuming and risky to vulnerable consumers.</p>
<p><b>Automatic switching by a supplier</b></p>	<p>The idea of an existing supplier switching a consumer on to a more favourable tariff was met largely positively. However, there were concerns over a perceived lack of control, such as being switched on to a lengthy contract for a deal which was not in fact the best option for the individual. Vulnerable consumers also raised the point that the most favourable tariff for them may not be the one that is lowest in price, particularly in markets where reliability of service is especially important to them.</p>
<p><b>A third party automatic switching service</b></p>	<p>This solution appealed to those who felt particularly overwhelmed by their services and who were most open to others taking control. These participants were more likely to be those with mental health problems or with lower levels of education. Others were concerned that this solution represents a lack of control, and the introduction of a third party was met with some suspicion.</p>
<p><b>Collective switching</b></p>	<p>The idea of power and safety in numbers appeals. However, the term 'collective' confused some, who</p>

	assumed this solution would not be relevant to them unless they lived in a coherent community, such as sheltered accommodation. This solution also carries the same perceived risks of a lack of control and involvement of 'unknown' third parties.
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As set out above, vulnerable consumers' responses to some of the potential solutions which were less familiar to them, and particularly any solutions involving an unknown third party, were characterised by suspicion and mistrust. This was somewhat in tension with their responses to existing prompts and tools in the market, including those involving third parties, such as price comparison websites.

By comparison, control group consumers were generally more willing to accept the solutions at face value. The responses of vulnerable consumers to these ideas highlighted the importance of the framing and communication of solutions which require consumer interaction, as well as the need to test and trial potential solutions.

### Conclusions

The views and experiences of vulnerable consumers consulted in this research point to five key conclusions:

1. Vulnerability and vulnerable consumers' experiences are complex and there is no 'one size fits all' approach to understanding the challenges which vulnerable consumers can face when engaging with markets.
2. Vulnerable consumers' conceptions of value for money are often strongly price driven, but additional factors, such as reliability, can 'trump' the lowest cost in consumers' conception of what is and isn't a good deal.
3. Vulnerable consumers appear to be facing challenges to getting value for money in each of the service markets explored in this research.
4. While generally unsurprised by the existence of the 'loyalty penalty', relatively few vulnerable consumers in the sample were proactively and consistently taking action to engage with providers and to switch in order to get a better deal.
5. Participants' experiences, and the way in which they responded to potential solutions tested in the research, point to the importance of framing and communication of tools and solutions to support them to engage.

## 2. Introduction

### 2.1: Context

In September 2018, the Competition and Markets Authority (CMA) commissioned BritainThinks to undertake qualitative research with vulnerable consumers.

The CMA is a non-ministerial Government department that aims to make markets work well for consumers and ensure that companies follow competition and consumer law. Vulnerable consumers are a priority area for the CMA, as set out in its annual plan for 2018/19.<sup>2</sup> The CMA's programme of work on vulnerable consumers has focused on improving its understanding of the challenges facing groups of vulnerable consumers who are at high risk of experiencing poor outcomes in markets, and potential solutions to these challenges, with a view to informing its case selection and prioritisation, analytical approach and remedy design.

This research was commissioned by the CMA as part of its vulnerable consumers work, to inform its understanding of the challenges that vulnerable consumers can face in markets. The CMA was particularly keen to hear insights directly from vulnerable consumers themselves, rather than presupposing the nature of the challenges experienced.<sup>3</sup>

On 28 September 2018, the CMA received a super-complaint from Citizens Advice<sup>4</sup> which raised concerns that longstanding customers, often on roll-over contracts or default tariffs, pay more than new customers. Citizens Advice term this financial harm a 'loyalty penalty'. This research has also informed the CMA's consideration of vulnerable consumers in its response to the super-complaint, which is published separately on its website.<sup>5</sup>

### 2.2: Aims of the research

The purpose of this research was to provide an understanding of the challenges which vulnerable consumers face in markets and what support may help to address this. Specifically, the research has been designed:

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<sup>2</sup> The 2018/19 Annual Plan is available on the [CMA's website](#).

<sup>3</sup> Further information on the CMA's programme of work is available on the CMA's [vulnerable consumers webpage](#).

<sup>4</sup> [Citizens Advice, \*Excessive prices for disengaged consumers: a super-complaint to the Competition and Markets Authority\*, 28 September 2018.](#)

<sup>5</sup> Available on the [CMA super-complaint investigation case page](#).



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1. To gain insight into the lives of vulnerable consumers and their experiences within and across markets: including their engagement across different markets, their specific needs and challenges they face and how this may vary both by market and by different groups of vulnerable consumers.
2. To understand vulnerable consumers' engagement and ability to get a good deal in different markets: are vulnerable consumers switching or negotiating with their suppliers and, if not, what is preventing them from doing so?
3. To test potential solutions and identify effective ways for overcoming the challenges vulnerable consumers face: what would make experiences of using and navigating markets better for these consumers?

The research interviews were particularly focused on exploring consumers' experiences of four service markets:

- **Telecommunications**, including mobile phone products and services, broadband, landline line rental, and pay TV services;
- **Energy**, including heating and electricity services;
- **Insurance**, particularly home (contents and building) and motor insurance; and
- **Credit**, covering a range of products including credit cards, loans, payday loans and store cards.

The research also covered consumers' experiences of transport and grocery shopping as a comparator with these service markets.

This research aims to inform the CMA's work more widely in a number of ways:

- To support the CMA in project selection and prioritisation by helping to identify markets where vulnerable consumers may face particular challenges.
- To inform the CMA's analytical approach, in terms of data collection and use of particular analytical techniques to understand the experiences of vulnerable consumers.
- To inform the CMA's design and development of remedies.

### 2.3: Methodology and sampling

We conducted qualitative depth interviews with vulnerable consumers, all of whom were on a low income (defined as below 60% of median income) and focus groups with individuals with higher incomes who comprised a 'non-vulnerable' control group.

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Given the nature of the objectives, this study is purely qualitative and is based on the responses of the research participants. As such, its findings reflect the perceptions, feelings and attitudes of the participants.

The vulnerable consumers sample of 49 individuals was further sub-divided to allow exploration of the interaction between low income and additional characteristics associated with vulnerability including mental health problems, age, and physical or sensory disabilities. In designing the sample, it was essential to recognise the complex nature of vulnerability, and the often intersecting factors that can exist in a vulnerable person's life. These particular characteristics were focused on in the research, to complement the CMA programme of work on vulnerable consumers.

Mental health problems and physical or sensory disabilities were defined as follows:

### **Adults who are on a low income and have mental health problems:**

- Participants who self-identify as having a mental health problem, including:
  - A spread of mental health problems;
  - Those with undiagnosed conditions; and
  - Those with multiple conditions.

### **Adults on a low income with a physical or sensory disability:**

- Participants who identify as having a long-term illness, health problem or impairment that limits their daily activities, including:
  - Those with physical impairments;
  - Those with visual impairments;
  - Those with auditory impairments;
  - Those with multiple conditions; and
  - Those with congenital and acquired impairments.

In parallel, we held focus groups with 20 consumers on higher incomes. The purpose of doing so was to provide a comparator group and to highlight which impacts and experiences of each market are felt by consumers in general, and which may be specific to those with vulnerabilities. Throughout this report, these 20 consumers are referred to as the 'control group'.

The research process has been iterative and comprised of four main phases, which are outlined in Figure 4:

Figure 4: Overview of full research process

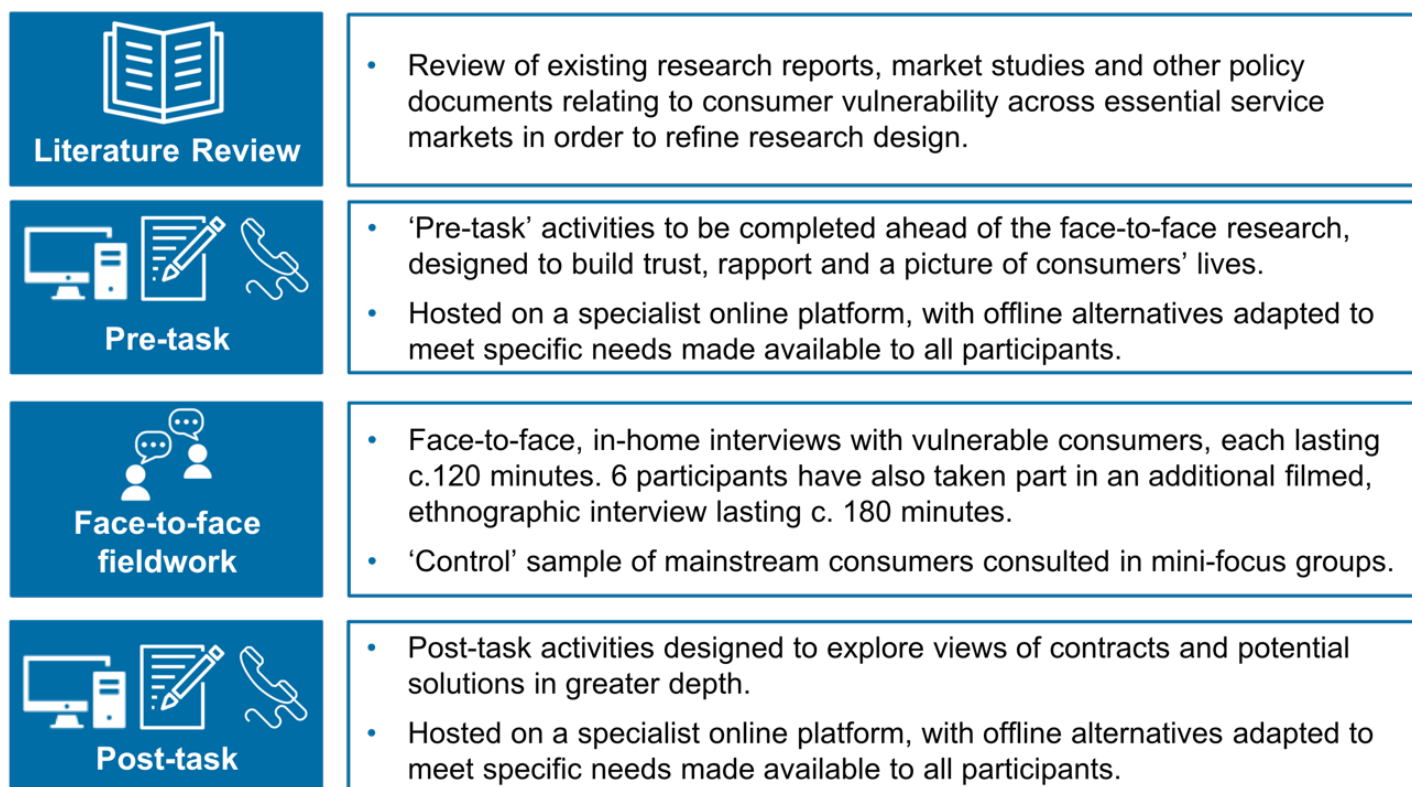


Figure 5: Fieldwork 'hub' locations

Fieldwork was conducted during October and November 2018 across seven 'hub' locations (as shown in Figure 5), with participants recruited from surrounding areas to ensure that a mix of rural and urban locations were included. Locations were selected to ensure coverage across the four nations of the UK.



The recruitment focused on ensuring that 'hard to reach people', who may not usually take part in research of this nature were included. Recruiters embedded in their local communities were therefore used, with a focus on face-to-face recruitment methods.

A full overview of numbers of participants recruited is provided in Figure 6.

### 2.3.1 Summary of vulnerable consumer sample

An overview of the vulnerable consumer sample is provided below. Please refer to the Appendix for further detail of the sampling approach.

- 15 consumers were recruited on the basis that they were living on a low income according to the Households Below Average Income definition (HBAI)<sup>6</sup>.
- 16 consumers were recruited on the basis that they were low income *and* living with mental health problems. Mental health problems represented in the sample include: Anxiety, Depression, Post Traumatic Stress Disorder (PTSD), Personality Disorder and Alcohol dependency<sup>7</sup>.
- 18 consumers were recruited on the basis that they were low income *and* living with a physical condition or disability. Physical conditions represented in the sample include: Visual and hearing impairments, Mobility issues, Chronic Obstructive Pulmonary Disease (COPD), Arthritis and Fibromyalgia<sup>8</sup>. Throughout the report, the term 'physical disability/condition' is used to refer to sensory disabilities, long term health conditions and physical disabilities.

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<sup>6</sup> The Households Below Average Income (HBAI) report, published by the Department of Work and Pensions, presents information on living standards in the United Kingdom and is the leading source for data and information about household income, and inequality in the UK. The HBAI measure is defined as 60 per cent of median household income.

<sup>7</sup> Mental health problems:

- *Anxiety*: a group of mental disorders characterised by significant feelings of anxiety and fear. These feelings may cause physical symptoms, such as a fast heart rate and shakiness.
- *Depression*: a mental disorder characterised by a low mood that stays present across most situations. Often accompanied by low self-esteem, loss of interest in normally enjoyable activities and low energy.
- *Post-Traumatic Stress Disorder (PTSD)*: a mental disorder that can develop after a person is exposed to a traumatic event, such as traffic collisions, or other threats on a person's life.
- *Personality Disorder*: a group of mental disorders characterised by patterns of behaviour and understanding that deviate from those accepted by an individual's culture or society.
- *Alcohol dependency*: a psychiatric diagnosis in which an individual is physically or psychologically dependent on alcohol.

<sup>8</sup> Physical conditions and disabilities:

- *Visual and hearing impairments*: a loss of the ability to see or hear to a degree that causes problems not fixable by means such as glasses or hearing aids.
- *Mobility issues*: including those who need assistance to walk or need to use wheel chairs. Common causes include older age, low physical activity, obesity, impaired strength and balance, and chronic diseases such as diabetes and arthritis.
- *Chronic Obstructive Pulmonary Disease (COPD)*: a group of lung conditions that cause breathing difficulties, including emphysema and chronic bronchitis.
- *Arthritis*: the inflammation of the body's joints, causing pain, swelling and difficulty with mobility.
- *Fibromyalgia*: chronic pain across the body. Other symptoms include tiredness to an extent that normal activities are affected, sleep problems and troubles with memory.

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- The sample was evenly split by sex, with a good spread of ages, living situations and ethnicity.

*Figure 6: Participant sample overview*

	Watford	London	Nottingham	Rhyl	Colne	Belfast	Glasgow
<b>Total</b>	<b>6</b>	<b>11</b>	<b>6</b>	<b>8</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>Low income 'only'</b>	1	4	1	3	2	2	2
<b>Low income plus mental health problem</b>	2	4	1	3	2	2	2
<b>Low income plus physical health condition</b>	3	3	4	2	2	2	2

### 2.3.2 Summary of control group sample

- 20 consumers were recruited on the basis that they were living on an income above the HBAI measure.
- The sample was evenly split by sex, with a good spread of ages, living situations, employment status and ethnicity.

Further detail on the sampling approach is provided in the Appendix.

## 2.4 Report Structure

This report summarises the experiences and circumstances of vulnerable consumers, their levels of engagement with providers and markets and ability to get a good deal for products and services. Due to the confines of the research, the report outlines consumers' perceptions, feelings and attitudes towards their experiences in different markets and the extent to which they feel that they are getting a good deal. It is therefore possible that in some cases participants may misreport or misunderstand what is happening in different markets.

The report has six key sections, which are summarised in the table below.

*Figure 7: Overview of key sections in this report*

<b>Participants' day-to-day lives</b> Chapter 3	This section provides an introduction to the day-to-day lives of vulnerable consumers, particularly experiences
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	of living on a low income and how this interacts with other vulnerabilities.
<b>Vulnerable consumers' tactics for managing finances and defining value for money</b> Chapter 4	This section explores vulnerable consumers' approach to money management, what tools, if any, are seen as most useful and how 'getting good value for money' is viewed across markets.
<b>Vulnerable consumers' experiences of service markets</b> Chapter 5	This section outlines vulnerable consumers' experience of service markets and the factors enabling or preventing them from getting a good deal. As with the rest of the report, the four service markets of focus for the research are explored in depth: telecommunications, energy, insurance and credit.
<b>Awareness, attitudes towards and experiences of the 'loyalty penalty'</b> Chapter 6	This section discusses vulnerable consumers' knowledge and attitudes towards the loyalty penalty and level of experience and interest in engaging with or switching in the markets.
<b>Responses to potential solutions</b> Chapter 7	This section examines responses to potential solutions to enable vulnerable consumers to get better value for money in markets.
<b>Conclusions</b> Chapter 8	This final section summarises the overarching conclusions and implications from the research.

Please note that throughout this report, where reference is made to the proportion of vulnerable consumers in the research sample who experienced a specific circumstance or displayed a certain attitude, the following terms are used to represent the approximate values outlined in the table below. Please note that this is qualitative rather than quantitative research and, as such, these figures should be treated as indicative. They are provided to give an indication of how common a perception or view was among the sample.

*Figure 8: Overview of terminology*

Majority of consumers or most consumers	This refers to approximately 75% of the total sample size or higher.
Many consumers	This refers to approximately 50% to 75% of the total sample size.

## Getting a good deal on a low income

Some consumers or several consumers	This refers to a significant minority of consumers, less than 50% but more than 25%.
A few consumers or a handful of consumers	This refers to approximately 10% of the total sample size or less.
One or two consumers	This refers to one or two individual participants in the sample.



## 3. Understanding participants' day-to-day lives

### 3.1: Introduction

This research set out to understand the experiences of consumers on low incomes to inform the CMA's programme of work on vulnerable consumers. In particular, this research has sought to gain insight into the impact of vulnerability on consumers' ability and capacity to engage with providers and markets, with a focus on getting good value for money for products and services.

Vulnerability is multi-layered, complex and fluid, meaning that the challenges consumers can face vary from person to person and may fluctuate over time as circumstances change<sup>9</sup>. For this reason, this research has sought to include the voices of consumers living with multiple vulnerabilities in addition to financial vulnerability, including physical disability, mental health problems, old age, and lower levels of formal education. The research sheds light on the diversity of consumers on a low income and the multiple challenges they face, which have an impact on levels of engagement with providers and markets.

#### Chapter overview

This chapter uses insights gained in the interviews, focus groups and online activities, asking participants to describe their lives and the challenges they face on a day-to-day basis<sup>10</sup>. In doing so, it explores the lives of consumers on a low income, the complex nature of vulnerability, and how this has an impact on levels of engagement with markets.

While this chapter highlights the diversity of circumstances, experiences and challenges facing consumers on a low income, it also points to a set of common needs vulnerable consumers display which must be met to improve their ability to get a good deal for products and services. These are:

1. Certainty over finances and billing

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<sup>9</sup> See FCA: Consumer Vulnerability Occasional Paper (2015) for further consideration of the fluid nature of vulnerability and impact this has on individuals as consumers (<https://www.fca.org.uk/publications/occasional-papers/occasional-paper-no-8-consumer-vulnerability>).

<sup>10</sup> For further detail about the research materials and lines of questioning, please refer to the Appendix.

2. Reliability of products and services
3. Flexibility in services and contracts
4. Real and effective choice in products, providers and contracts
5. Clarity and simplicity in marketing, contracts and billing
6. Supportive customer service and communications

### 3.2: Living on a low income

Circumstances, experiences and attitudes varied across the vulnerable consumer sample, both overall and in relation to finances specifically<sup>11</sup>. However, when thinking about their financial situation, consumers on low incomes split into two distinct groups:

1. **Some saw themselves as living ‘on the breadline’ and regularly making sacrifices to make ends meet.**
  - Participants in this group were more likely to include those on the very lowest incomes in the sample (for example, a total household income after tax of less than £100 a week), as well as those who have seen their financial circumstances change significantly. This was often a result of either them or their dependents developing a physical or mental health problem, impacting on their ability to work in full-time employment, and highlighting the fluid nature of financial vulnerability.

*“I get £220 ESA [Employment and Support Allowance] every two weeks... it is a struggle, you can’t go anywhere or do anything because you don’t have the money.”*

(Consumer on a low income who has a mental health problem, 55-64, Glasgow)

*“I worry a lot about how I’m going to afford things in life as being on a low income is hard. Especially when you have had good jobs [in the past] and not had to worry.”*

(Consumer on a low income, 25-34, Watford)

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<sup>11</sup> All vulnerable consumers were recruited on the basis that they were living on a low income at the time of fieldwork according to the Households Below Average Income (HBAI) definition: 60 per cent of median household income. To ensure the recruitment screening process was practical for a qualitative research project such as this one, household income was estimated on a before household costs basis only (BHC). For further information about the recruitment screening process, please refer to the Appendix.

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*“I have to manage my money well now. It’s not like before when I was working full-time and before I started paying this extortionate rent. I have to be careful because I don’t have very much [money] now.”*

(Consumer on a low income who has a physical impairment/condition, 45-54, London)

### 2. Other participants believed that they were relatively ‘comfortable’ financially compared to other people or their past financial situation.

- Older consumers were particularly likely to fall into this group, and would look to (often relatively extreme) examples of their children and grandchildren or their own previous financial circumstances as examples of living on a ‘low income’.
- Often these consumers had longstanding tactics for living within their (limited) means, including minimising use of heating and electricity, or shopping for clothes in charity shops. Many have normalised these behaviours and would not define them as ‘sacrifices’.

*“I used to have £5 a week out of his [my husband’s] wages to feed the family [with four children]. I know how to make a big meal for practically nothing and we’re better-off now... we try to put a wee bit of money away for the children and grandchildren when we can, it’s hard for them.”*

(Consumer on a low income who has a physical impairment/condition, 75+, Belfast)

*“I’d say we’re relatively comfortable, me and my wife both know what’s going on when it comes to money...we get to Blackpool a few times a year for a holiday, so that’s alright... we used to go to Spain but we can’t get the travel insurance anymore.”*

(Consumer on a low income who has a physical impairment/condition, 75+, Glasgow)

Despite the diversity in circumstances, experiences and outlooks, there are some consistent themes in how participants in the vulnerable consumer sample described their day-to-day lives, with implications for how they thought about their finances, their engagement with different markets, and ability to get a good deal:

- **For many, life is hectic, busy and stressful.** Constrained finances were often at the heart of these worries and required a careful balancing act in order for these consumers to keep their heads above water (i.e. managing to pay for essential goods and services without running into large amounts of debt). For many, achieving this (or seeking to) took up much of their available

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energy and 'headspace', leaving little space for considering negotiating with or switching providers in key markets.

- As a result, many consumers on low incomes were living 'hand-to-mouth', making them strongly focused on the here and now and on short-term savings, rather than looking ahead to the future or thinking about long-term gains.
- In addition, consumers on a low income spend higher proportions of their income on essential goods and services<sup>12</sup>, which compounds financial worries. For example, for those living in private rented accommodation, housing costs stand out as taking out a large percentage of income and can make juggling payments for goods and services in other markets feel very difficult. This is further affected by consumers on low incomes paying more for certain goods and services, such as using pre-payment meters in the energy market or facing higher APR rates in credit products<sup>13</sup>.

*"You have to take each day as it comes. Life is stressful, it's all about keeping up with the mortgage payments, it's not like it used to be in your grandparents' day where the man could go out to work and the woman could stay at home. You get by. You focus on your bills. There's no pots of money left at the end."*

(Consumer on a low income who has a mental health problem, 45-54, Watford)

- **Life is often precarious and unpredictable.** Income levels can fluctuate from week to week, particularly for those in insecure, low paid work, and for others moving in and out of eligibility for certain benefits has an impact. Several participants, especially those who have a physical disability/condition or mental health problem and who are wholly reliant on benefits, spontaneously referenced concerns about the potential impact of moving onto Universal Credit on their income. These concerns included fearing a short-

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<sup>12</sup> See CMA: Understanding consumers on low incomes (2015) for further information about the cost of goods and services as a proportion of income for vulnerable consumers (<https://www.gov.uk/government/publications/understanding-consumers-on-low-incomes>).

<sup>13</sup> The pattern whereby consumers on low incomes can pay more for the same products or services than people who are better off financially has been described as the 'poverty premium'. See University of Bristol: The Poverty Premium - When low-income households pay more for essential goods and services (2016) for further analysis on the impact of multiple vulnerabilities on consumers' ability to engage with markets and achieve good outcomes (<http://www.bristol.ac.uk/media-library/sites/geography/pfrc/pfrc1615-poverty-premium-report.pdf>) and SMF: Measuring the Poverty Premium (2018) for an exploration in to the true size and impact of the poverty premium (<http://www.smf.co.uk/wp-content/uploads/2018/03/Measuring-the-Poverty-Premium.pdf>).

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term loss of income while the transition takes place, as well as having to adjust to having a lower income in the longer term.

- This feeds into financial worries and stresses, meaning that the careful balancing act required to manage finances can take even more consideration and energy.

*“My husband is contracted to work 30 hours a week at Lidl but they don’t always rota him in his full hours... some months he comes home with much less pay.”*

(Consumer on a low income who has a physical impairment/condition, 18-24, London)

*“Managing money is hard, there is not a day that you can go without spending money when you have kids, it’s a struggle... [my partner is] a self-employed mechanic. He gets his wages weekly on a Friday and you just hope it’s enough.”*

(Consumer on a low income, 25-34, Rhyl)

*“Because I claim disability benefit for my son, I get extra tax credits. I think I will lose out on money when I go to Universal Credit. I feel very nervous about it. I think people in my situation go last, so I don’t think it will happen until 2023. I am hoping my situation will be very different by then because I don’t want to go on to Universal Credit.”*

(Consumer on a low income, 25-34, Watford)

- **Life can feel difficult and unfair.** Many vulnerable consumers in the sample were living in financial hardship as a result of factors which they saw as outside of their control. In addition, most felt that they were facing a number of challenges in their life and had been let down by ‘the system’ numerous times before.
  - In line with previous research, these feelings of unfairness and being let down led a number of participants to display very low levels of trust in government, business and institutions<sup>14</sup>.
  - As a result, consumers on low incomes often felt the need to be ‘fighting on all fronts’, challenging the government or their local council to get the support they require. This also applies to service providers, with consumers feeling they have to be ready to challenge their

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<sup>14</sup> See JRF: How poverty affects people’s decision-making processes (2017) for further analysis of the relationship between poverty and low levels of trust in strangers and institutions (<https://www.jrf.org.uk/report/how-poverty-affects-peoples-decision-making-processes>).

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providers to avoid being ‘mugged off’ and paying above the odds, or being trapped in ‘tricksy’ terms and conditions.

- However, ability to do this is challenging and varies significantly:
  - For those who do ‘rise to the challenge’, problems with housing, benefits or social services were commonly mentioned, such as trying to persuade their housing providers to conduct essential repair work, or appealing reversals to their benefits eligibility. Unsurprisingly, these challenges tended to trump concerns about service markets.
  - For other consumers on a low income, these challenges can feel overwhelming. In our sample, this was much more likely to be the case for consumers experiencing additional vulnerabilities such as mental health problems.

In contrast to consumers on a low income, while many consumers in the control group described their lives as busy, this was often due to balancing work with family and home life rather than a result of concerns about balancing finances. Life for these consumers is less likely to feel precarious or uncertain as a result of fluctuating income, and they also did not have the same sense of life being unfair or difficult.

In addition, this group were more likely than consumers on a low income to use positive adjectives to describe their lives, such as fun, exciting and happy, highlighting family, friends and hobbies as contributing to this fulfilment.

*“I would describe my life as changing, busy and exciting. I’ve had lots of changes recently, I’ve moved into a new place and started a new job. It’s going well, I’m happy with the changes.”*  
(Control group consumer, London)

*“I’m quite a positive person anyway. We’ve only been in the house for a few years, and my daughter has started in the local school. It’s a nice area, a nice school. Everything seems to be going well.”*  
(Control group consumer, Nottingham)

### **CASE STUDY: Amy, 25-34, Consumer on a low income who has a mental health problem, Belfast**

Amy lives alone in a small Housing Executive flat in Newtownabbey. She has severe anxiety and depression and is unemployed. Amy describes her life as complicated, stressful and anxious, because of her son, who is seven, having been taken into care a few years ago.

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Amy's current focus is on getting her son back to live with her, which means keeping track of court hearings and legal documents. She's recently had some good news – he is hopefully coming home in time for Christmas – but she is mistrustful of the authorities and does not want to believe it until it happens. In this context, things like engaging with her providers are not a priority. She can just about juggle her income to pay the bills, and has pre-payment meters and a pay-as-you-go mobile so that she has some flexibility on how much she spends on them.

*"It's all about professionals, courts and social workers. It makes me feel constantly wary and anxious, but there's nothing I can do."*

### **CASE STUDY: Louis, 84, Living on a low income, London**

Louis lives with his wife in a council flat in London. He has six children and 13 grandchildren. He describes his life as being good as he still has his health, his family and leads an active life. He is very involved in his local church and local community activities and spends as much time as he can volunteering.

He and his wife are conscious that they have a limited income and are very careful to live within their means. They do not go out for meals or buy anything which is not essential. However, he is concerned about energy bills and feels disadvantaged due to his age causing him to be at home so much in the daytime – whereas if he was still working, he would be in the office in the day instead. He is also frustrated because there is a draught in his flat which he has been trying to get the council to fix for years to no avail.

*"The draught is coming in, so you need to keep the house warm almost 24 hours. So that is why money goes."*

*"The younger generation will be at work. It is when they come back that they need electricity, radiator, or something like that to keep warm. We don't go anywhere. That is the reason why we are the people that pay more."*

Exploring day-to-day life for consumers on low incomes point to specific needs these consumers have which must be met for them to achieve good outcomes in markets. These are:

#### **1. Needing financial certainty, and reliable products and services.**

Constrained and fluctuating finances means that consumers on low incomes



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require as much certainty as possible in the cost of goods and services from month to month, to help them manage and balance their finances. In addition, the energy and headspace taken up with worry about money means that it is also important for products and services to reliably 'run in the background' without any problems.

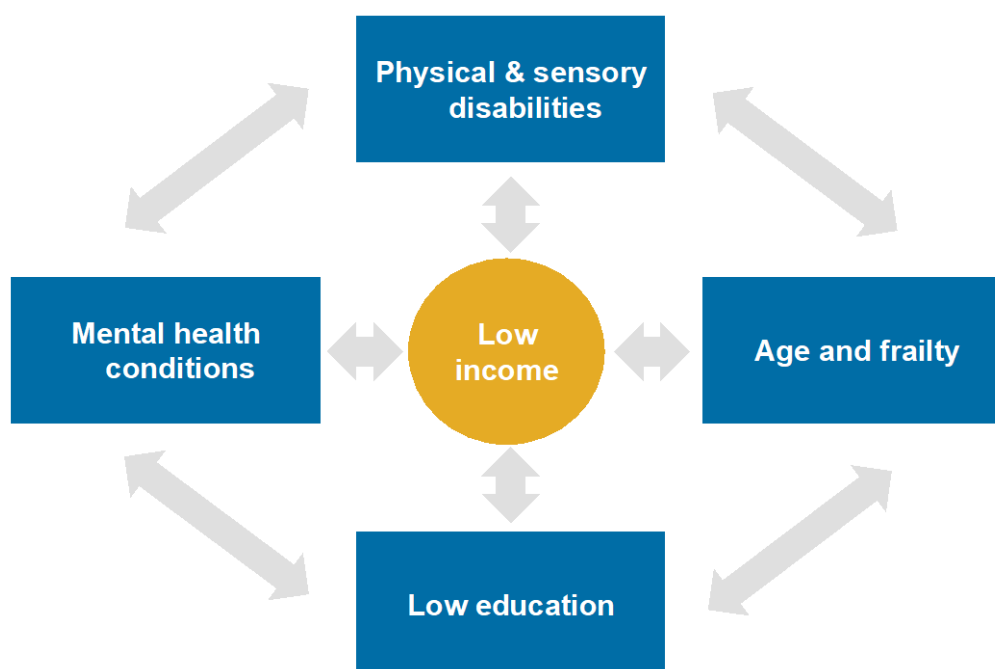
- 2. Needing flexibility in services and contracts.** Constrained and fluctuating finances also mean that consumers on low incomes also require the security of flexibility at times when financial circumstances and priorities significantly change. Payment 'holidays' or being able to exit contracts early at no extra cost are examples of the flexibility that would help consumers on low incomes manage at times when it is not possible to balance finances.
- 3. Requiring clarity and simplicity in marketing, contracts and billing.** In a context where consumers on low incomes have very low levels of trust in institutions more widely and providers specifically, ensuring that key documents such as contracts are clear and simple to understand will help encourage vulnerable consumers to engage with markets, rather than dismissing them as being intentionally difficult and 'tricksy'.

### 3.3: Living on a low income and with additional characteristics of vulnerability

For many vulnerable consumers, financial vulnerability is only one element of a complicated and multi-layered set of needs. Indeed, almost every participant in the vulnerable consumer sample was also facing some form of additional vulnerability beyond living on a low income.

This research has sought to investigate how multiple characteristics of vulnerability intersect, and the impact that this has on consumers' ability to engage with providers and markets, and get a good deal for key goods and services. To do so, it has focused on four further characteristics of vulnerability in addition to low income: physical disability/conditions, mental health problems, age and frailty, and lower levels of formal education. However, it is worth noting that additional vulnerabilities are numerous and go beyond the four characteristics that have been focused on in this research; including for example being time poor, or having caring responsibilities.

Figure 9: Characteristics of vulnerability explored in this report



Living with multiple vulnerabilities can enhance the impact of features of life described by consumers on a low income overall – stress, unpredictability, and difficulty – and subsequently can impact approaches to managing finances and engaging with different markets.

### 3.3.1 Living with a physical disability or health condition

As with consumers on a low income, the experiences and attitudes of the disabled consumers in our sample varied significantly and point to the complexity of physical disability as a form of vulnerability. While all disabled consumers tended to have a clear account of how their impairment/condition impacts on their day-to-day lives and ‘limits’ their activities, the claimed magnitude of these impacts differed. Two factors emerged as being key here:

1. **Severity of impairment/condition.** Unsurprisingly, the impacts of physical disability on daily life described by participants increase with severity – and also for consumers with multiple conditions.
  - For those with the most severe impairments/conditions, almost all aspects of daily life are felt to be extremely limited, rendering some effectively housebound and in need of regular care and support.
  - By contrast for others in the sample, while still feeling their impairment/condition impacts on their lives, this is felt to be to a much lower extent. Indeed, several participants in this group were managing their health condition alongside full- or part-time employment.

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*“Actually, I just sort of exist really.”*

(Consumer on a low income who has a physical impairment/condition, 75+, Colne)

*“I want to work as much as I can. I don’t want to make excuses.”*

(Consumer on a low income who has a physical impairment/condition, 18-24, London)

2. **Whether the impairment/condition is congenital or acquired.** In many cases, the claimed impacts of physical disability were far more pronounced for consumers who had an acquired impairment/condition compared to those with a congenital impairment/condition, and particularly for those who had acquired their impairment/condition suddenly (for example, as a result of an accident).
  - By contrast, those with congenital impairments/conditions often viewed them as an intrinsic part of their lives and something to ‘get on with’ rather than a factor that they were able to isolate as having a particular impact on their lives.

*“[After having a stroke, leading to significant loss of vision]... you screw your eyes up and when you open them up again, your life’s changed for good.”*

(Consumer on a low income who has a physical impairment/condition, 75+, Rhyl)

Within this variation, disabled consumers on low incomes described a number of impacts of their impairments/conditions that have consequences for their engagement with key markets and providers. Common themes were that:

- **Physical disability can heighten financial vulnerability.** This manifests itself in two key ways:
  - Consumers with physical impairments/conditions often had an increased dependency on key products and services within markets such as energy and telecommunications, which increases the proportion of their income that they have to spend on them compared to non-disabled consumers on low incomes. This, coupled with the cost of specialist equipment such as light weight wheelchairs, stair-lifts or automatic cars, can have a big impact on financial vulnerability, something disability charity Scope have described as the ‘disability price tag’<sup>15</sup>.

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<sup>15</sup> On average, disabled people living in the UK face extra costs of £570 a month related to their impairment or condition. See Scope: The Disability Price Tag (2018) for further information (<https://www.scope.org.uk/campaigns/extra-costs/disability-price-tag>).

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- **Acquiring a physical disability or condition can have an impact on financial vulnerability**<sup>16</sup>. Within our sample, most working age consumers with an acquired disability or condition pointed to the financial impacts, often due to limiting employment opportunities.
- As a result, disabled consumers on low incomes can be even more likely to focus on short-term finances and savings than consumers living on low incomes overall.

*“It took me eighteen months to take it [not being eligible for ESA after initial assessment] to court, and in that time, all I was living on was my PIP money. I needed money in the meantime and the only credit out there, because you’re unemployed, is high credit.”*

(Consumer on a low income who has a physical impairment/condition, 45-54, Rhyl)

*“You work all your life and we’re just on the scrap heap now, they just don’t care about us. We were just a number and a body, that’s all we ever were. It doesn’t matter which government is in, they treat us like rubbish.”*

(Consumer on a low income who has a physical impairment/condition, 65-74, Rhyl)

- **Time and energy to deal with issues which do not feel urgent are often even more constrained.** Several of the consumers interviewed with a physical health condition felt tired and needed regular rest as a result of their condition or side effects of strong medication.
  - This meant that their time could feel particularly stretched and precious, and often decreased the amount of time available to engage with different challenges, including products and services.

*“You feel very drowsy and drained and the [medication] also caused me to get gout all of the time which is very painful. The tiredness was so bad that it felt like I permanently had the flu and I’d hardly leave the house.”*

(Consumer on a low income who has a physical impairment/condition, 45-54, Nottingham)

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<sup>16</sup> For example, across 2017 the majority of clients of debt management advice from charity StepChange who had cancer or another terminal illness cited this as the main reason for falling into debt. See StepChange: Breaking the link: a close look at vulnerable people in debt (2018): (<https://www.stepchange.org/policy-and-research/debt-and-vulnerability.aspx>).

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- **Physical conditions can have a major impact on mental health.** Many consumers with physical disabilities or health conditions described an impact on their mental wellbeing through negative feelings about their condition including frustration, but some also experienced mental health problems (self-reported or formally diagnosed), including anxiety and depression.
  - These conditions in and of themselves shape how consumers approach certain challenges, as explored in section 3.2.2.

*“Now I’ve got no social life whatsoever. My family try to take me out for birthday meals, special occasions but I can’t sit for a long time because my arms and legs get painful. I find it embarrassing so I avoid going with them.”*

(Consumer on a low income who has a physical impairment/condition, 75+, Belfast)

*Image 1: A participant taking medication for various health conditions*



***CASE STUDY: Frank, 45-54, Consumer who has a physical impairment/condition, Rhyl***

Frank was in a serious motorcycle accident four years ago which has left him with serious physical problems and Post Traumatic Stress Disorder (PTSD).

Before the accident he was very active and working as a landscape gardener. He has found the transition to no longer being able to work and to be solely reliant on

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benefits for his income challenging. He is determined to get his health in a better place so that he might work again but due to the severity of his conditions, this is likely to be a very long process.

As a result of the accident he now suffers with severe PTSD and depression and is sometimes unable to leave the house for days due to feeling very low. He also has trouble sleeping as he has visions of the accident in his mind's eye.

*"I used to be quite laidback. Now, I'm quite uptight at times. Then, it's like fight or flight mode. If I go out somewhere and I get, like, a panic attack or anxiety, I have to get home."*

*"I get a lot of, say, flashbacks when I'm trying to sleep, because they say your life flashes before your eyes, and it actually does. You can play your whole life out in a split second."*

The impacts of disability on day-to-day life for consumers on low incomes point to specific needs these vulnerable consumers have over and above those common to consumers on low incomes more broadly.

- In particular, these impacts point to a heightened need for reliability of products and services. Consumers with physical conditions or disabilities were particularly unwilling to tolerate any uncertainty or disruption in markets that they are dependent on (such as energy and telecommunications) compared to non-disabled consumers on low incomes.

*"I've got a CPAP [continuous positive airway pressure machine] to help me breath at night, I have to have the electricity. If the electric goes off in the night, because I'm, sort of, half asleep, I don't know that the air pressure's stopped in my mask. So, I either wake up suffocating, like you've been drowned, because it's like hanging on to the wall, and trying to get my breath."*

(Consumer on a low income who has a physical impairment/condition, 44-54, Rhyl)

### 3.3.2 Living with a mental health problem

In contrast to those with a physical impairment or condition, vulnerable consumers with mental health problems had more difficulty in articulating how their condition impacts them day-to-day.



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A key theme that emerged from the research, however, is fluctuation over time, making life even more unpredictable for consumers with mental health problems. There are periods where mental health problems are more and less pronounced, impacting on daily life more widely (for example, ability to work or socialise) as well as engagement in markets and ability to get a good deal<sup>17</sup>.

*“The last fortnight I had two weeks when I was really down, and I don’t want to do anything. You just don’t want to do anything. I’ve always suffered with depression.”*

(Consumer on a low income who has a mental health problem, 64-75, Rhyl)

*“I have days where I do [feel down], probably a couple or three days a week, whereas it used to be all of the time. I’d shut myself in the bedroom for days. I’d shut the curtains, I wouldn’t answer the phone. I am slowly coming out of it.”*

(Consumer on a low income who has a physical impairment/condition, 45-54, Rhyl)

In addition, when considering engagement with providers and markets, consumers with mental health problems as well as financial vulnerability appear to experience the following challenges:

- **Difficulty and/or reluctance communicating with others.** Consumers with mental health problems often described far lower levels of confidence in engaging with people and companies over the phone and face to face. This also applied to receiving communications from providers of services through email or letters, with examples of participants avoiding engaging with them at times of stress<sup>18</sup>.
  - This can also have an impact on consumers’ approaches to markets such as grocery shopping. For example, most participants with anxiety disorders in the sample described avoiding being in crowded or noisy places such as large supermarkets or public transport. For some, this

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<sup>17</sup> See Citizens Advice and BritainThinks: Mental health and essential service markets (2017) for further analysis on the impacts of mental health problems on types of behaviour in relation to engagement with essential service markets (<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/consumer-policy-research/consumer-policy-research/essential-service-markets-and-people-with-mental-health-problems/>).

<sup>18</sup> See CMA and the Money and Mental Health Policy Institute: Consumers navigating markets while living with mental health problems – summary of stakeholder roundtable (2018) for further discussion of the barriers to communicating with providers and suppliers faced by consumers with mental health problems (<https://www.gov.uk/government/publications/vulnerable-consumers/consumers-navigating-markets-while-living-with-mental-health-problems-summary-of-stakeholder-roundtable>).



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led to an over-reliance on online shopping or visiting smaller, and often more expensive, local convenience stores to purchase groceries.

*“When I’m in an agitated condition, I tend to shout... you’re anxious. Your head’s not always the way it should be... you may think they’re being cheeky and not trying to help.”*

(Consumer on a low income who has a mental health problem, 25-34, Glasgow)

- **Finding life, including managing bills and finances, overwhelming.**

Consumers with a mental health problem were particularly likely to feel overwhelmed by the challenges they faced in life, and to withdraw or disengage from them as a result.

- This can lead to an inconsistency in consumers’ ability to manage finances more widely, and bills and communications from providers of key markets in particular. During periods of poor mental health, participants described struggling to manage and engage with markets, leading to missed payments and ignoring communications.
- Vulnerable consumers with mental health problems were the most likely to describe struggling to manage bills and finances, leading to indebtedness and an over-reliance on credit – which in turn caused further stress and negatively impacted on their mental wellbeing<sup>19</sup>.

*“Sometimes I just go to my bed, it’s the only place I feel happy.”*

(Consumer on a low income who has a mental health problem, 34-45, Glasgow)

*“When people start giving me grief I bury my head in the sand and I worry all the time the bailiff is coming.”*

(Consumer on a low income who has a mental health problem, 34-45, Watford)

- **Increased likelihood of overspending:** several participants with mental health problems, and especially those with depression and anxiety disorders, described being prone to rash decision-making and overspending at times of poor mental health.

- In addition, and in relation to the key markets in particular, being more likely to make ‘rash’ decisions as a result of mental health problems can lead to these consumers being more vulnerable to aggressive sales techniques and canvassing.

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<sup>19</sup> See StepChange: Breaking the link – a close look at vulnerable people in debt (2018) for further analysis of the causal relationship between mental health problems and financial vulnerability (<https://www.stepchange.org/policy-and-research/debt-and-vulnerability.aspx>).

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*"I'm no good with money, I can have it and spend it on stupid things and still need to pay for the electric."*

(Consumer on a low income who has a mental health problem, 25-34, Rhyl)

### **CASE STUDY: Beth, 45-54, Consumer who has a mental health problem, London**

Beth lives alone in Outer London, in an area she has lived in all her life. She had to give up work as a carer several years ago when she injured her shoulder hoisting a patient out of bed. Since being out of work she has developed severe mental health problems including depression, anxiety and some symptoms of Agoraphobia. As well as struggling to cope with the fall in her income, Beth was in a physically abusive relationship. All this led to her having a mental breakdown last year.

Beth does not drive and rarely leaves her house: some days she can hardly bring herself to open her curtains. There is a large supermarket a 10 minute walk away from her home, but she can't face going there on her own. Sometimes a friend can drive her to the entrance at night, so she can quickly get what she needs without having to see anyone. For groceries, she mainly relies on the local shop, even though she knows she ends up paying over the odds.

*"I tend to just go to that [local] shop and I could get a deal but other times I'm usually paying over the odds for what I need. It's a convenience store and convenience stores, usually, you do pay over the odds for that convenience, you know?"*

### **CASE STUDY: John, 32, Consumer who has a mental health problem, Rhyl**

John is single and lives alone with his dog in a one bedroom council flat. He is not working and is very withdrawn from society due to his mental health. He suffers from depression and anxiety which makes him feel very uncomfortable when he leaves the house so he tends to stay indoors most of the time. He is very isolated and unwilling to communicate with others and tends to ignore canvassers who regularly 'blitz' the estate. However, he did once let one into his flat and was persuaded to switch his energy – the canvasser was persistent to the point of setting him up with an e-mail account so he could register.

He has not paid for his gas in years and is aware that there is probably mounting debt from a standing charge and yet does not feel in a position to address this. Instead he relies upon electricity (which he tops up via a meter) to live with – for example, using a microwave instead of a cooker and boiling a kettle to wash pots. He has previously had serious debt problems with catalogues and payday loans which amounted to thousands of pounds and left him very concerned he would be sent to prison. However, he went to the Citizens Advice who helped him to work out a debt relief order.

*“[Debt] will get on top of me and I just won’t want to deal with it. I will just hide.”*

*“I’ve not had gas for about six years. The meter needs to be topped up but it’s mounting debt daily.”*

These impacts of mental health problems for consumers on low incomes point to specific needs these vulnerable consumers have over and above those common to consumers on low incomes more broadly. These are:

- 1. As with disabled consumers on low incomes, there is a heightened need for reliability of products and services.** In response to the unpredictability of mental health problems, these consumers placed further value on routine and continuity both in life more widely, and in markets specifically.
- 2. Needing flexibility in services and contracts.** Inconsistency in ability to manage finances, bills and communications from providers means that these consumers need a degree of flexibility in payments.
- 3. Needing supportive customer service and communication.** Consumers with mental health problems can lack the confidence to engage with providers and need supportive customer services, and a range of different ways of communicating with providers.

### 3.3.3 Age and frailty

The circumstances and experiences of the older consumers in our sample highlight the strength with which age and other forms of vulnerability, especially physical disability, intersect. Several older participants had developed degenerative health conditions such as Osteoarthritis which they described as having a large impact on their day-to-day life through limiting their activity.

In addition, when considering ability to get a good deal in markets, the following themes emerged from interviews with older consumers on low incomes:

- **Older consumers can be facing a number of changes or a period of transition.** This has an impact on their mental wellbeing and the extent to which they feel able to deal with different challenges in their lives, or to engage with things like markets and providers.
  - Significantly, developing physical impairments/conditions or simply ‘slowing down’ physically due to ageing can limit older consumers’ independence and ability to complete things like household tasks and grocery shopping without assistance, which can have a big impact on self-worth and mental wellbeing<sup>20</sup>. For example, older consumers in this research described their feelings of frustration at not being able to complete tasks such as hoovering without help, or no longer being able to cook ‘from scratch’ due to not being able to stand for long lengths of time.
  - In addition, older consumers described finding their social circles and support networks changing significantly through bereavement or spouses and close friends developing conditions such as Dementia and having to move into care homes. This can cause loneliness and a reduced sense of value and involvement in society<sup>21</sup>.
  - As with consumers living with mental health problems, transition and fluctuating vulnerability lead older consumers to place value on routine and continuity in the aspects of their lives that they have control over (such as what time they wake up in the morning or what they eat at mealtimes).

*“I feel fed up at times and frustrated with myself because I can’t do what I want to do... I have always loved cleaning but what used to take me an hour in the home now takes me four hours, or I have to ask my husband to help.”*

(Consumer on a low income who has a physical impairment/condition, 75+, Belfast)

- **Older consumers can also display a heightened awareness of their own vulnerability.** Some participants described concerns that other people – including providers – might seek to exploit their vulnerabilities, significantly

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<sup>20</sup> See Age UK and BritainThinks: Frailty – Language and perceptions for further discussion of the importance of maintaining a sense of independence for mental wellbeing amongst older people (2015) ([https://www.ageuk.org.uk/documents/en-gb/for-professionals/policy/health-and-wellbeing/report\\_bgs\\_frailty\\_language\\_and\\_perceptions.pdf?dtrk=true](https://www.ageuk.org.uk/documents/en-gb/for-professionals/policy/health-and-wellbeing/report_bgs_frailty_language_and_perceptions.pdf?dtrk=true)).

<sup>21</sup> See Age UK and BritainThinks: Struggling to cope with later life (2017) for further evidence of the relationship between loneliness and self-worth amongst older people, and the potential impacts of this (<https://www.ageuk.org.uk/our-impact/policy-research/struggling-to-cope/>).

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impacting on their ability to get a good deal for goods and services. This was much more pronounced among older consumers aged 80+.

- For example, some older participants described the effects of slowing down mentally as a result of cognitive aging<sup>22</sup> on their ability to deal with different challenges in their lives and to engage with different issues.
- Some older consumers also felt that they have a lack of effective choice in key markets. For example, in the insurance market, older consumers can feel that they are paying over the odds for a product but are reluctant to challenge their providers for fear that they will draw attention to their age and find their premiums rise even more – or have the product taken away all together. In addition, older consumers in the sample who were also offline highlighted this as limiting their ability to compare prices across different providers and determine whether or not they are getting good value for money (see Section 3.5 for further detail about the impact of internet access).
- Older consumers appear to respond to this awareness of their own vulnerability in two ways:
  - Some respond to this with vigour, being determined not to let providers take advantage of their vulnerability, spending a lot of time researching markets and calling their providers to complain and negotiate better deals. This response appears to be more common amongst older consumers in our sample who have been on a low income for most of their adult life and have a heightened sense that life is difficult and unfair.
  - By contrast, other older consumers can feel overwhelmed and that there is very little that they can do to improve their outcomes in markets.

*“I’m not quite as sharp as I used to be. I regularly take the dementia test. My vocabulary used to be much bigger. Being aware that I’m not as sharp as I used to be hopefully means that I can mitigate against it.”*

(Consumer on a low income who has a physical impairment/condition, 75+, Nottingham)

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<sup>22</sup> For more on cognitive functioning declining with age and the impact on consumers’ decision-making processes, see Citizens Advice: The cost of loyalty: exploring how long-standing customers pay more for essential services (2018): (<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/consumer-policy-research/consumer-policy-research/the-cost-of-loyalty-exploring-how-long-standing-customers-pay-more-for-essential-services/>).

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*"[I feel like] older people are fair game for providers. And people who are offline don't have the internet. Some people take advantage."*

(Consumer on a low income who has a physical impairment/condition, 75+, Nottingham)

### ***CASE STUDY: Michael, 75+, Consumer who has a physical impairment/condition, Watford***

Michael is retired and lives alone in sheltered accommodation. He took early retirement to become a full-time carer for his wife, who developed a rare form of early onset dementia which has deteriorated over time. 18 months ago, Michael's wife went in to a care home to give him some respite, but this eventually became a permanent arrangement. He feels some guilt about this but understands practically that this is the best solution.

Michael visits his wife every day (sometimes twice a day), which is emotionally draining. He tries to keep very busy to take his mind off his wife and describes his life in three words as hectic, frustrating and upsetting. He does a lot of volunteering work with organisations which helped him when he was a full-time carer and is particularly interested in music therapy as a form of support to people with dementia.

As his wife's health got worse, Michael deprioritised his own health as he found it very difficult to get someone to stay with her while he was at medical appointments for himself. He is trying to get more on top of his own health now, and has some pain associated with arthritis and is in remission after having prostate cancer.

These challenges for older consumers on low incomes point to specific needs that must be met for them to achieve good outcomes in markets. These are:

- 1. A heightened need for reliability of products and services.** As a consequence of the close intersection between age and physical disabilities/health conditions, older consumers also tend to be particularly unwilling to tolerate any uncertainty or disruption in markets that they are dependent on.
- 2. Needing real and effective choice.** Many older consumers can feel they lack choice in products and providers as a result of their age, or being less able to shop around for better value as a result of being offline.
- 3. Needing supportive customer service and communication.** Older consumers are more likely to be impacted by low mental wellbeing as a

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result of loneliness, and also cognitive ageing, which means they may have different communication needs to other consumers.

### 3.3.4 Level of education

While the vulnerable consumer sample overall was skewed towards lower education levels, consumers with no formal qualifications seemed to emerge as particularly vulnerable. This has an impact on their engagement with markets and ability to achieve good value for money in the following ways:

- **Low confidence to engage with a number of challenges in their life, often including challenges related to key markets.** This was more pronounced among younger rather than older consumers with lower levels of education, with the latter having often gained skills and confidence through work.
  - Younger consumers with no formal qualifications are less likely to feel confident in their ability to manage money and finances more widely, or in their ability to get a good deal for products and services specifically. This is especially the case for contracted services such as energy and telecommunications, or products that they are relatively unfamiliar with such as credit.
  - This can also lead consumers to feel overwhelmed by the prospect of engaging in key markets and, for some, also a sense that they are vulnerable to being taken advantage of.

*“I am rubbish with money and I'm useless at organisation.”*

(Consumer on a low income who has a mental health problem, 35-44, Watford)

*“My organisation is terrible, paying bills, organising dates and times - I'm no good.”*

(Consumer on a low income who has a mental health problem, 35-44, Nottingham)

- **Reluctance communicating with others.** This low confidence can also translate to a reluctance in communicating with strangers and providers of services over the phone and face-to-face. This includes participants in the sample who had little/no formal qualifications and some form of learning disability or speech impairment.



**CASE STUDY: Tom, 35-44, Consumer who has long-term health conditions, London**

Tom suffered a car accident at the age of 9, which left him with a fractured skull, a dislocated bone in his lower back, and in hospital with a coma for four months. The long-term impacts of the accident include epilepsy, memory loss and slow speech. He did not finish school, and has never managed to keep a job, which he puts down to his epileptic fits 'frightening off' employers.

Until recently he lived with his mum, who helped him with all his bills and paperwork. However, she has recently been diagnosed with terminal cancer and has moved into a care home and is no longer able to help him. In the last year, he's also had a drastic cut to his income, with his Disability Living Allowance (DLA) being withdrawn through the move to Personal Independence Payments (PIP). This means that he is currently only receiving £70 per week from his Employment and Support Allowance (ESA). As a result, he's been unable to pay his rent and is 10 months in arrears, and has also had to cut down his food consumption so is only eating two small meals a day.

Tom has to contend with a lot of paperwork to try to take his case to a tribunal, gain access to PIP payments and to claim for ESA, which he finds very difficult to manage. He finds the trips to the job centre 'overwhelming' and is struggling to deal with the processes that could help him. He's also disadvantaged by the fact that, due to his epilepsy, he can't use computer screens, which the job centre requires to show evidence of searching for jobs to qualify for ESA.

In this context, challenging his creeping energy payments is a last priority, though he feels his gas top ups (on a pre-payment meter) are getting more and more expensive.

*"I went to a normal school, the teachers were lovely, but they gave me less work than everyone else [just] to make sure you look like you're doing something. It served the purpose of me being at school."*

*"I haven't really got a voice, so it's put up and up... They are companies, I'm only a person."*

These challenges point to specific needs these that must be met for consumers on low incomes with no formal education to achieve good outcomes in markets. These are:



1. **A heightened need for clarity and simplicity in marketing, contracts and billing.** This will support consumers who have low confidence in their ability to navigate and engage with markets to do so.
2. **Needing supportive customer service and communication.** As with consumers with mental health problems, these consumers can struggle to communicate with providers, and are especially reluctant to do so over the phone.

### 3.4: Additional factors that impact on vulnerable consumers' engagement with providers and markets

In addition to the characteristics of vulnerability discussed in sections 3.2 and 3.3 of this chapter, four other factors emerged from the research as having a particular impact on consumers' lives and their ability to deal with challenges including engaging with markets. Combined, these factors point further to the need for effective choice for vulnerable consumers to achieve good outcomes in markets.

- **Dependents and caring responsibilities.** Having dependent children had a major impact on both consumers' time and the ways in which they prioritised their attention and spending.
  - For many, there is a big emphasis on not wanting their children to go without, and not making the same sacrifices that they are prepared to make for themselves. This means that some things that are not obviously a 'necessity' become one, for example expensive telecommunications packages with fast speed broadband.
  - In addition, budgeting and allowing for unexpected costs is felt to be particularly difficult for those with children. The cost of childcare (and the impact of this in the school holidays in particular) is also a struggle, as are unexpected costs for their children to attend birthday parties or similar events.
  - A significant proportion of consumers in the sample who did have dependent children were also lone parents, or had caring responsibilities as a result of their child having a physical or mental health problem (and often both of these factors applied). This had a big impact on their time, meaning that these participants in particular were likely to describe their lives as being hectic and stressful.

*“September until June is taken up with kids activities and clubs, there's something every day that one of them goes to.”*  
(Consumer on a low income, 35-44, Belfast)

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*“Kids’ activities. I have to pay for football, for the school and for his club that he goes to. My son, he’s big on swimming just now, so it’s £5 or £6 a day I’m having to give him because he gets the bus, then has to go for a snack afterwards. So, my money tends to kind of go on them.”*

(Consumer on a low income who has a mental health problem, 35-44, Glasgow)

- **Support network.** Those who are socially isolated can face specific challenges to engaging with markets and getting a good deal as a result of:
  - Not receiving information and advice from friends and family about services and support available, something that many participants described as being integral to them finding out about alternative providers or deals, or forms of support such as the Priority Service Register or Warm Home Discount in the energy market.
  - Not having the same informal support systems in place that other vulnerable consumers often rely on (e.g. parents providing free childcare, partners supporting with household chores).

*“I don’t honestly know what anyone else does. It might be [that I’m paying] too much but there’s nothing I can do about it unless I switch to another company and I’m not doing that so I’m stuck with it.”*

(Consumer on a low income who has a physical impairment/condition, 75+, Colne)

*“I don’t have any friends at all, my family don’t bother... No, well I go see my nan every day, but that’s it, but she’s too poorly, she doesn’t understand about mental health really... She just tells me to snap out of it and that, if it was so easy.”*

(Consumer on a low income who has a mental health problem, 35-44, Watford)

- **Location.** Those in rural locations can be limited to specific providers for key telecoms services, while access to energy services is often limited by housing type. In addition, living in rural locations can lead to reduced social networks, particularly for those who have moved from other areas.

*“[Provider] is the only one with good [mobile] signal in the area. There’s no other option really.”*

(Consumer on a low income, 25-34, Rhyl)

*“I’ve tried to see if I can get gas central heating installed [instead of oil] but it’s just so expensive to do, it’s not an option really.”*

(Consumer on a low income who has a physical impairment/condition, 45-54, Belfast)

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*“They [my friends] are quite far away, but I do FaceTime them a lot or ring them or something. We see each other on pay day so just once a month... I’ve got some mum friends, but they’re for the school and the park, that’s it... Plus a lot of them are, like, 40 [so we don’t have much in common].”*  
(Consumer on a low income, 18-24, Rhyl)

- **Historic debt problems.** This has a significant impact on consumers’ ability to access credit products and the choice available to them in certain markets, making it significantly harder for them to switch providers in order to get a better deal.

*“I didn’t think anyone would let me [switch to them], because I have a debt with [Service Provider].”*  
(Consumer on a low income who has a mental health problem, 35-44, Watford)

### 3.5: The importance of access to ‘gateway’ products

In line with previous evidence, this research points to the importance of enabling products, especially a car and internet access, to maximising choice and access to markets.<sup>23</sup>

#### 3.5.1 Access to the internet

Internet access can have a big impact on consumers’ ability to engage with markets, and to shop around and look for better deals. As a result, the majority of participants in both the vulnerable consumer sample and the control group spontaneously referenced using the internet to engage with markets.

- Price comparison websites (PCWs) were very important here, and something that the majority of consumers were aware of and regularly using in order to get better deals, especially in the car insurance market.
- Other examples of using the internet to engage with markets to get better value for money was regularly using money saving websites and e-mail mailing lists such as Money Saving Expert, or seeing advice about accessing available support for vulnerable consumers in key markets on social media.

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<sup>23</sup> See CMA: Understanding consumers on low incomes (2015):  
(<https://www.gov.uk/government/publications/understanding-consumers-on-low-incomes>).

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*"I found [about the Warm Home Discount] via Facebook. So, somebody had said on one of the bargain pages, because obviously I'm on all the bargain, scrimping pages and what have you, about it. I phoned them up and I was like, 'Somebody told me about this.' They were like, 'Yes. We'll just run through some questions.' They were like, 'Yes, you're eligible.'"*

(Consumer on a low income who has a physical impairment/condition, 45-54, Watford)

Vulnerable consumers who do not have access to the internet have a strong sense that they were 'missing out' and at a disadvantage. As a result, of the minority of consumers on low incomes in the sample who were completely offline, almost all were taking steps to mitigate the impact that it has on their ability to get good deals.

- For example, a number of offline consumers were finding ways to 'correct' for their lack of internet access, such as asking children or grandchildren to access price comparison websites on their behalf.

*"I'll tell you why. Every time you're talking to somebody, they all go, 'oh, you need to be careful about being online,' and, 'your things get hacked,' and this, that and the other and I thought, 'okay, I'm just not going to go that road,' and therefore, I wouldn't actually have the knowledge to do it."*

(Consumer on a low income who has a mental health problem, 65-74, Belfast)

A small number of very socially isolated consumers felt that they had no way of accessing the benefits of the internet. These consumers did not have relatives or friends who they could ask to access services such as price comparison websites on their behalf.

- In addition, consumers who have unreliable internet access or who are less confident online have emerged as groups who are likely to be excluded from the full benefit of the internet as a gateway product.
  - This includes consumers on low incomes who rely on their available mobile data rather than paying for a separate broadband connection, or those who are less confident online such as those with low levels of education.
- While not being completely excluded, these consumers would struggle to use services such as price comparison websites as it would take them too long to complete forms.

*"Maybe, it probably takes too long on the laptop, and if the laptop's, sort of, it depends on your broadband, if your wireless slow and everything else, and you don't get all the information down. I'd rather talk to someone, so they know, you*

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*know, what you're saying. You're telling them, it's just easier telling them what you want, you know?"*

(Consumer on a low income who has a mental health problem, 35-44, Belfast)

### 3.5.2 Access to a car

Access to a car is seen as a vital lifeline for consumers on low incomes. Having access to a car means that journeys are much quicker and they do not have to spend as long planning travel – which is even more important for the most time-poor consumers on low incomes such as single parents.

- This is particularly important for consumers who live in suburban or rural areas where public transport provision is limited.
- A car can also mean that, in the grocery market in particular, choice is not limited to providers with stores in geographical proximity, thus enhancing consumers' ability in getting good value for money.

*"Every day is a juggle and especially as I rely on public transport to get about and it's expensive."* (Consumer on a low income who has a mental health problem, 25-34, Colne)

The importance of a car as a gateway product is heightened for physically disabled consumers, and those with mental health problems. In many cases, these consumers are likely to be facing additional barriers to travelling on public transport.

- For consumers with a physical impairment/condition, public transport can often be something that they are neither comfortable nor confident using<sup>24</sup>. Indeed, some had very negative experiences using public transport, including a severely visually impaired participant using the bus and being dropped off, alone, in the wrong place.
- In addition, consumers with mental health problems such as anxiety disorders, described feeling overwhelmed on public transport making this market less accessible for them.
- If they are unable to drive themselves, many of these consumers are reliant on lifts from friends and family or using taxis (with the added financial burden) to get around.

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<sup>24</sup> See Scope: Independent, Confident, Connected (2018) for further evidence of the inaccessibility of public transport for disabled consumers and the policy implications ([https://www.scope.org.uk/campaigns/gamechanger/independent-confident-connected.](https://www.scope.org.uk/campaigns/gamechanger/independent-confident-connected))

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*“I used the bus before, but the driver always has other things to focus on. One time, he forgot me, and he dropped me off three stops beyond mine. It was in the absolute pitch black. I've never used the bus since.”*

(Consumer on a low income who has a physical impairment/condition, 75+, Rhyl)

*“I don't know how I would cope if I didn't drive, really.”*

(Consumer on a low income who has a mental health problem, 35-44, Glasgow)

Although many see it as being really important, using a car is felt to be expensive. For consumers on low incomes, the combined costs of petrol and other elements of 'running a car' such as tax, insurance and paying for repairs if anything goes wrong can make this one of their largest outgoings.

- This leads some to try to limit the number of journeys that they are making as far as possible (although this is more difficult for those with children who have to take account of travel to/from school and additional clubs or activities). Older consumers, who have a free bus pass and are relatively mobile, will make use of this as much as possible to save on costs.

*“We thought about it, and we realised we couldn't afford to run the car any more. The fact is that obviously, we're both pensioners, we've got our 'dodder's pass' on the bus. If we want to go into Nottingham, we walk up the road, there's a bus stop in 100 yards and there's a bus into town during the day every quarter of an hour... It would be nice to be able to jump in the car and nip down to see my daughter that lives in Maidenhead or nip up to my son who lives in Bradford...If we had a car then we would do it a lot more often, but the fact is it's a case of cutting your cloth.”*

(Consumer on a low income who has a physical impairment/condition, 75+, Nottingham)

However, this financial barrier is not limited to using a car. Participants pointed to how expensive the transport market is as a whole. For those outside of large cities such as London in particular, public transport is felt to be very expensive.

- In addition, the cost of longer journeys if not using a car can be prohibitively expensive and are not seen as good value for money. For some participants, the cost of travelling by train to visit friends and relatives further afield can prevent them from being able to do so while others may have to rely on credit products in the short-term.
- Rail travel booking platforms, that compare the prices of different fares at different times of travel were spontaneously referenced by a handful of participants as ways of getting a better price. These participants also referenced the importance of booking travel tickets as far in advance as

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possible to get a deal. However, even for those undertaking these measures, it was still felt to be very expensive.

*“When something like, buying tickets to go home [to London to visit mother] comes up, it may not take me a month to repay that back. It may take me three months.”*  
(Consumer on a low income, 35-44, Colne)

### 3.6: Conclusions from this chapter

Vulnerability is multi-layered and complex. In addition, this research has highlighted both the overlapping nature of characteristics of vulnerability, and the fluidity of vulnerability: from fluctuating income to unpredictable symptoms of physical disabilities and mental health problems. This means that there is no one type of vulnerable consumer and consequently no ‘one size fits all’ solution to the challenges vulnerable consumers can face.

However, despite this variety and complexity, throughout this chapter a set of common needs have emerged that vulnerable consumers feel need to be met in order to improve their engagement in markets and ability to get a good deal. These needs do not represent different groups or ‘typologies’ of vulnerable consumers, and an individual may experience anywhere between one or all of these at different points in time.

These perceived needs are summarised in the following table:

*Figure 10: Common needs identified by participants in relation to key service markets*

<b>1. Certainty over finances</b>	<p>Consumers on a low income can struggle with constrained and fluctuating finances. This means that they require as much certainty as possible in the cost of goods and services to help them manage and balance their finances.</p> <p>The need for certainty of billing has emerged as being important for the majority of consumers on a low income in our sample, and is heightened for those consumers who:</p> <ul style="list-style-type: none"><li>• Have particularly low incomes (£100 or less a week), increasing the amount of financial balancing they have to do.</li></ul>
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	<ul style="list-style-type: none"> <li>• Have a mental health problem with unpredictable symptoms, meaning further value is placed on routine and continuity.</li> <li>• Are older consumers in the process of managing the impacts of change and transition, such as developing physical disabilities/health conditions or coping with bereavement and loneliness.</li> <li>• Feel very time poor, such as consumers with dependents, especially single-parents.</li> </ul>
<p><b>2. Reliability of products and services</b></p>	<p>Many consumers on a low income also find that a lot of their energy and ‘headspace’ can be taken up with worry about managing to balance finances and not running into financial difficulty. This means that the reliability of services ‘running in the background’ without any difficulty is also very important.</p> <p>The need for certainty of billing has emerged as being important for the majority of consumers on a low income in our sample, and is heightened for those consumers who:</p> <ul style="list-style-type: none"> <li>• Have a physical disability which increases their dependence on certain products and services such as energy and telecommunications.</li> <li>• Are older consumers in the process of managing the impacts of change and transition, such as developing physical disabilities/health conditions or coping with bereavement and loneliness.</li> </ul>
<p><b>3. Flexibility in services and contracts</b></p>	<p>In line with the need to have certainty over billing to help managing finances in the context of constrained and fluctuating incomes, consumers on a low income also require flexibility in services and contracts to give them breathing space at times when circumstances change. Payment ‘holidays’ or being able to exit expensive contracts early at no financial cost are examples of the flexibility that would help vulnerable consumers manage in times when things do go wrong.</p> <p>This need for flexibility is important for the majority of consumers on low incomes in our sample, especially those who:</p>



	<ul style="list-style-type: none"> <li>• Are working in insecure, low paid work and are more likely to experience significant changes in income that impact their ability to pay for important goods and services.</li> <li>• Have recently acquired (or have caring responsibilities for someone who has acquired) a physical disability or mental health problem. For working age consumers, this can have a big impact on income as a result of limiting ability to work.</li> <li>• Have a mental health problem that can cause them to disengage from managing bills and finances during periods of poor mental health.</li> </ul>
<p><b>4. Real and effective choice over providers, contracts and deals</b></p>	<p>A number of vulnerable consumers in our sample did not feel that they had the effective choice needed to get a good deal in key markets.</p> <p>The need for real and effective choice over providers, contracts and deals was most pronounced for consumers who:</p> <ul style="list-style-type: none"> <li>• Face any one of a number of barriers such as living in a rural area, age, health conditions, or historic debt problems.</li> <li>• Do not have access to key gateway products, especially the internet.</li> </ul>
<p><b>5. Clarity and simplicity in marketing, contracts and billing</b></p>	<p>To support vulnerable consumers to be able to exercise choice over products, services and providers, there is a need for clarity and simplicity in marketing, contracts and billing.</p> <p>This is especially important for consumers on a low income who:</p> <ul style="list-style-type: none"> <li>• Have no formal education and limited experience managing finances and bills (such as younger consumers).</li> <li>• Have a mental health problem that can impact on their decision-making or older consumers who are impacted by cognitive ageing.</li> </ul>

<b>6. Supportive customer service (and communication)</b>	<p>Supportive communication services are needed by many vulnerable consumers to help them negotiate to get the best deals in markets, or to get better outcomes if any problems arise with products and services.</p> <p>This need is particularly prevalent for consumers on a low income who:</p> <ul style="list-style-type: none"><li>• Have a mental health problem that causes difficulty and reluctance communicating with others.</li><li>• Have no formal education, including vulnerable consumers who have some form of learning disability or speech impairment, causing low confidence communicating with strangers and providers, especially over the phone.</li></ul>
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## 4. Managing finances and getting value for money

### 4.1: Introduction

As part of understanding the experiences and needs of consumers on low incomes in relation to key markets, this research has sought to gain insight into approaches to managing finances and getting value for money for products and services.

Much of the existing literature about purchasing and payment decisions made by consumers on a low income frames this decision-making as sub-optimal and irrational<sup>25</sup>. This research aims to provide a different frame. Through a detailed understanding of the context of vulnerable consumers' lives, it highlights instead that financial decisions tend to be rational responses and adaptations made by consumers because of their circumstances. It sheds light on the importance of the 'here and now' when managing money on a low income, and the precision required to balance finances without having to make sacrifices or running into difficulty.

#### Chapter overview

This chapter outlines insights about participants' claimed confidence managing money, their tactics and methods for doing so, and any tools that they may use<sup>26</sup>. In doing so, it draws attention to the importance of 'knowing where you stand' financially at any given moment to be as in control as possible for consumers on low incomes. This goal is at the centre of approaches to managing finances, from having a detailed knowledge of income flow and regular outgoings, to a reliance on direct debits and standing orders.

The second half of the chapter focuses on the concept of 'value for money', and explores the ways in which consumers on low incomes define this. Four factors emerge as being important here:

1. **Price:** the most important element of value for money for consumers on low incomes, often determined by the availability of discounts and savings.

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<sup>25</sup> See JRF: How poverty affects people's decision-making processes (2017) for more on the framing of vulnerable consumers' financial decision-making in existing literature (<https://www.jrf.org.uk/report/how-poverty-affects-peoples-decision-making-processes>).

<sup>26</sup> For further detail about the research materials and specific lines of questioning, please refer to the Appendix.

2. **Reliability:** ensuring that products and services can be trusted to run without outages or problems.
3. **Time impact:** for some consumers on low incomes, the best value deals can be those that take the least 'hassle' to find and have the smallest impact on their time.
4. **Quality:** where affordability and price is not a barrier, many consumers on low incomes want to know that the products they purchase will last.

## 4.2: Approaches to managing money

### 4.2.1 Financial priorities for consumers living on a low income

As outlined in the previous chapter, constrained and often unpredictable finances mean that, for many consumers on a low income, money can be an almost constant source of worry and anxiety. This, combined with minimal or often non-existent savings, means that most consumers on low incomes are in a very careful balancing act with their finances, in which even small deviations from what they expect to happen can throw everything off kilter. This makes unexpected additional charges or sudden bill increases extremely detrimental for those who already have little flex in their finances.

*"All you need is something to go wrong with the house or something to go wrong with the car and then you're not ticking over any more."*

(Consumer on a low income who has a physical impairment/condition, 45-54, Watford)

This means that 'knowing where you stand' at any given time is the priority for consumers on low incomes when it comes to managing finances. As a result, many participants in the vulnerable consumer sample demonstrated a very detailed knowledge of their income flow and regular outgoings, and were able to recite the exact amounts of their bills and when these were due to be paid.

- These consumers seemed to be across their finances in such detail because they felt that they had to do so in order to keep their carefully balanced lives moving and pay for essentials (such as housing costs, energy, and food).
- Some consumers described active relief in not having any money to spare beyond essentials, for fear of wasting it or disturbing the intricate balance of their finances. These consumers felt that more confident in their abilities to manage money effectively when they had a smaller budget and a clear focus on essential products and services (such as housing costs, groceries and energy).

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*"I know when all my bills are due - I try to spread them out a bit and make sure I plan them around my biggest bill, which is for my [bank] loan, and which comes out at the middle of the month. In my situation, you have to know when your bills are due. I do a mix of direct debits and things I pay myself. With the [pre-payment] meter it's easier to use the key because I can see what I'm using...I can see how much quicker I need to top up if I have to put on my heating, and I can turn my heating down or off if I'm needing to top up too quickly."*  
(Consumer on a low income, 25-34, Watford)

*"I do try and budget but it never works. When I've got less money I find I budget better. A bit more money and I find I end up throwing money at things I don't need."*  
(Consumer on a low income who has a mental health problem, 35-44, Glasgow)

By contrast, the priority for consumers in the control group was much less focused on the here and now of their finances. Instead, these consumers often took a longer view, and were using savings, investing or credit to deliver against longer term objectives to 'make their money work for them' and maximise their income.

- As a result, control group participants had a much less detailed account of their income and outgoings. In particular, they were far less likely than consumers on low incomes to be able to recount the exact details of their direct debits and standing orders from memory.

*"I like to budget and plan but I do like to go with the flow and be spontaneous. I don't really worry about money."*  
(Control group consumer, Nottingham)

In a context in which knowing where you stand at any given time is the priority, being 'good' or 'confident' with money is therefore often about managing a limited pot sufficiently effectively so that there is enough to cover what you need.

Most consumers on low incomes interviewed described themselves as feeling relatively confident in managing their money in this way. The few who felt less confident with managing their money were more likely to be living on their own, aged under 50 and with low levels of education, and those with mental health problems. However, even those who felt less in control of their finances overall tended to have an idea of when they can expect money to be moving in or out of their accounts.

- For instance, a number of vulnerable consumers with mental health problems such as depression spoke about struggles in managing their money, particularly in terms of occasionally being prone to 'splurging' or losing control

## Getting a good deal on a low income

of their finances. These consumers tended to feel more overwhelmed in their lives in general, and far less confident when it comes to money.

- In addition, while often still having a detailed knowledge of their income and outgoings, consumers on the lowest incomes in the sample would often run out of money, and therefore did not feel that they managed their finances sufficiently effectively. These consumers would rely at this point on financial support from family to keep them 'ticking over'.

*"I always have to end up borrowing £50 from my sister at the end of every fortnight [before Employment and Support Allowance is paid]. I pay her back as soon as my money comes in but it means that I'm always starting £50 behind."*  
(Consumer on a low income who has a mental health problem, 55-64, Glasgow)

*"I don't really manage my money, I'm really bad...I'm paid on the last Thursday of the month and I've set all my direct debits for the 1st of every month so I know I can cover it."*  
(Consumer on a low income who has a mental health problem, 35-44, Glasgow)

*Image 2: A participant's bills and financial papers*





#### 4.2.2 Tools and tactics used to manage money

In the context that managing finances successfully means keeping track of where they stand at any given moment to ensure that they can make ends meet, consumers on low incomes tend to place value on the following tools to help manage their finances:

- **Online banking.** This was an essential tool for most, allowing consumers on low incomes to see a 'snapshot' of where they are at any given moment. The majority of participants in the vulnerable consumer sample described checking their balance, either online or through a banking app, on a daily basis.
  - Those who are not online either relied on others for support, waited for monthly paper statements or visited their local bank branch in person, where possible. These were often older consumers who tended to feel relatively confident about managing their money as a result of their life experience. These consumers would often have their own ways of tracking spending through keeping hand-written records of their outgoings.
  - Only a very small number of participants were not checking their bank account at all. Consumers with mental health problems were more likely to fall into this group and were more likely to run into unexpected difficulties, especially if a direct debit payment for a service is higher than they expect and automatically taken out of their bank account.
  - In addition, one participant in the sample disclosed that they did not have a bank account. This consumer has an alcohol dependency and chose to no longer have a bank account because of historic debt and as a means of protecting his money so that he cannot spend it on alcohol. He is paid in cash as a workman at a garage, and has a grown-up daughter and a partner who have bank accounts, so accesses a number of products and services through them.

*"Well, I log into my bank account, probably, four or five times a day. I don't know why, I mean, I suppose I'm assuming somebody's going to chuck a load of money in there... I do get quite paranoid about my bank account, because I'm always worried about charges [from direct debits 'bouncing']."*

(Consumer on a low income who has a physical impairment/condition, 45-54, Watford)



## Getting a good deal on a low income

Image 3: A participant checking their mobile banking app

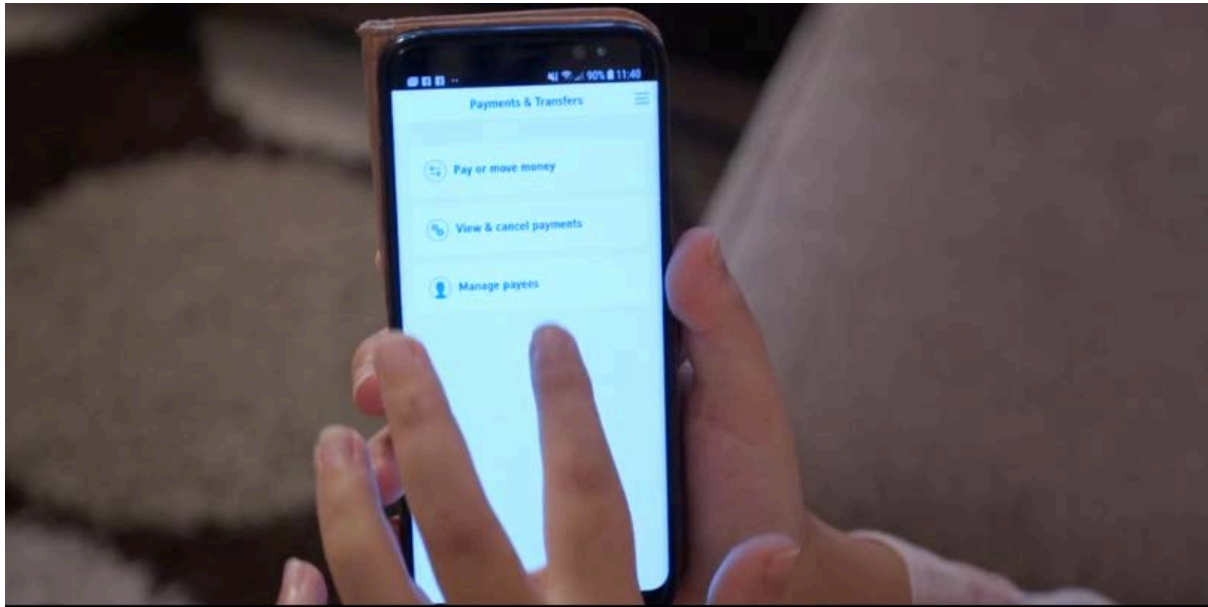


Image 4: An older participant's hand-written financial records

	Gas & Elec	TEL & ALARM	WATER	INS
	50.00	50.00	40.00	20.00
	14.00	14.00	6.00	1.00
	5.00	5.00		94
	64.00	69.00	46.00	21.00
	14.00	14.00	6.00	1.00
	5.00	5.00	52.00	22.00
	48.00	88.00	6.00	1.00
	14.00	14.00	58.00	23.00
	92.00	107.00	6.00	23/4
	14.00	14.00	6.00	1.00
	106.00	126.00	64.00	24.00
	14.00	14.00	6.00	1.00
	120.00	145.00	70.00	25.00
	14.00	14.00	6.00	1.00
	134.00	164.00	76.00	26.00
	14.00	14.00	6.00	1.00
Apr	148.00	183.00	82.00	27.00
	22.89	31.50	23.94	21/5
	125.61	155.60	58.06	27.00
	14.00	14.00	6.00	1.00
	139.61	169.60	64.06	28/5
May	48.72	73.80	23.94	28.00
	14.00	14.00	40.12	6.00
	109.72	87.80	6.00	1.00
	14.00	14.00	46.12	29.00
	123.72	101.80	6.00	1.00
		5.00	52.12	30.00

## Getting a good deal on a low income

- **Direct debits and standing orders.** These were also viewed as essential money management tools for many vulnerable consumers because they enabled them to feel confident that bills would be paid on time.
  - Many had carefully planned when all of their direct debits or standing orders would be taken out of their bank accounts, often immediately after being paid. This means that they can be certain that the money needed would be available and also prevent them from ever feeling that the money was ‘theirs’ to spend on non-essentials.
  - However, direct debits and standing orders were felt to be far from a perfect solution. Some vulnerable consumers had experienced high fees and charges if they lacked sufficient funds, and others had found direct debits inflexible and incompatible with their precarious, fluctuating circumstances, particularly when the bills themselves were variable over time.

*"Now, [having just been able to get] the credit card, it gives me a wee bit of space. I still have to watch what, you know, I get, but it gives me a bit of breathing room, like, if I am caught. With direct debits coming out, you have to make sure you have enough money in [your bank account], or else you're going to get fined or whatever they charge now. You have to worry about when that's coming out."*

(Consumer on a low income who has a physical impairment/condition, 35-44, Belfast)

- **Other useful tools and tactics.** Other tools mentioned by consumers on low incomes to help them keep track of their finances included bank balance text reminders, and keeping note of any outgoings, sometimes by hand or often as a note on their phone.
  - One offline, older consumer managed his money by withdrawing it all as cash and then putting it all in a strong box. He and his wife assessed the amount in each envelope and physically moved cash around as necessary on a weekly basis.

## Getting a good deal on a low income

*Image 5: A participant looking through documents and bills*



*Image 6: A participant's 'strong box' and self-reported 'envelope system' for budgeting*



As highlighted in the previous chapter, it also appears that some consumers on low incomes may be paying more, whether knowingly or unknowingly, as a result of choosing to use certain tools or approaches. These approaches were often chosen

## Getting a good deal on a low income

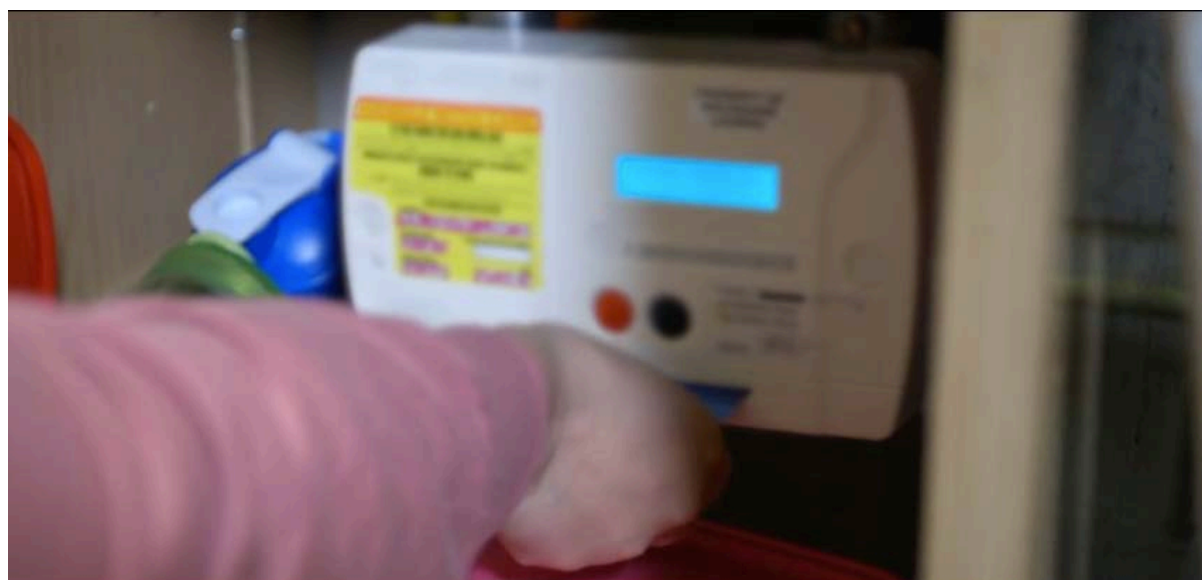
as methods that work better for managing their money and securing certainty over their finances. For example:

- The majority of those with pre-payment meters felt that this payment method suited them better than direct debits, because it helped them to think about their spending in the moment and to pay on a weekly rather than monthly basis.
  - Very few consumers with a pre-payment meter were aware that pre-payment meters are generally more expensive ways of paying for energy and that they may be paying ‘over the odds’ as a result<sup>27</sup>.
  - In addition, within the sample, there were examples of consumers on low incomes who were using pre-payment meters who chose not to top up their meters when they ran out of money. It appears that older people, people with physical disabilities and people with kids were far less willing to make this choice.

*“I thought it would be bad [having a pre-payment meter installed due to being in debt with energy provider]. But I prefer it now. Knowing how bad I am with money, I notice my electricity usage much more and can cut down. You don't think about it as much with direct debit.”*

(Consumer on a low income who has a mental health problem, 35-44, Glasgow)

*Image 7: A participant's pre-payment meter*



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<sup>27</sup> See CMA: Energy market investigation (2016) for evidence of the cost of pre-payment meters in the energy market.

## Getting a good deal on a low income

- Very few vulnerable consumers were paying quarterly or annually for products and services. Instead, because they did not feel they had the financial resources upfront to pay this way, they chose to pay through direct debit or standing order and were missing out on savings as a result.

These tactics used by vulnerable consumers to manage their money are often formed through trial and error, and highly dependent on life experience. Consumers in this position were feeling their way through money management, rather than acting with great certainty, and often reacting very directly to any negative experiences. For instance, those who had been 'burnt' by high-cost credit in the past tended to avoid it entirely going forward, with little sense that there may be more responsible or sustainable forms of credit available. Similarly, others chose to avoid direct debits after previous unexpected changes in fees, or to keep away from internet banking after issues with data security.

- Those vulnerable consumers with the most thought out approaches to money management tend to be older consumers. This group were more likely to have an 'orderly' approach to storing documents and bills, and had a closer eye on saving for the future.

*"I've never been in debt. I'd say I'm 9/10 for managing money. I have a book and a place where I keep current bills and another place where I file away older bills."*  
(Consumer on a low income who has a physical impairment/condition, 75+, Colne)

In contrast to the tools and tactics used by consumers on low incomes to manage their finances, participants in the control group were more likely to be using tools to help them achieve their goal of 'making their money work for them' and building for the future.

- As a result, control group consumers were more likely to describe making use of a wider group of money management tools, including budgeting apps, credit products specifically for the purpose of improving their credit rating (especially for younger control group consumers), as well as sources of financial advice.
- These tactics were less likely to have been developed through trial and error and being 'burnt' in the past. Instead, control group consumers were acting on recommendations from friends and family members or from their own research.



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*“I’d say that I’m really good [at managing money], constantly checking interest rates and [price comparison website] for best deals possible all the time. If it’s there take it!”*

(Control group consumer, London)

### 4.3: Defining value for money and getting a good deal

For most vulnerable consumers, value for money was defined first and foremost by price. Indeed for many, price was the only spontaneous consideration that mattered when it came to getting value for money.

- This often came down to finding a product or service for the cheapest price possible, either by talking to others for recommendations, searching online or visiting a number of shops where possible for specific goods such as groceries.
- Most participants were likely to start talking of ‘discounts’, ‘bargains’ and ‘savings’ when thinking about value for money, and found it far easier to describe their thought processes in relation to the retail sector where discounting is more prominent than the essential service markets. As it was harder to identify ‘bargains’ and ‘savings’ in the service markets of particular focus in this research, participants found it harder to identify examples of getting good value for money in them.

*“I like to look out for if there are any special offers such as Buy-One-Get-One-Free or multi-buys, as I like to get discounts on my shopping to save me some money.”*

(Consumer on a low income, 35-44, Glasgow)

On probing, most vulnerable consumers were able to provide some sense of three further considerations of whether a product or service is value for money:

- **Reliability** is essential to many vulnerable consumers, especially in terms of continuity of service, but also in terms of quality of service in the case of mobile and broadband services specifically. As discussed in the previous chapter, the need for reliability is heightened for disabled consumers who have a greater reliance on specific services, such as heating and electricity.
- **Time impact.** For the most time-poor vulnerable consumers, particularly those with children or other dependents, the best value deals are those that have the smallest impact on their time. This can at times mean knowingly passing up more cost-effective deals to avoid the ‘hassle’ involved in finding and/or bargaining for better ones. For consumers with mental health problems, especially anxiety, physical proximity of shops can also be an

## Getting a good deal on a low income

important factor. Some of these consumers will at times prioritise not having to travel large distances away from home over purchasing products at the lowest prices possible.

- **Quality.** Some vulnerable consumers want to know that they're spending their money on items that will last and so, as far as possible, place importance on good quality.

*"I like to stick with what I've got. I've had it for that long. Sometimes I don't like a lot of changes, if you know what I mean. If I'm contented and happy with what I've got, I don't have a problem."*

(Consumer on a low income who has a physical impairment/condition, 65-74, Glasgow)

*"If I was buying a new suite of furniture, I would go the extra money for the quality in what I want than have to make do, because if I made do, I wouldn't be happy. I'd look at it and say, 'I shouldn't have made do. I should have just waited until I got what I want.' Do you know what I mean, in the quality? So, I tend to not do the mistakes I made when I was young, which is get it sorted... I don't jump in and just buy."*

(Consumer on a low income who has a mental health problem, 55-64, Belfast)

For the control group, while price was also front of mind in determining value for money, participants were less likely to frame this in terms of 'discounts' and 'bargains', and more likely to mention additional factors related to customer service and quality.

- Control group consumers were also more likely than vulnerable consumers to be making long-term judgements such as spending more in the short-term to save money in the long-run.

*"Price, quality of product and good customer service are all quite important [to getting good value for money], but I think the quality of the product that you are spending money on is the most important. I like to always make sure that I am getting a good deal and not losing out on money. Equally, I like to make sure that where I am buying from has a good refund or exchange policy so that I am able to return if I change my mind or if products are faulty."*

(Control group consumer, London)

*"A good price always attracts and I may well try something because it is particularly cheap. However, the key to me returning and buying the product again is if it is good quality. With some things such as large buys, for example furniture and technology, I will always opt for quality."*

(Control group consumer, London)



## Getting a good deal on a low income

Consumers' definitions of value for money in each of the service markets of particular focus in this research are highly nuanced. These are explored in detail in Chapter 5 of this report.

One common theme is that measuring value for money in the service markets is something control group and vulnerable consumers found difficult. As a result, this often makes it easier for consumers to tell when they are getting bad value for money rather than good. Even so, this is something that consumers were working out for themselves based on their feelings and emotions, rather than being something that could be measured objectively. While consumers found it easy to provide examples of being 'ripped off', they struggled to tell when they were getting good value for money. Any examples of getting good value for money provided tended to be limited to instances where participants had recently switched provider and received an incentive for doing so (such as having a certain amount of money taken off their first bill).

*"I got good value for money when I changed electric company. I think this was good value for money because I got £50-off the first bill and because I am now paying less."*

(Consumer on a low income, 25-34, Belfast)

This is exacerbated by the fact that services in the key markets are expected to continue reliably and 'in the background', as something that consumers on low incomes do not need to think or worry about on a day-to-day basis. This means that it is rare for most to actively consider whether their particular contract is good value for money, unless they come up against an issue.

*"My [mobile] phone bill and contract [are examples of bad value for money] because I pay over £45 a month and am tied into this for 18 months. I have a very expensive contract and the bill for the phone and calls mounts up to ridiculous amounts."*

(Consumer on a low income who has a mental health problem, 35-44, Nottingham)

*"I ordered a table for my kitchen from [retailer] [that was bad value for money]. When it arrived it was marked in lots of places and it was late. They did replace the top but it was after lengthy discussions on the phone."*

(Consumer on a low income, 35-44, Nottingham)

*"My wi-fi stopped working and I was still paying full price. The problem is still going on!"*

(Consumer on a low income, 25-34, Rhyl)

*Image 8: A participant looking at their mobile phone*



#### **4.4: Getting value for money in the grocery market**

The grocery market is an essential market that many consumers on low incomes prioritise when trying to balance their finances and budget. It has also emerged as a market that participants, including both the vulnerable consumer sample and the control group, are more engaged with compared to the service markets of particular focus in this research. This meant that they were more likely to report shopping around and trying to find a better deal in this market.

##### **4.4.1 Defining value for money in the grocery market**

As with other markets, consumers on low incomes primarily define value for money in the grocery market by price. However, unlike key service markets, consumers find it much easier to combine like-for-like products from different providers in order to determine which are the lowest price. In addition, the language that vulnerable consumers use to define good value for money – terms such as ‘discounts’, ‘savings’ and ‘deals’ – is familiar and prominent in marketing of products in the grocery market.

As a result, when asked for examples where they had recently achieved good value for money, many consumers on low incomes pointed to examples related to grocery shopping.

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*“I guess with food it is easier to tell if you are being ripped off. I did some online shopping with a supermarket and they sent a lot of food that was nearly on its sell by date. I rang and complained, and they did give me a refund, but they knew they were giving me food that was about to go off, chicken with only two days before its sell by date - if I didn't ring them, they would never refund me.”*

(Consumer on a low income, 25-34, Watford)

*“With food it's easier to tell [if you are getting value for money]. Is it worth going to another shop to save a penny? Is it worth me spending petrol money to go all the way to Hemel Hempstead to go to [supermarket] compared to walking across the road to [supermarket]? Normally it's not.”*

(Consumer on a low income who has a physical impairment/condition, 75+, Watford)

When defining value for money in the grocery market, consumers on low incomes were more likely to point to the importance of quality than in the other key markets.

Two factors appear to be important here:

- The relative ease of being able to tell whether grocery products are good quality compared to service markets. For example, if buying meat products with short sell-by dates or fruit rotting very soon after purchase.
- The relatively ease with which the majority of consumers on low incomes are able to shop around and try different providers in order to find better quality items at the same price. Budget supermarkets were often front of mind examples used to illustrate the point that it is not always necessary to sacrifice quality in order to save money.
- If consumers do have any negative experiences of poor quality grocery products, many will respond by simply avoiding buying the same product or shopping in the same place again. This means that the impact of any problems is therefore less than in the other markets where consumers have to contact customer services and try to have the problem dealt with, or have to wait to be able to exit lengthy contracts before they can switch to another provider or product.

*“[Some supermarkets] are good for cost and they often have special offers on their websites. I like to bulk buy stuff to ‘save the pennies’. I used to get deliveries from [a supermarket] but found that the fruit didn't last as long so I switched to another supermarket.”*

(Consumer on a low income who has a physical impairment/condition, 35-44, Glasgow)

*Image 9: A participant looking at groceries at a local shop*



Time impact (of the ‘hassle’ of switching provider) and reliability, while important determinants of value for money in service markets, are less important factors when it comes to getting a good deal in the grocery market. Shopping around is less complex and time consuming in the grocery market. As a result, consumers expect to engage with this market, both through physically purchasing products and through regularly assessing whether or not they are able to get a better deal and save time through shopping in a different way – either through switching provider or through shopping less frequently but buying more products in bulk.

Control group consumers tended to define value for money in the grocery market in the same way as vulnerable consumers. However, as with their definition of value for money more widely, they placed more emphasis on the importance of quality products and were less focused on price.

*“I usually buy food on the walk home from station for dinner for the night. I do try to shop over the weekend because I’m sure it would work out cheaper, but I find it easier to buy as I go each day. I will buy bulk when I see a good deal for things though, like toothpaste.”*

(Control group consumer, London)

#### **4.4.2 Tactics for getting value for money in the grocery market**

Consumers on low incomes described a range of tactics for getting value for money in the grocery market:

## Getting a good deal on a low income

- **Literally ‘shopping around’:** participants spoke of visiting multiple supermarkets to find the best deals, with some buying different categories of products from different providers where they find that they are better value for money (e.g. buying frozen food from one provider, and fruit and vegetables from another).
  - The ability to shop around to get the best deals in the grocery market was more limited for vulnerable consumers living in more rural or isolated areas, who do not have the same option of shopping around multiple stores as those in more connected areas. These consumers instead have to rely on one or two providers and are often more limited in their ability to have home delivery if shopping online.
  - While consumers in the control group would shop around to an extent, they did so much less than consumers on low incomes and had less of a focus on finding reasonable quality products for the lowest cost possible. Instead, they highlighted the importance of quality over and above price and were more likely to purchase premium-brand products.
- **Bulk buying products where possible:** several participants, especially those with larger households, referenced buying certain products such as tinned goods and meat in bulk so that the unit price was cheaper.

*“You can get 40 pouches of cat food for £8 at [supermarket], or 3 tins of dog food for £1. To save you have to bulk buy. I can’t bulk buy food though. I live alone so it would just go to waste. You don’t really save if you’re buying day to day.”*  
(Consumer on a low income who has a mental health problem, 55-64, Glasgow)

*“When I get my pension the first thing I do is pay my electricity, my gas, my phone. Get all my groceries in. Things like that. My daughter gets me some butcher meat. I don’t really shop in the [supermarket] because it’s far too expensive but it’s okay for quickness, just the papers and maybe loaves in the morning.”*  
(Consumer on a low income who has a physical impairment/condition, 65-74, Glasgow)

In addition to tactics for getting value for money, consumers on low incomes also described methods to try and help them budget and minimise costs in this market overall. These included:

- **Cutting certain foods out of their diet:** participants described avoiding expensive products, including one consumer who had recently moved onto a fully vegetarian diet to avoid paying for expensive meat products.
- **Reducing the number of meals to buy for:** some participants, especially younger participants with dependent children, would eat at their parents’



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houses each evening to cut down on the amount of grocery products they have to buy themselves (and to save on energy costs), while others described cutting down the amount of food they were eating to reduce costs (for example, cutting down to having just two meals each day).

- In addition, one participant in the vulnerable consumer sample relies on food bank vouchers to 'top up' the amount of food he is able to purchase each week. A few other participants, while eligible for food bank support, were very reluctant to do so with one saying that they would 'rather starve' than risk being seen using their local food bank.
- **Eating the same foods on a weekly or, in some cases, daily basis:** this enables consumers on low incomes to control the amount of money they are spending on grocery products each week so that they can keep costs to a minimum and to aid their budgeting.

*"For most people, meat is the most expensive thing on their shopping list and we're saving that now."*

(Consumer on a low income who has a physical impairment/condition, 45-54, Nottingham)

## 4.5: Conclusions from this chapter

Constrained and unpredictable finances mean that most consumers on low incomes are in a very careful balancing act with their finances. This means that 'knowing where you stand' at any given time is a priority for consumers on low incomes when it comes to managing finances. Most feel relatively confident in their ability to keep track of the income and payments in this way, although this confidence is not universal. In particular, younger consumers with low levels of education and those with mental health problems were more likely to describe feeling 'overwhelmed' by the prospect of managing their finances.

Value for money is defined first and foremost by price and is often described in the language of 'discounts', 'bargains' and 'savings'. Other factors that can be taken into consideration are:

- **Reliability:** ensuring that products and services can be trusted to run without outages or problems;
- **Time impact:** getting deals that take the least 'hassle' to find and that have the smallest impact on consumers' time; and
- **Quality:** where affordability and price is not a barrier, many consumers on low incomes want to know that the products they purchase will last.

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These factors that consumers on low incomes use to determine whether or not they are getting value for money, are more easily applicable to products in the retail and grocery markets than to service markets. For example:

- The language of 'discounts' and 'savings' is frequently used in these markets;
- Consumers are easily able to compare prices as products are often the same or very similar. This means that shopping around is a more familiar concept, and consumers are able to tell how much of a time impact doing so will have to assess whether or not it is worthwhile (i.e. buying meat and vegetables from a budget supermarket is an extra 15-minute drive each way, but saves around £30 so it is worth it);
- Quality is tangible and easier to determine than in service markets, for example clothes showing wear and tear quicker than expected, or food going off before the sell-by date.

Measuring value for money in the service markets of focus in this research is something that consumers find difficult. The factors that consumers use to determine whether they are getting value for money are less tangible (for example, being unsure what determines quality or how to measure it in relation to energy or telecommunications services). In addition, value for money in each of the service markets is highly nuanced and complicated by vulnerable consumers' specific needs (as outlined in Chapter 3).

As a result, it is often easier for consumers to tell when they are getting bad value for money than good in these markets. In the research, participants provided emotive examples of being 'ripped off' for example, either by being hit with unexpected charges or receiving outages in supply.



## 5. Vulnerable consumers' experiences of engaging with service markets

### 5.1: Introduction

As well as seeking to understand the markets and examples consumers spontaneously referenced when thinking about getting a good (or a poor) deal, this research was particularly focused on exploring consumers' perceptions and reported experiences of four service markets:

- **Telecommunications**, including mobile phone products and services, internet services such as broadband, landline line rental, and pay TV services;
- **Energy**, including heating and electricity services;
- **Insurance**, particularly home (contents and building) and motor insurance; and
- **Credit**, covering a range of products including credit cards, loans, payday loans and store cards.

Interviews briefly covered experiences of transport and grocery shopping as a comparator with these service markets to support consumers to describe their experiences of service markets (which can feel intangible compared to buying physical goods and services, for example). Views on transport as a gateway product are covered in section 3.5, and attitudes to getting value for money in the grocery market in section 4.4.

#### Chapter overview

This chapter outlines consumers' feelings about, perceptions of and experiences of these four service markets, including how vulnerable and control group consumers tend to define value for money in each market, the features of each market which they feel are supporting them to achieve value for money, and any barriers preventing them from getting a good deal. The chapter starts with some overarching observations about how consumers tend to frame these markets, and some common themes, before exploring each market in detail.

The findings in this chapter suggest that vulnerable consumers are experiencing barriers to achieving value for money in each of the service markets explored in

this research. The specific barriers which vulnerable consumers specifically (as opposed to control group consumers) feel that they face in these markets include:

1. Perceived inflexibility in contracts, unreliability in charges and billing, restricted choice and limited support for consumers with vulnerabilities **in the telecommunications market.**
2. A lack of clarity and transparency in terminology, contracts and pricing, limited choice, and inconsistency in the support offered to vulnerable consumers **in the energy market.**
3. A lack of clarity and transparency overall and in relation to pricing specifically, limited choice, a lack of support for vulnerable consumers and inflexibility in contracts and modes of payment **in the insurance market.**
4. A lack of effective choice beyond high-cost and short-term products, a lack of transparency in relation to charges and fees, and limited support for consumers with vulnerabilities **in the credit market.**

## 5.2: How vulnerable consumers frame their experiences of engaging with service markets

Consumer experiences across these markets were diverse and complex, and reinforced the finding outlined in Chapter 3 that there is no one ‘type’ of consumer living on a low income. Some consumers cited a certain practice in one of the markets as an example of best practice, while others described experiencing real detriment as a result of that same practice. Despite this complexity, in discussing experiences of these four service markets with this wide range of consumers, it became clear across the sample that:

- The baseline level of engagement is low across this audience and across these markets. Most of the consumers in the sample were rarely thinking about these markets, and for many, service markets are ‘background’ issues which only become a priority if something goes wrong (see Chapter 4). For consumers with additional vulnerabilities beyond financial vulnerability in particular, these markets often feel small and insignificant compared to the challenges they feel that they are facing in their lives. This means that engagement in the key markets is often shallow, uneven, and driven by problems that emerge. In this context, providers are judged heavily on how those issues are resolved – with long waiting times on the phone or a sense that call centre staff are reading from a set script causing frustration and often driving a negative perception of the ‘character’ of that supplier.

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- Most vulnerable consumers aren't drawing comparisons between different markets, and some have too narrow an experience to be able to do so. Many consumers in the sample were only engaged with one or two of these markets. In particular, experience of the insurance market was often limited, with only a minority purchasing contents or building insurance because of perceptions that this type of cover is unnecessary and prohibitively expensive for many of those with constrained finances. For some consumers, the option of engaging with their providers of certain services was taken away from them by their living situation, particularly for those living in social housing or sheltered accommodation (for whom energy bills were often part of a service charge).
- Consumers can develop complex and personal feelings about their provider, and emotional responses can often factor into decision-making. Many consumers have 'sworn off' a provider after a bad experience. These negative experiences tend to be unique and highly individual to a person's particular priorities, for example, a telecommunications provider refusing to allow a customer to keep a telephone number to which they have a strong sense of personal attachment after having had the same number for many years. Even among this price sensitive audience, some consumers were willing to pay 'over the odds' to avoid having to deal with that supplier ever again.

*"They said it would cost £200 to cancel, but I said I don't care, because I don't have to deal with you anymore."*

(Consumer on a low income, 55-64, Glasgow)

*"They give you a palaver when they come that you're saving this and that. But they're all the same... you just have to find the cheapest."*

(Consumer on a low income who has a mental health problem, 55-64, Glasgow)

### 5.3: Overview of the main barriers to getting a good deal in each service market

Across the four markets, there are some consistent themes in the barriers that vulnerable consumers identify as seeming to preventing them from getting a good deal. The detailed evidence for these perceived barriers and the ways in which these specific themes 'play out' in each of the service markets are set out in the market 'deep-dive' sub-chapters, from section 5.4 onwards:

- **A lack of effective choice.** In all four markets, 'compounding factors' such as location, credit history and housing type mean that vulnerable consumers

often feel that they lack the choice to switch provider. In telecommunications, for example, poor credit history could be a barrier to accessing a mobile contract, while in the energy sector being a tenant of social housing or a private landlord can mean you are restricted by what has already been installed in the property. In the insurance market in particular, consumers often felt penalised for factors outside their control, such as living in an area with high levels of crime, while in the credit market, consumers on low incomes feel that they are restricted to high-cost, short-term products.

*“When I first moved in here I didn't have very much choice. They didn't have [provider] cables installed at that time, and I didn't want to go with a small provider because I think the small brands are not so reliable and I wasn't sure if the quality and service would be the same.”*

(Consumer on a low income who has a physical impairment/condition, 75+, Watford)

- **A lack of flexibility.** Across the markets explored in this study, there is felt to be a lack of flexibility in payment plans if consumers' circumstances change. In the telecommunications market, vulnerable consumers often describe themselves as 'stuck' in long-term contracts (usually defined by consumers as 18 months or more) with high exit fees. Where contracts are inflexible – particularly in the telecommunications and credit markets – and consumers' circumstances change, meaning that the contract is no longer suitable, some consumers have run into unmanageable debt. Whilst energy markets were sometimes seen to offer more flexibility to reflect changing circumstances of vulnerable customers, this was patchy, with experiences varying widely across suppliers, and sometimes for different customers of the same supplier. In the insurance market, the perceived lack of flexibility around annual (as opposed to monthly) fees meant that many consumers feel they have no choice but to use credit to pay the premiums.
- **A lack of clarity and transparency.** Complex terminology, that is difficult to relate to the service provided and the reason why vulnerable consumers need it, is felt to make contracts and pricing hard to understand. Vulnerable consumers found this a particular problem within the energy market, feeling that complexity may even be a deliberate strategy to justify seemingly arbitrary price hikes. But this was present across all markets – broadband speeds can be tricky to judge, while explanations of fees, rates and charges in the credit market can be opaque. Within the insurance market, the complexity of this market is compounded by limited engagement.

*“[With electricity] there is always something hidden in the tariff... they manage to fluctuate so much and don't seem to notify you that they do that.”*

(Consumer on a low income, 25-34, Rhyl)

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- **Poor customer service.** Seemingly inconsistent and one-sided communications, especially when things go wrong in the telecommunications market, in which communication is felt to be particularly poor, affected a large number of consumers. In this market, and to an extent in others, the onus is often felt to be on the consumer to push for a resolution. This is felt to be exacerbated by the supplier with long telephone waiting times and staff that are 'reading from a script' or using the opportunity to up-sell contracts. The one-sided nature is also seen in the area of contract renewals, with customers in all markets except insurance, in which some consumers had noticed renewal notices, often feeling that the supplier doesn't communicate when a contract is up for renewal until just before the renewal date – meaning time to shop around is limited – if they communicate this at all.

*"It's everyone for themselves. If you don't ask, you don't get."*  
(Consumer on a low income, 25-34, Watford)

- **Inconsistencies in providers' and markets' treatment of (vulnerable) customers.** Despite vulnerable consumers' assertions that providers are 'much of a muchness', there actually seemed to be significant variation in claimed experiences of different providers and markets across the sample, including in different consumers' accounts of the same provider. Some consumers felt that they had experienced particular flexibility and good customer service from a certain provider, while other participants with the same provider felt that they had been treated poorly. Consistently, consumers with mental health problems were more likely to feel negative about markets and providers than those without this vulnerability.

### 5.4: Getting a good deal in the telecommunications market

Services covered in the telecommunications market included mobile phone products and services, internet services such as broadband, landline line rental, and pay TV services. Where findings are specific to or particularly pronounced in relation to one of these services, this is indicated in this sub-chapter.

#### 5.4.1 Overview of the telecommunications market

This table introduces the key findings outlined in the remainder of this sub-chapter. For further detail, please refer to the corresponding section.

Figure 11: Overview of participants' experiences of the telecommunications market

<p><b>Engagement and interest in this market</b></p> <p><i>See 5.4.2 for further detail</i></p>	<ul style="list-style-type: none"> <li>• Consumers' level of interest in this market appeared to be the highest of all four markets: both vulnerable and control group consumers were most able to recount key details of providers and contracts in this market.</li> <li>• This market feels particularly important to some vulnerable consumers who feel reliant on the internet and communications services, including those with mobility problems and those who live alone.</li> <li>• The relative cost of services in this market, and particularly in relation to broadband and pay TV, means that the lowest income consumers can feel compelled to engage and particularly sensitive to any fluctuations in price (for example, fluctuations in a consumer's monthly mobile phone bill if they exceed their data allowance).</li> </ul>
<p><b>Switching, shopping around and negotiating behaviours in this market</b></p> <p><i>See 5.4.3 for further detail</i></p>	<ul style="list-style-type: none"> <li>• Despite high levels of interest, both vulnerable and control group consumers were <i>less</i> likely to describe switching in this market. Rather, this is the market in which consumers are most likely to describe negotiating with their existing provider in order to secure a better deal, provided that they have the time, confidence and information to do so.</li> <li>• Some vulnerable consumers see no alternative way of getting a better deal in this market than negotiating by telephone and do not believe that it is possible to switch in this market without actively disconnecting from their current provider, meaning that those with mental health problems in particular can disengage. There is also concern about disruption as a result of switching for those who feel most reliant on telecommunications services.</li> </ul>
<p><b>Features of this market seen to be supporting consumers to get a good deal</b></p> <p><i>See 5.4.4 for further detail</i></p>	<ul style="list-style-type: none"> <li>• Most of the features of this market which are felt to support consumers to get a good deal were identified by both control group and vulnerable consumers. These included:             <ul style="list-style-type: none"> <li>○ Language that is orientated around the features of these service which consumers need and use (e.g. texts and minutes)</li> </ul> </li> </ul>

	<p>measured in numbers, pay TV channels shown by number and type);</p> <ul style="list-style-type: none"> <li>○ The <i>principle</i> of bundles and packages; and</li> <li>○ Some examples of rewards for loyalty.</li> </ul> <ul style="list-style-type: none"> <li>● For vulnerable consumers specifically, there is also some positivity in this market about the perceived availability of low cost, flexible options in the mobile market in particular (e.g. pay as you go and SIM only deals). Awareness of these alternatives was relatively high across the sample.</li> </ul>
<p><b>Features of this market seen to prevent consumers from getting a good deal</b></p> <p><i>See 5.4.5 for further detail</i></p>	<ul style="list-style-type: none"> <li>● Many of the features of this market which are felt to prevent consumers from getting a good deal or feeling that they are getting value for money were identified by both control group and vulnerable consumers. These included: <ul style="list-style-type: none"> <li>○ Feeling 'forced' to pay for services they do not want or need, and particularly landline rental in order to secure a broadband or pay TV contract;</li> <li>○ Poor customer service and communication when problems arise;</li> <li>○ A lack of prompting and communication when initial contracts end;</li> <li>○ The intangible nature of telecommunications services making it difficult for consumers to check that they are getting what they pay for;</li> <li>○ Inconsistencies in pricing and discretion allowed to call centre staff in offering discounts and deals;</li> <li>○ Persistent and aggressive sales tactics; and</li> <li>○ 'Irregular' contract lengths of 18 or 36 months which were felt to be harder to manage.</li> </ul> </li> <li>● However, a number of perceived barriers have emerged for vulnerable consumers specifically, including: <ul style="list-style-type: none"> <li>○ Long and inflexible contracts, particularly those lasting 18+ months and for which consumers incur high exit fees, even if their circumstances have changed because of factors outside their control;</li> </ul> </li> </ul>



	<ul style="list-style-type: none"><li>○ Unexpected charges, for example because consumers had not understood that they were exceeding their monthly allowance;</li><li>○ Limited choice as a result of the consumer's vulnerability or factors outside their control (e.g. their living situation or poor coverage from certain providers for those living in rural areas); and</li><li>○ Limited understanding of and support for vulnerable consumers in this market.</li></ul>
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### 5.4.2 Engagement and interest in this market

Of the four markets explored in this research, vulnerable and control group consumers alike were most engaged with the telecommunications market. To a degree which was unmatched in the other markets, consumers were frequently able to recount key information about their providers and contracts from memory. This included, where applicable, the (approximate) start and end dates of their contract, and the key features of their contract, such as number of minutes, texts and their data allowance. While participants would frequently misremember key details, such as their provider name, in the other markets, this appeared to be uncommon in relation to telecommunications.

In addition, this market emerged as particularly important for vulnerable consumers specifically, and one on which they feel particularly reliant or which they consider to be essential, for a number of reasons:

- Communication and internet services, including pay TV, are often viewed as a necessity for people living alone, and particularly those with a physical disability which restricts their ability to leave the house and interact with others face-to-face. For these consumers, the internet is also often an essential gateway to other markets and services.
- Entertainment and internet services often feel essential to those with dependent children, and particularly single parents and parents of children with behavioural problems or living in areas where anti-social behaviour is common, who may be keen to keep them occupied and 'out of trouble' but lack the time to do so themselves. For these consumers, services such as pay TV were often viewed as a necessity.
- People with caring responsibilities for someone with a physical or mental health problem may need to be contacted urgently at any given moment (for example by their child's school in the case of parents of children with health conditions or disabilities).

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- People with serious health conditions or vulnerable older people living on their own may need to contact healthcare or emergency services urgently should they themselves require assistance or care. For example, a small number of older participants had signed up to a community alarm service, requiring a landline telephone connection.

*Image 10: A participant's pay TV screen*



For consumers at the bottom of the low income bracket, telecommunications was also a market in which they were more likely to feel engaged because of its relative cost. For example, for those who did not have any insurance products because of a perceived lack of need or affordability, and who were paying for their energy services on a pre-payment meter, their telecommunications services were often some of the largest bills they had to contend with aside from rent. These consumers were particularly likely to be able to recount the key details of their contracts in this market, and were often very sensitive to any price increases or changes to their bills, for example higher than expected mobile phone bills because they were unaware that they were exceeding their text, call or data allowance.

*"Because of the internet, the last week of the month is always a skint week."  
(Consumer on a low income, 18-24, Rhyl)*

*"It's kind of a necessity now, what with the kids – and that's near enough a week's wages... if I don't have Wi-Fi how will I study? We run our life from Wi-Fi."  
(Consumer on a low income who has a mental health problem, 25-34, Colne)*

***CASE STUDY: Jessica, 55-64, Living with a mental health problem, Glasgow***

Jessica suffers from severe depression, anxiety and post-traumatic stress disorder (PTSD), and has lost contact with her grown up children after she exited her relationship with their violent father. Jessica's Disability Living Allowance payment has been withdrawn multiple times. The last time that this happened, she ran up a £173 debt with her broadband supplier, because she forgot to cancel her direct debit.

Because she spends so much time at home alone, partly because she feels she can't afford to do much outside the house, and partly as a result of her mental health problems, internet access is a priority for Jessica so that she can access an online TV subscription service. She is hoping to sign up to a different provider for broadband at £23 a month when she receives her next fortnightly ESA welfare payment and then separately pay off the £173 she owes to her old provider through a debt management scheme, over the course of time.

**5.4.3. Switching, shopping around and negotiating behaviours in this market**

Despite relatively high levels of engagement and interest in this market compared to other service markets, both vulnerable and control group consumers were *less* likely to describe switching in this market, and particularly in relation to mobile phone contracts. Of all providers covered in the research, consumers often described the longest 'history' with their mobile phone provider. This was sometimes reflective of a sense of affinity or loyalty towards that provider, but more often a sense that switching or shopping around in that market has never become a necessity or priority, particularly for control group consumers.

- For example, while some had been 'forced' to engage with their broadband provider as a result of moving home, they had never seen a particular need to engage with their mobile phone provider or assess whether they were getting value in this market.

Rather, telecommunications (and particularly broadband and pay TV services) is the market in which consumers who were engaging with their provider were most likely to describe negotiating with their existing provider in order to secure a better deal, provided that they felt that they have the time, confidence and information to do so.

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In line with existing research<sup>28</sup>, the participants who were most likely to report engaging in these behaviours were those in the control group and the more confident in the vulnerable consumer sample. These consumers expressed a belief that most broadband and pay TV providers will as a matter of course reduce their costs for consumers who ‘threaten’ to leave and ask to be put through to disconnections, and particularly those who can cite cheaper deals they have seen advertised elsewhere. This behaviour may stem from the perception that it is difficult or impossible to switch in the telecommunications market without actively disconnecting from your current provider (unlike markets such as energy and insurance).

*“[Some providers] talk about loyalty discounts and signing up discounts, it makes it harder to compare. I don’t know exactly when [my contract] ends but I’ll have the confidence to challenge it.”*  
(Control group consumer, Nottingham)

*“I initially moved to [a provider] as they had a 50% off the whole contract deal and I needed [certain TV channels]. Every time it’s [near the end of the contract] I’ve said that I will cancel unless you can keep it at the same price, then I will stay.”*  
(Consumer on a low income, 25-34, Nottingham)

### **CASE STUDY: Helen, 35-44, Living with a physical disability, Glasgow**

After a serious back injury a few years ago, Helen can’t leave home for long by herself and is now very reliant on the internet for everything, including grocery shopping. She prides herself on being ‘savvy’, and says she always looks for better deals when her contracts end.

This year, when her broadband contract was up for renewal, she shopped around as usual and decided to switch, to a contract that is £20 cheaper per month - a saving of £300 over the year. She didn’t use price comparison websites, instead searching for broadband providers directly.

She still has a reliable and high-speed broadband service and says that her current provider has amazing customer service. She really likes that they have UK-based call centres too.

*“It means I can buy more Christmas presents for the grandkids.”*

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<sup>28</sup> See Citizens Advice: Reviewing bundled handsets (2018).  
[https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Handset%20Report\\_%20Full%20draft%20\(1\).pdf](https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Handset%20Report_%20Full%20draft%20(1).pdf)

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For vulnerable consumers, switching, shopping around and negotiating in this market can be associated with some specific challenges:

- Consumers who consider themselves to be more reliant on these services for some of the reasons outlined above describe little tolerance for any potential disruption to them. In particular, some felt so concerned about being uncontactable for any period, having to change their telephone number, or the risk of losing any of their contact details, that they dismissed the idea of switching in this market entirely. In most cases, this was a perceived concern rather than a result of any direct personal experience of switching in this market.
- For consumers who might be feeling overwhelmed, underconfident or withdrawn as a result of a mental health problem or lower level of education, the perceived emphasis on negotiation and on the onus being on the consumer to disconnect from their current provider in order to secure a better deal or switch in this market is off-putting and can lead some to disengage, even though this could be costing them money. These consumers saw fewer options to telephone contact with their provider in this market (for example searching for better deals and opting to switch online) because they could not perceive any 'workaround' to having to speak to the disconnections department.

### ***CASE STUDY: Mel, 25-34, Consumer on a low income, Watford***

Mel has a pay monthly mobile contract with her provider of 13 years. The last time her contract was up for renewal, she was offered a £1 loyalty discount, which she considers so low as to be insulting, especially after she had spent 3 hours on the phone to her provider trying to negotiate with them to get a better deal.

Mel is aware that better options exist with other providers after looking online and chatting to family and friends. Her parents are both with the same mobile provider, and are able to 'roll over' the data they don't use each month, which she feels is a much better deal.

However, Mel has some anxiety about switching her mobile phone contract and the impact this might have on her life: she is a full-time carer for her 6 year old son, who has Type 1 diabetes and a number of other related health conditions, and she must be 'on call' at all times should she need to be contacted by her son's school.

*“It’s a mission, waiting for your SIM, waiting to change over. I’ve got lots of contacts on my list I just can’t lose, I have to be waiting at any moment for one of my son’s diabetes nurses to call. When I do switch I am going to write everything down in case it gets lost or wiped”*

#### 5.4.4 Features of this market perceived to be supporting consumers to get a good deal

A number of features in this market were described by both vulnerable and control group consumers as supporting them to get a good deal:

- ✓ **Language orientated towards the features consumers use and need.**  
Compared to the insurance and energy markets, in which the language used to describe services and contracts is often felt to be impenetrable, telecommunications compared *relatively* favourably. For most vulnerable and control group consumers, an emphasis on minutes, texts and data feels more accessible than kilowatt hours in energy, or premiums and excesses in insurance. This is particularly true of mobile phone and landline rental services, whereas terminology relating to broadband services (e.g. internet speed, fibreoptic) is perceived to be more technical.
- ✓ **The principle of ‘bundling’ and ‘packaging’.** The *principle* of bundling and packaging is *generally* viewed positively as having the potential to save consumers time and money by allowing them to manage multiple services through one supplier, particularly in relation to broadband and pay TV services. Consumers also tend to welcome the principle of being able to tailor their package to their (changing) needs, for example unsubscribing from certain sports channels after football or cricket season is over. The more flexibility consumers believe they are getting from their telecommunications provider, the more positive they tend to feel about bundling.
  - This finding is perhaps surprising given that other research has suggested that bundling may be making it more difficult for consumers to work out whether they are getting a good deal for their telecommunications services<sup>29</sup>, and particularly for mobile phone services where consumers are also paying for the handset<sup>30</sup>. It is important to stress that consumers felt more positivity towards bundling in principle than they did in practice, and that perceptions were based on the belief that bundling is more likely

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<sup>29</sup> See Citizens Advice: Reviewing bundled handsets (2018).  
[https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Handset%20Report%20Full%20draft%20\(1\).pdf](https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Handset%20Report%20Full%20draft%20(1).pdf)

<sup>30</sup> See Ofcom: Pricing trends for communications services in the UK (2018).  
[https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0030/113898/pricing-report-2018.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0030/113898/pricing-report-2018.pdf)



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to save than cost money. Highest levels of awareness of the possible downsides of bundling relate to consumers feeling that they are paying for services that they feel they do not need (see 5.4).

- ✓ **Some rewards for loyalty.** From a low baseline, in which consumers' loyalty is generally not perceived to be rewarded in any of these four service markets, there are felt to be *some* efforts to reward loyalty in the telecommunications market. These examples were more likely to be mentioned in relation to mobile phone services, and included prize draws and gifts for renewing a contract, such as smart speakers.

*"I've been with [the same provider] for my mobile for many years. I get good deals because I have been with them for so long. I pay £13 a month, for 1,000 minutes, unlimited texts, and 1 gig of data. I don't use my phone very much so that's more than I need, and when I renewed most recently they gave me [a virtual assistant device], which I use for my shopping list. That feels like a really good deal when I see 'deals' in the paper for £60 or £70 a month. It feels like they are giving me a discount for my loyalty. Recently when it was up for renewal they wanted to put it up slightly, they wanted me to pay £14, but I rang them and got it back down to £13."*  
(Consumer on a low income who has a physical impairment/condition, 65+, Watford)

One feature of this market emerged as important to securing good deals among vulnerable consumers only:

- ✓ **Low cost alternatives.** Some consumers on low incomes were particularly likely to identify low cost options available to them in this market. In relation to mobile phone services, this included pay as you go and SIM-only contracts, which were felt to be both low cost and flexible because they reflected their actual usage. Some also mentioned providers which allow them to roll over unused data to avoid paying for services they don't use. Some make use of lower or no cost alternatives to pay TV services, and a small number of consumers were buying mobile contracts with unlimited data and tethering and streaming from their mobile device rather than buying a separate broadband service in order to save money.

*"I think pay as you go is good value for money. Normally for £10 a month you get something like 200 minutes and 2GB of data but with [my mobile provider] you get way more."*  
(Consumer on a low income, 25-34, Rhyl)

*"A poor person must have come up with [my mobile provider]. They don't lock you in, you change what you need each month, you pick your goody bag for what you need."*  
(Consumer on a low income, 25-34, London)



#### 5.4.5 Features of this market perceived to prevent consumers from getting a good deal

Many features in this market were described by both vulnerable and control group consumers as either preventing them from getting a good deal, or leaving them feeling that they are not getting value for money in this market. These are broadly set out in order of how commonly these features were mentioned:

- ✘ **Paying for services that you neither want nor need.** The downside to 'bundling' was felt to be the risk that the consumer has to pay for a product or service that they do not want or need. While some control group and vulnerable consumers mentioned paying for unwanted TV channels, the clearest and most potent symbol of poor value for money in the telecommunications market was having to pay for landline rental, irrespective of whether the consumer uses it. This meant that there was particular consternation among consumers when landline rental costs increased unexpectedly. This was mentioned by almost all consumers in the sample, with the exception of older consumers, who were more likely to be using their landline telephone service.
- ✘ **Poor customer service and communication when challenges arise.** Of all the markets explored, both control group and vulnerable consumers were particularly likely to describe what they perceived to be poor customer service in the telecommunications market. There were particular frustrations about long waiting times over the phone (for those who do not ask to be put through to disconnections immediately), overseas call centres meaning that they faced communication barriers, and inconsistencies in whether or not providers charge for engineer visits. Some believe that charging for engineer visits effectively penalises the consumer for an issue that is ultimately the provider's fault.
- ✘ **Lack of prompts and communication when contracts end.** While consumers feel that they are starting to see some instances of providers alerting them that their contracts are ending in the other markets, very few felt that this practice currently takes place in the telecommunications market. For the consumers able to afford handset rental as part of their mobile phone contract (this was the minority of consumers on low incomes), this is felt to be particularly unfair given that the handset is effectively 'paid off' when the contract ends.
- ✘ **Inability to check that you are getting what you are buying.** The intangible nature of broadband services in particular was felt to make value for money difficult to judge for some consumers in the sample. For example, consumers who had bought a certain contract on the basis of broadband speed felt that they had little way of knowing whether they were in fact being delivered the speed that they were paying for.
  - Just one participant was aware of a potential solution to this challenge: an internet speed test, which was raised spontaneously as part of a discussion

## Getting a good deal on a low income

about internet speed and quality. The participant stated that they had been prompted look online for speed tests after having suspicions that their internet speed was far slower than it should be.

- × **Inconsistencies in pricing and discretion allowed to call centre staff.** Part of the reason why consumers most associated negotiating with their existing supplier with the telecommunications market is a perception that call centre staff in this market have the discretion to adjust prices as they see fit. For control group and more confident consumers living with vulnerabilities, this reflected personal experience of being quoted different prices by different staff members, and finding that more senior members of staff (e.g. supervisors) had been more willing to offer deals and discounts. While this can work in the consumer's favour if they are able to successfully negotiate a better deal, this practice is felt to lack transparency and to make it very difficult for a consumer to know if they are being offered the best possible deal.
- × **Persistent and aggressive sales tactics.** The telecommunications market was particularly associated with cold calling and upselling to existing consumers to encourage them to take out an additional contract. However, for most vulnerable consumers this was perceived to be a nuisance rather than truly detrimental, often because they lacked the money to take out an additional contract.
  - Participants who were most likely to describe these tactics as off-putting and overwhelming tended to be those with mental health problems, who often faced broader challenges in engaging with their provider by telephone.
- × **Irregular contract lengths.** For a small number of consumers, there was some concern and suspicion about confusing and 'irregular' contract lengths in this market, including initial six month discount periods, 18 month contracts and 36 month contracts. When combined with a lack of prompting in this market when contracts come to an end, these contract periods were perceived as setting out to deliberately confuse consumers more accustomed to one or two year contracts.

*"Your TV, broadband and landline all come as a package. I think they make it easier for you to take it as a package even though no one uses [landlines] any more. It's their way of making a little bit of money out of it. It's not acceptable but unfortunately I think we all just think of it as the norm."*

(Consumer on a low income who has a physical impairment/condition, 45-54, Watford)

*"Are you ever actually informed when your contract ends? No, it carries on regardless but after that point the price could go up and you are not informed of that... that annoys me."*

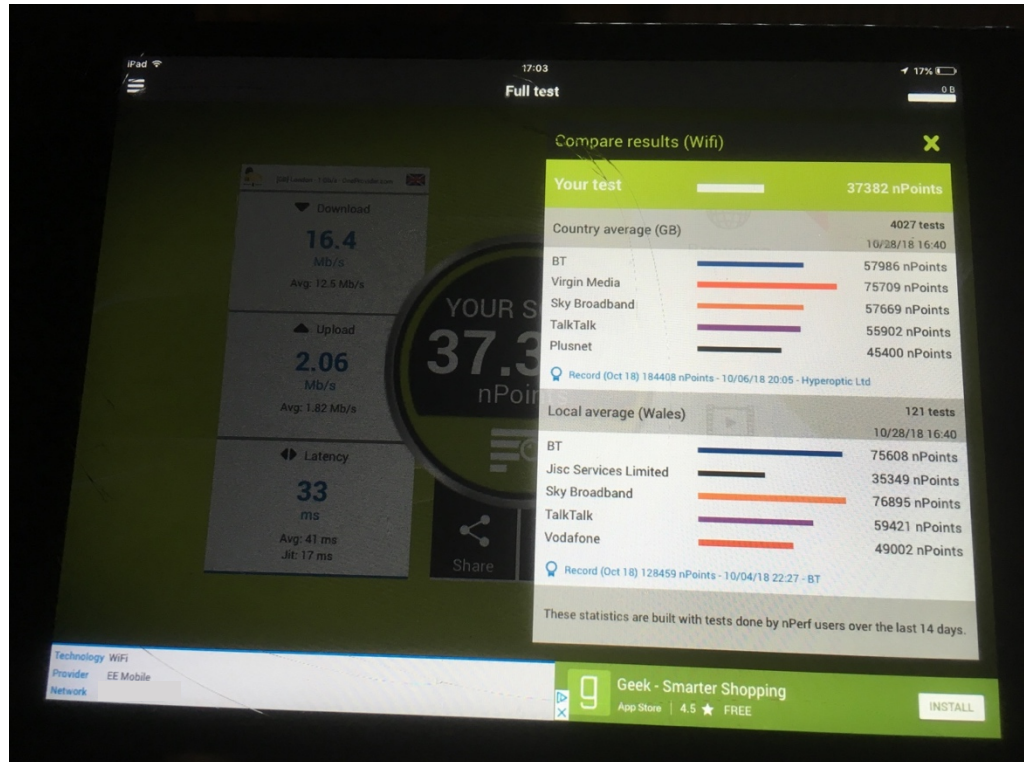
(Consumer on a low income, 35-44, Colne)

*"I've just got a feeling that 18-month contracts are part of the big manipulation masterplan."*

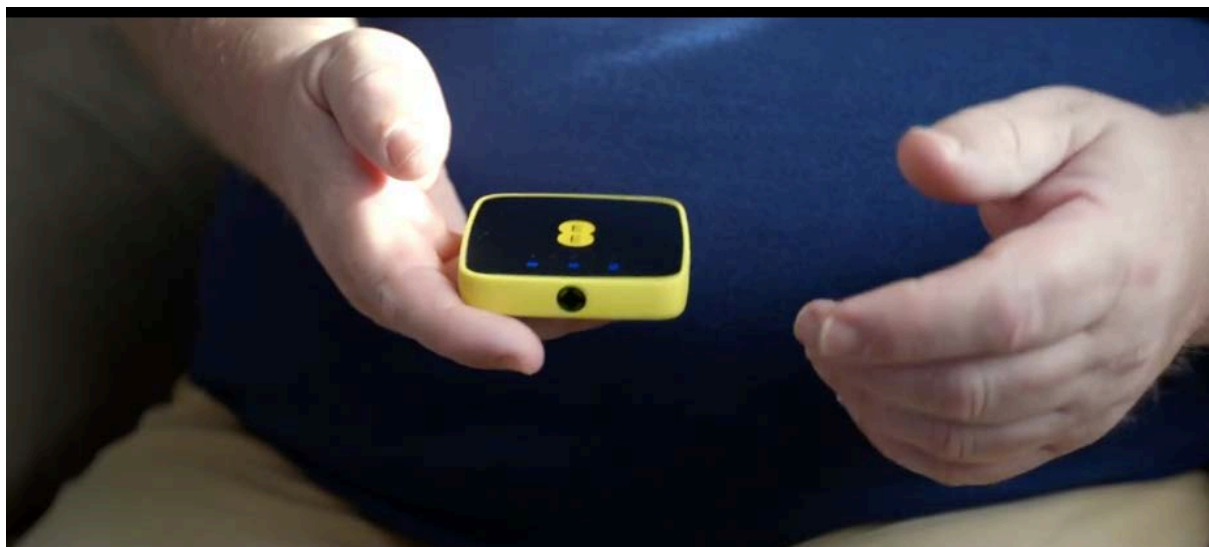
## Getting a good deal on a low income

(Consumer on a low income who has a mental health problem, 25-34, Colne)

*Image 11: A participant's internet speed test results*



*Image 12: A participant holding their unused Mi-Fi*



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In addition to these challenges, some features of this market emerged as barriers to achieving good deals or feeling that a service is good value for money among vulnerable consumers only:

- × **Long, inflexible contracts and costs and challenges associated with exiting contracts early.** Consumers who had experience of seeking to exit their contract early, often because of a change in their circumstances (for example their benefits being withdrawn or their earnings shifting), tended to find that it was very difficult to do so. This challenge also affected a small number of consumers who had found themselves locked into contracts associated with a device which had been lost, stolen or damaged. As identified in other research<sup>31</sup>, cancellation charges are perceived to be particularly high and inflexible in this market.
- × **Unexpected charges.** Consumers on a low income were particularly likely to mention fluctuating bills in this market, and particularly in relation to mobile phone services, which they felt they had little ability to afford and which could have a severely negative impact on their finances. Consumers felt that these variances in billing were rarely explained by their provider, and most felt that they were given no warning when they were about to exceed their allowance.
- × **Limited choice.** Consumers living with vulnerabilities were more likely than the control group to feel that their choice in this market was limited by factors outside their control, including poor coverage or signal in their area (particularly for those in more rural areas), or restricted access to broadband providers because certain providers had not, for example, installed cabling in their local area. This restricted choice was felt to be particularly unfair when it relates to a consumer's vulnerability.
  - For example, a participant living in rural Wales felt that he had no choice but to switch mobile phone provider due to a lack of coverage in the area on any other network. He now pays more than he used to and more than he would like to, but feels he has no options due to his location.
- × **Limited understanding of and support for consumers with vulnerabilities.** Compared to the energy market – the other service market of which almost all vulnerable participants had some personal experience – the telecommunications market was felt to offer limited support to consumers living with vulnerabilities. The small number of participants who had disclosed their vulnerabilities to their telecommunications providers in order to try to resolve or expedite an issue (for example in relation to their billing) found that there did not seem to be any allowances made or support available to them.

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<sup>31</sup> See Citizens Advice: Broadband exit fees (2018).  
<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Exit%20Fees%20-%20Final%20Edits.pdf>

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- For example, a participant with Asperger's found that [a provider] were not able to offer him any support to understand why his bills were higher than expected when he disclosed this and his level of income to them (see case study below).

### **CASE STUDY: Alex, 45-54, Consumer living with multiple conditions, Nottingham**

Alex lives with his wife and stepdaughter, and has Asperger's syndrome, a damaged shoulder, and Myalgic Encephalomyelitis (ME). He has not worked for a long time.

He lives in a relatively quiet neighbourhood of Nottingham, but does describe it as having some 'rough areas'. Last year his wife had her car set on fire outside of their house in an unprovoked and unexplained attack. This has made them feel very unsafe and uncomfortable in their own home. It has also meant that this his wife was unable to keep her job as an estate agent, as she needs transport. They've tried a number of tactics to ease their finances, such as recently going vegetarian, but money has been a 'struggle' since this incident.

Alex is on a £6 monthly contract with his mobile provider, which he sees as good value for money because this cost feels relatively low, even though he knows that there may be better deals out there. On one occasion, however, Alex feels that he got poor value for money, his provider tried to charge him a 'huge amount', £30, for exceeding his minutes. He feels he was deliberately not warned about this charge, and that the provider made no allowances for his circumstances as a consumer on a low income and the difficulties he faces in communicating as a result of having Asperger's.

*"They sent me an e-mail saying your bill will be higher and I couldn't understand why it was so big as I had deliberately kept it on a contract that is as cheap as possible. They didn't give me any warning or anything [about going over free minutes] and so I kept using it. I tried to explain to them that I'm on a low income and that it had never been explained to me. I said that as I've got Asperger's some things are not 100% clear to me. They told me what the cost was [when the contract was set up] but not the small print. They shouldn't hide the little things where they try to get money off the consumer."*



**CASE STUDY: Susie, 18-24, Consumer on a low income, Rhyl**

Susie is a single mother of two young children and moved to her new council house two months ago. She has twice had negative experiences of trying to exit broadband contracts early. When she moved to her last council house, she tried to transfer her existing contract to the new house. They tried to charge her a £200 cancellation fee, even though she wanted to remain a customer with them. She felt that she had no choice but to pay the fee.

When she left that house to move to her current home, again the provider tried to charge her a cancellation fee, which she feels is unfair as she had only recently paid them a large cancellation fee to transfer the previous contract to her new property. After this she has sworn never to use this provider again. She refused to pay the cancellation fee, but this was very difficult and costly to resolve over the phone.

*“I used all my minutes, it probably cost more than my month's internet to ring them up... I will never go back with them again.”*

## 5.5: Getting a good deal in the energy market

Services covered in the energy market included gas, electricity and alternatives for those living ‘off-grid’ in rural areas (e.g. those using heating oil). These markets were explored in the context of significant regulatory intervention in this market, including price caps<sup>32</sup>, and some statutory obligations on suppliers to provide support to vulnerable consumers through initiatives such as the Priority Services Register<sup>33</sup>.

### 5.5.1 Overview of the energy market

This table introduces the key findings outlined in the remainder of this sub-chapter. For further detail, please refer to the corresponding section.

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<sup>32</sup> See Ofgem energy price caps webpage. [https://www.ofgem.gov.uk/energy-price-caps/consumers?gclid=Cj0KCQiA6JjgBRDbARIsANfu58ERZVHocDFmxzqrUI5peRk1NBKpjlPQjSEblvaQaPI-sefol7RHznUaAmeQEALw\\_wcB](https://www.ofgem.gov.uk/energy-price-caps/consumers?gclid=Cj0KCQiA6JjgBRDbARIsANfu58ERZVHocDFmxzqrUI5peRk1NBKpjlPQjSEblvaQaPI-sefol7RHznUaAmeQEALw_wcB)

<sup>33</sup> See Ofgem Priority Services Register webpage. <https://www.ofgem.gov.uk/consumers/household-gas-and-electricity-guide/extra-help-energy-services/priority-services-register-people-need>

Figure 12: Overview of participants' experiences of the energy market

<p><b>Engagement and interest in this market</b></p> <p><i>See 5.5.2 for further detail</i></p>	<ul style="list-style-type: none"> <li>• This market feels most important to most vulnerable consumers, and is one on which many find themselves very reliant.</li> <li>• This is particularly true of older consumers, those with physical health conditions, and those with caring responsibilities.</li> </ul>
<p><b>Switching, shopping around and negotiating behaviours in this market</b></p> <p><i>See 5.5.3 for further detail</i></p>	<ul style="list-style-type: none"> <li>• Unlike the telecommunications market, getting a better deal in the energy market is closely associated with the concept of switching provider, as opposed to negotiating a better deal with an existing supplier.</li> <li>• In practice, vulnerable consumers often feel reluctant to switch in this market for fear of compromising the reliability of a service that they consider to be absolutely essential.</li> <li>• Experiences of switching among vulnerable consumers in this market have been mixed and some have chosen to return to their existing provider.</li> </ul>
<p><b>Features of this market seen to be supporting consumers to get a good deal</b></p> <p><i>See 5.5.4 for further detail</i></p>	<ul style="list-style-type: none"> <li>• There are a number of features of this market which are felt to offer vulnerable consumers specifically greater value for money.</li> <li>• These include perceived flexibility for vulnerable consumers, financial support, and services which seem to afford consumers greater control over their spending, such as pre-payment meters.</li> <li>• Vulnerable consumers often credited their provider with giving them good value by offering them support and flexibility, when these providers may simply be fulfilling their regulatory or statutory obligations, for example not disconnecting customers eligible for the Priority Services Register during winter months.</li> </ul>
<p><b>Features of this market seen to prevent consumers from getting a good deal</b></p> <p><i>See 5.5.5 for further detail</i></p>	<ul style="list-style-type: none"> <li>• Both vulnerable and control group consumers identify perceived barriers related to clarity and transparency in this market – particularly in terminology – which make it hard for them to determine whether they are getting a good deal.</li> <li>• Vulnerable consumers also highlighted other perceived barriers including limited choice, inconsistencies in support between providers, and estimated billing as offering them poor value for</li> </ul>



	money and making it harder for them to get a good deal.
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### 5.5.2 Engagement and interest in this market

While interest in the energy market was in some ways lower than for the telecommunications market among both vulnerable and control group consumers - in that participants could not recount the key information about their energy providers and contracts nearly so readily or in so much detail - energy *is* perceived to be an important market and an essential service.

This view was particularly strongly held by vulnerable consumers, and a number of groups of vulnerable consumers were particularly reliant on their energy services due in part to their vulnerability:

- Older consumers and consumers with physical long-term health conditions who are retired or unable to work were spending more time at home, driving up their energy usage, and often placed a greater importance on heating than younger groups and those without any physical conditions.
- Consumers with particularly severe health conditions were in some cases reliant on an uninterrupted energy supply to power medical equipment, such as an oxygen device.
- Consumers with caring responsibilities for people with health conditions were sometimes washing (and tumble drying) a far greater volume of bedding and clothes than they would have done otherwise because bedding was regularly being soiled.

In addition, some vulnerable consumers found that they were prompted to think about their energy more regularly than they might be in other service markets as a result of their mode of payment. Reflecting other research which suggests that approximately a third of consumers on low incomes are paying for their electricity or gas on a pre-payment meter<sup>34</sup>, usage of pre-payment meters was common across the sample. These consumers often found themselves prompted to engage with their energy services on a frequent basis to ensure that their meter is sufficiently topped up. For many consumers on a low income, this is welcomed as means of feeling in

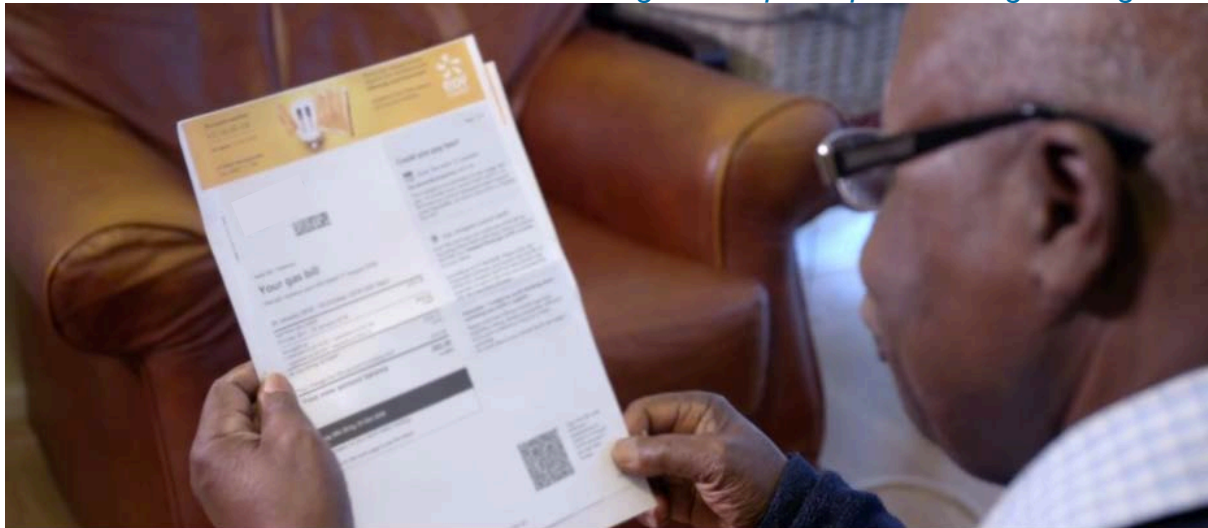
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<sup>34</sup> See Bristol University: Making the poverty premium history: a practical guide for business and policy makers (2017). [http://www.bris.ac.uk/media-library/sites/geography/pfrc/pfrc1710\\_making-the-poverty-premium-history.pdf](http://www.bris.ac.uk/media-library/sites/geography/pfrc/pfrc1710_making-the-poverty-premium-history.pdf)

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control of their payments and their energy usage, rather than a burden, and awareness of a potential 'poverty premium'<sup>35</sup> is typically low.

*Image 13: A participant looking at his gas bill*



### ***CASE STUDY: Sally, 65-74, Living with a physical disability, Glasgow***

Sally has Chronic Obstructive Pulmonary Disorder (COPD) and a bowel condition, and lives with her elderly brother who has suffered a stroke and two heart attacks. Their health conditions mean that their bedding and clothes are regularly soiled, and so the washing machine and tumble dryer are 'constantly' running.

Recently, Sally's COPD has become worse, so she now uses an oxygen tank which has to be plugged into the electricity supply. It also means she spends much more time at home than she used to, usually watching TV or phoning friends.

*"I don't think people have the right information on tariffs. People aren't educated, they don't know what it means."*

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<sup>35</sup> The 'poverty premium' is the pattern whereby consumers on low incomes can pay more for the same products or services than people who are better off financially.

**CASE STUDY: Karen, 35-44, Living with a mental health problem, Glasgow**

Karen is a single parent of 3 sons under the age of 12, living with severe depression and anxiety, which can lead her to bouts of high spending. She got in to trouble with her electricity payments – with Scottish Gas writing off £1,400 of her debt – so she had to have a pre-payment meter installed. She doesn't know if it has to be a permanent thing or if she could do anything to get rid of it, but she says that she is pretty happy with for now.

She says that with her pre-payment meter, energy and gas always seems to last longer and cost less, although she doesn't know what tariff she is on. She feels she notices her electricity usage more than when she was paying by direct debit, which helps her to manage it. When she was paying (estimated bills) by direct debit, her bill was changing from month to month, which is a bad thing for her, as she feels that she needs stability both for her finances and mental health.

*“If they were a day late taking the money for the bill, I'd spend it. You think you should treat yourself, that it'll make you feel better, but it doesn't, it just puts you in to bother.”*

**5.5.3. Switching, shopping around and negotiating behaviours in this market**

For both vulnerable and control group consumers, getting a better deal in the energy market is closely associated with switching provider, and participants in both cohorts were less likely to describe negotiating with their existing providers in this market to get a better deal than they were in telecommunications. For control group consumers, the emphasis on switching as opposed to negotiating with existing providers seemed to reflect in part reduced impetus to remain with the same provider when the basic service being offered across the energy market seems to be 'much of a muchness' (unlike pay TV, for example, when only one provider may be able to offer a particular channel).

*“I have an app. It tells you when you can come out of your period and makes comparisons... generally it's been good.”*  
(Control group consumer, London)

*“Mortgages and credit can be quite complex. Energy and telecoms, I find it easier to compare like for like.”*  
(Control group consumer, Nottingham)

While the control group and the more confident of the vulnerable consumers interviewed described themselves as playing an active role in switching and

## Getting a good deal on a low income

shopping around for their energy – usually using a price comparison website – a significant minority of the vulnerable consumer sample who had engaged in switching behaviours in this market had been *prompted* to do so rather than doing so out of active choice.

- Of all markets, vulnerable consumers were most likely to report being visited at home by canvassers representing different energy providers, often perceived to be newer entrants to the market rather than ‘big six’ providers. There is some perception that canvassers are particularly likely to target large housing developments such as council estates, and people who are more likely to be at home during the day.
- Several vulnerable consumers interviewed had switched as a result of one of these home visits. These consumers were often, but not always, older consumers less confident in using the internet and who felt positive about canvassers as a means of finding out about new deals. In one case, an older consumer had switched energy provider because she felt sorry for the canvasser having to work in the pouring rain.
- While some consumers had found themselves better off as a result of switching in this way, others felt more negative, finding that the price quickly increased with their new provider with little explanation as to why. In these cases, these consumers had often returned to their original provider for fear of making the same mistake again.

*"[Visits from canvassers] is the only way you actually find out: a lot of things are not advertised... I'm computer illiterate."*

(Consumer on a low income who has a mental health problem, 55-64, Glasgow)

### **CASE STUDY: Rhiannon, 18-25, Consumer on a low income, Rhyl**

Rhiannon is a single mum of a four year old, working part time as a store assistant. She was prompted to switch her energy supplier after coming across a stall at a carnival. She says that normally she would have ‘told them to go away’, but for some reason she walked past and got chatting. She did not want to sign up there and then, but agreed to have a canvasser visit her house a few days later.

When the canvasser came to visit, she really liked her, and felt she was very honest, for example by telling her about better deals on offer with other companies. The provider handled all the switching, which made it very easy, and she is now saving money. Now all of her family members have signed up to the same provider, as she’s had such a positive experience. But she emphasised that

without meeting the person at the carnival she would have left the idea of switching 'at the back of her mind'.

*"Looking back at it now, I was always topping up but hadn't thought about switching."*

For a significant proportion of vulnerable consumers, the potential cost savings associated with switching in the energy market were simply not attractive enough to risk disrupting a service on which they feel so reliant. Specifically, vulnerable consumers are often concerned about:

- Any potential disruption to their energy supply, with many who do not have any personal experience of switching in this market uncertain about how this will work and believing that it is likely to be complex and cumbersome.
- The risk of unexpected charges and bills as a result of moving to a different tariff or provider. This is a market in which billing is felt to be particularly complex and where prices are almost always seen to be increasing rather than decreasing, and there is unwillingness to stray away from a provider with whom consumers feel they have an established routine.
- Losing access to forms of support such as the Warm Home Discount, which are believed to be associated with only certain providers.
  - Some vulnerable consumers may have been mistaking regulatory requirements on providers as instances of their supplier showing them particular loyalty or understanding, for example not cutting off their supply with they fell into arrears (suppliers are prohibited from disconnecting a premises occupied by a customer on the Priority Services Register in the winter months<sup>36</sup>).

Finally, there are some vulnerable consumers who have discounted switching in the energy market as an option open to them because they have been told or have heard that they will not be able to do so. Several consumers held the perception that customers on pre-payment meters cannot switch, and consumers with more niche types of energy requirement (such as storage heaters) had found that no energy providers were able to offer them any quotes when using a leading price comparison website.

*"It costs a bit more money, but at our age you've got to have reliability and satisfaction."*

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<sup>36</sup> See Ofgem disconnections rules webpage. <https://www.ofgem.gov.uk/consumers/household-gas-and-electricity-guide/who-contact-if-its-difficult-paying-energy-bills/energy-supply-disconnection-and-prepayment-meter-rules>

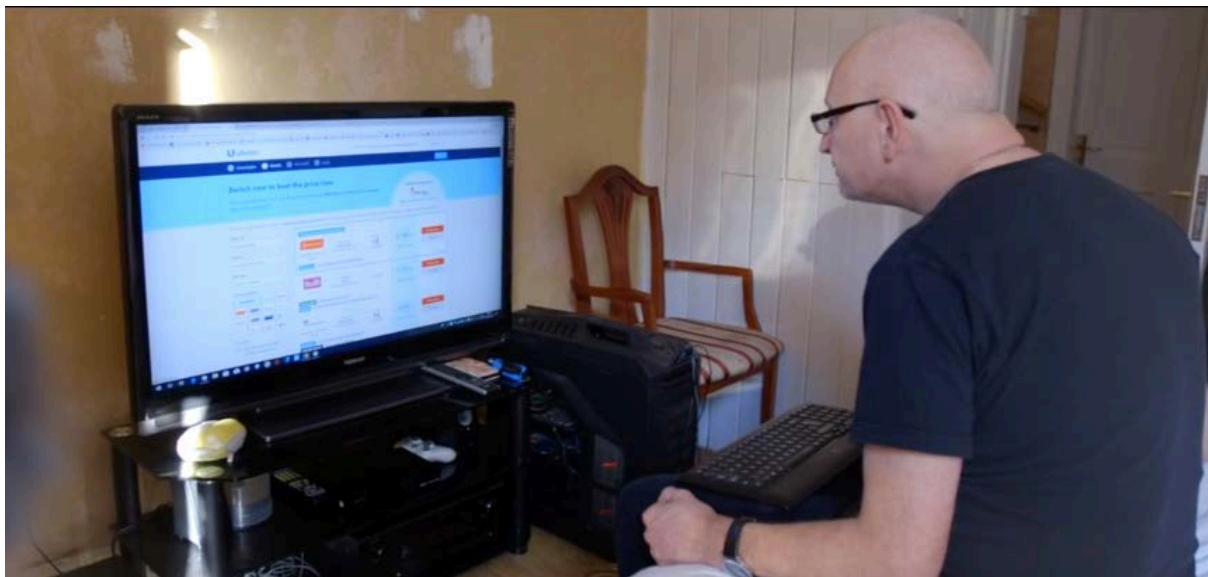
## Getting a good deal on a low income

(Consumer on a low income who has a physical impairment/condition, 75+,  
Glasgow)

*"I don't feel like I need to switch. I'm happy with who I am with and I don't pay a lot so  
it's not a massive expense."*

(Consumer on a low income who has a physical impairment/condition, 25-34,  
Watford)

*Image 14: A participant reviewing a price comparison website search for the energy market on his desktop computer*



### ***CASE STUDY: Mel, 25-34, Consumer on a low income, Watford***

Mel is a single mother and a full-time carer to her six year old son, who has Type 1 diabetes and a number of other related health conditions. It is imperative for his health that he stays warm, and Mel is unwilling to take any risks with her heating after her son was hospitalised and became close to losing his fingers in the very cold weather earlier this year.

Mel has a pre-payment meter with her energy provider. She is certain that she could be paying less for her energy if she wanted to, but she is aware that only some providers offer the Warm Home Discount and is very worried about any disruption to her payments. She has heard she'll have to start all over again with an application for the discount if she switches, so she says she would rather stick with her current provider.



*"I think they're expensive but I think that I'm stuck. I've heard that you lose your Warm Home Discount if you switch, you've got to start from scratch with claiming it again and you can lose out on it, and if you've got any credit left [on your pre-payment meter] when you switch, you don't get it back. It's Catch 22. Switching would just be another thing to battle with."*

### 5.5.4 Features of this market perceived to be supporting consumers to get a good deal

Beyond securing a cheaper price for their energy (usually having used a price comparison website), control group consumers found it difficult to pinpoint specific practices or examples in the energy market that left them feeling like they were getting a good deal or good value for money. By contrast, vulnerable consumers were quick to identify three areas in which they feel that their energy providers are currently offering them value for money:

- ✓ **Modes of payment which afford consumers greater control.** Pre-payment meters were often mentioned spontaneously as an example where vulnerable consumers felt that they were getting value for money because of the perception that they give the consumer greater control over their spending and energy usage. Many consumers particularly welcomed the reduced risk of unexpected charges with pre-payment meters that they associated with estimated billing.
  - Based on these perceived advantages, some (though not all) vulnerable consumers strongly held the view that pre-payment meters are the cheapest option available to them for their energy. Awareness that direct debit tariffs are often significantly cheaper than pre-payment tariffs<sup>37</sup> was typically low.
- ✓ **Flexibility and understanding.** Of all the markets, consumers were most likely to describe being shown flexibility and understanding by their energy provider in periods in which their finances were particularly tight, or their vulnerability particularly pronounced. Examples included their provider showing leniency on debt repayments, providers wiping off debt, the ability to change dates for direct debit payments, priority call-outs in the event of a problem with their supply (a small number explicitly referred to this as the Priority Services Register), and free engineer visits to move meters for consumers unable to access them because of a physical disability. While some of these positive experiences may stem from statutory obligations or regulatory action in this market, most consumers saw this as their provider choosing to go 'above and beyond'.

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<sup>37</sup> CMA: Energy market investigation final report (2016)



## Getting a good deal on a low income

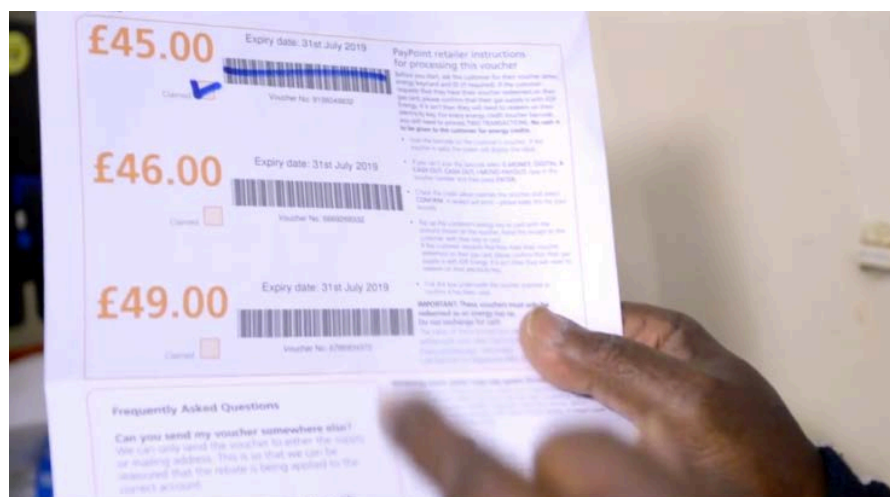
- Energy was the only market in which participants felt that they had been shown any particular flexibility or offered support as a result of a mental – as opposed to physical – health condition. One interviewee with a mental health problem found when switching to a new energy provider, whom she came across after being visited by a canvasser, that she had been put through to ‘excellent’ staff who seemed to be trained to understand her needs as a result of her vulnerability. As part of the call, she was able to explain her condition, and was offered a number of modes of contact to best suit her needs (for example large print letters because she finds reading difficult, and reminder calls ahead of appointments because she finds she often forgets her schedule). She felt that this experience contrasted particularly strongly with her interactions with the telecommunications market.
- ✓ **Financial support.** A significant proportion of vulnerable consumers in the sample were receiving some form of financial support in relation to their energy. As well as the Warm Home Discount, forms of financial support mentioned included grants from an energy provider’s Trust, and a £50 discount offered by another provider to a consumer as a result of her disability.

*“I pay £15 a week gas and £10 a week electric. The pre-payment meter feels cheaper, I don’t think any other option would save me money.”*  
(Consumer on a low income who has a mental health problem, 25-34, Belfast)

*“I’m on the Priority Service Register because of my disability. I was told about it when I contacted [my energy supplier] about the Warm Home Discount, after I heard about it from a savings group on Facebook. It makes a big difference having £140 off my electric. It means my direct debit doesn’t shoot up.”*  
(Consumer on a low income who has a physical impairment/condition, 45-54, Watford)

*Image 15: A participant showing his Warm Home Discount vouchers*

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### 5.5.5 Features of this market perceived to prevent consumers from getting a good deal

Both vulnerable and control group consumers identified a common challenge in the energy market which might prevent them from getting a good deal:

- × **Clarity and transparency.** The language in this market is felt to be especially complex, and particularly far removed from 'real life' experience. No consumers in either the vulnerable or control group sample felt that they truly understood terminology such as kilowatt hours, making it difficult to compare between tariffs and to relate them to their needs. This compares negatively to the telecommunications market in which the units sold are felt to align more closely with the way that they use these services as a consumer (e.g. texts and minutes).
  - Significant proportions of both control group and vulnerable consumers believed that energy providers deliberately use complex terminology in order to confuse and disempower consumers. This perception was reinforced by the belief that prices always rise in the energy market, and that the sector is particularly profit driven, based both on personal experiences of bill increases, and negative media coverage of the sector. This did not typically extend as far as consumers describing recent regulatory interventions in this market – such as price caps – but there seemed to be low level awareness that the energy sector has been under particular scrutiny in recent years.

*"[It's] the usual corporate bullshit, they say they're going green or whatever... it's all to do with profit."  
(Consumer on a low income, 55-64, Glasgow)*

*"I don't get a gas bill as its pre-pay. I can only get a receipt for topping it up but not for their workings out. I don't know which tariff I'm on – I've taken their word for it. I don't know how I would find out if I am actually on [the best tariff] or not."*

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(Consumer on a low income who has a mental health problem, 35-44, Watford)

Beyond this, most other challenges were identified by vulnerable consumers alone, and included:

- × **Limited choice.** While control group consumers had often found a range of options available to them when they had looked to switch or shop around in this market, vulnerable consumers often found that their choices were more limited. For example, those living 'off-grid' (for example in rural Wales, and approximately half of participants living in Belfast) felt that they were able to consider only a restricted set of products, such as heating oil as opposed to gas, which in turn has to be bought in larger amounts, requiring larger upfront payments. Consumers living in social or private rented accommodation often felt restricted by decisions made by their landlord, such as installing storage heaters or a pre-payment meter.
- × **Inconsistencies in support.** Although support is perceived to be more widely available in the energy sector than any other market, experiences of support varied significantly between provider, and even between some consumers' experiences of the same provider. There is a perception that only some suppliers offer the Warm Home Discount, and that the onus is on the consumer to find out about and apply for it. Some consumers believed that the discount was deliberately poorly advertised by providers.
- × **Incompatibility between estimated billing and the need for certainty in relation to finances.** Vulnerable consumers, and particularly those towards the bottom of the low income bracket, tend to believe that it is critical that they know where they stand with their money at any one time. For these consumers, estimated billing is directly incompatible with their need for certainty and consistency. It was also felt to greatly increase the risk of receiving unexpected bills which they do not feel able to afford.
  - These consumers often saw pre-payment meters as a preferable option. A smaller number alluded to fixed direct debit billing, whereby their forecasted annual energy usage was split into 12 equal monthly payments.

*"They don't tell you about it. If you don't apply for [the Warm Home Discount], you don't automatically get put on it. I have missed a year previously as I got muddled up with the date."*

(Consumer living with multiple conditions, 45-54, Nottingham)

*"I had a period with them [energy provider] where I kept sending off readings, but I kept on receiving an estimated bill. I was getting frustrated and felt I was paying too much. You would ring up and it would be difficult to get to the right person, you'd be passed around from one department to the other, and then you'd have to start your story all over again."*

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(Consumer on a low income who has a physical impairment/condition, 75+, Watford)

### 5.6: Getting a good deal in the insurance market

Products covered in the insurance market included home insurance (both contents and building insurance, where applicable), motor insurance, and, to a lesser extent travel insurance, life insurance and cover for specific items (e.g. white goods cover). These products were explored in the context of some regulatory intervention in this market, including the recent introduction of auto renewal notices<sup>38</sup>.

#### 5.6.1 Overview of the insurance market

This table introduces the key findings outlined in the remainder of this sub-chapter. For further detail, please refer to the corresponding section.

*Figure 13: Overview of participants' experiences of the insurance market*

<p><b>Engagement and interest in this market</b></p> <p><i>See 5.6.2 for further detail</i></p>	<ul style="list-style-type: none"><li>• On the face of it, this market has the lowest engagement: both vulnerable and control group consumers often struggled to recount even basic information about their providers.</li><li>• It is also one of which vulnerable consumers often have only limited experience. Many do not hold insurance policies unless they have a legal obligation to do so (e.g. motor insurance), and many do not see other forms of insurance as 'for them'.</li></ul>
<p><b>Switching, shopping around and negotiating behaviours in this market</b></p> <p><i>See 5.6.3 for further detail</i></p>	<ul style="list-style-type: none"><li>• Despite low engagement with their current provider, this was the market in which control group and vulnerable consumers (who had insurance products) were most likely to be switching and shopping around.</li><li>• Few felt any loyalty towards their provider, most were viewing their insurance as a transaction, and some were more willing to take a risk and compromise on reliability than they were in other markets.</li><li>• However, there are a small number of vulnerable consumers who appear to be sticking in this market as a result of misconceived loyalty, e.g. believing that</li></ul>

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<sup>38</sup> See FCA transparency in insurance renewals webpage. <https://www.fca.org.uk/firms/transparency-insurance-renewals>

	<p>their no claims discount is restricted to one supplier and a reward for loyalty to the same supplier.</p>
<p><b>Features of this market seen to be supporting consumers to get a good deal</b></p> <p><i>See 5.6.4 for further detail</i></p>	<ul style="list-style-type: none"> <li>• Vulnerable and control group consumers identified a number of features of this market which were felt to support getting a good deal, including: <ul style="list-style-type: none"> <li>○ Bundled policies (e.g. multi-car discounts);</li> <li>○ Opportunities to reduce premiums as a result of responsible behaviour (e.g. black box insurance);</li> <li>○ Renewal notices, which were generally felt to be clear, well timed and had often prompted engagement in this market.</li> </ul> </li> <li>• There were no features of this market which were felt to be supporting consumers to get a good deal which were specific to vulnerable consumers only.</li> </ul>
<p><b>Features of this market seen to prevent consumers from getting a good deal</b></p> <p><i>See 5.6.5 for further detail</i></p>	<ul style="list-style-type: none"> <li>• Perceived issues with clarity and transparency both overall and in relation to pricing specifically mean that this market is far too complex for most consumers to be able to work out if they are getting a good deal. This challenge is felt by all consumers, but is much more pronounced for vulnerable consumers, with the impacts of misunderstanding a policy far more detrimental for this group.</li> <li>• There are also felt to be some additional perceived barriers specific to vulnerable consumers in this market, including: <ul style="list-style-type: none"> <li>○ Being penalised for factors outside their control;</li> <li>○ A lack of understanding or support for vulnerable consumers;</li> <li>○ A lack of flexibility in modes of payment or when consumers' circumstances change.</li> </ul> </li> </ul>

*Image 16: A participant opening her car door*



### 5.6.2 Engagement and interest in this market

Experiences of and attitudes towards insurance diverged markedly between the control group and vulnerable consumer sample. While control group consumers often regarded insurance to be a necessity to protect their property, income or health, many vulnerable consumers interviewed had little to no experience of the insurance market, reflecting existing research which suggests that consumers on low incomes and those with mental health problems are less likely to have access to insurance products including contents insurance<sup>39</sup>. Those who were buying insurance were often only purchasing products they felt they really had to for legal reasons – primarily motor insurance.

*“Being burgled made me realise that home insurance is really important. Now I read the fine print.”*

(Control group consumer, London)

*“You have to pay attention to the excess... I change my car insurance every year, I don’t just get the cheapest one.”*

(Control group consumer, London)

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<sup>39</sup> See Citizens Advice: The insurance loyalty penalty: unfair pricing in the home insurance market (2017).

<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Report%20-%20Insurance%20loyalty%20penalty.pdf>



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Many of the vulnerable consumers interviewed considered insurance products to be 'out of reach' for them for a number of reasons, including:

- **Affordability.** In the context that few of these consumer on a low incomes felt that they had any money to spare, many felt that they could not afford to spend money on a product or service which they did not consider to be a necessity. In particular, sacrificing money right now for an intangible and unlikely eventuality that might occur in the future was at odds with the 'right here, right now' philosophy with which many approached managing their money.
- **Lack of necessity.** Beyond motor insurance, very few had any strong (e.g. legal) reason to take out an insurance product. Compared to the control group, relatively few vulnerable consumers in the sample were homeowners or had a mortgage, meaning that they had no obligation to take out buildings insurance.
  - There was also a perception of having little to protect. Many of the younger consumer on a low incomes interviewed in particular felt that they had relatively little to lose in a burglary or accident, and some of those who did feel that they had valuable possessions to protect considered insurance to be a last resort behind having a guard dog or an alarm system.
- **Risk of being penalised.** Several of those interviewed felt that they live in areas which are known to be at greater risk of crime, while those with long-term health conditions were aware that their condition would have an impact on the cost of travel insurance and other similar forms of cover. As a result, they often believed that the cost of insurance products would be disproportionately high to them.

*"I haven't got loads of assets. I'm banking on not having anything major happen to the entire of the house."*

(Consumer on a low income who has a mental health problem, 35-44, Nottingham)

*"I need to look into it [contents insurance] but I have no idea what a good price is. I have no idea what it should cost or what good value is."*

(Consumer on a low income who has a physical impairment/condition, 18-24, London)

Engagement with insurance products among vulnerable consumers who did have these products, however, was closely comparable to that amongst control group participants. Consumers in both cohorts tended to see little reason to engage with their insurance products unless they were seeking to make a claim. Reflecting this, a majority of consumers in both samples found it difficult to recount even basic information about their insurance products, and particularly contents insurance



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where this was relevant. In many cases both vulnerable and control group consumers could not remember the name of their insurance provider.

*“I wouldn't have a clue who our insurer is. You buy it in the hope you'll never need to use it so it's not something you like to think about very much. You buy it in case the worst happens, in case you get burgled or your house burns.”*

(Consumer on a low income who has a mental health problem, 45-54, Watford)

*“My home insurance is now with my housing association...I was paying £11 per month, and they've done a deal with [someone].”*

(Consumer on a low income who has a physical impairment/condition, 45-54, Watford)

### 5.6.3. Switching, shopping around and negotiating behaviours in this market

Somewhat paradoxically, despite low levels of engagement in this market, control group and vulnerable consumers alike were most likely to describe personal experiences of switching and shopping around in the insurance market, reflecting other research which suggests that switching is most common in relation to insurance<sup>40</sup>. Moreover, the limited engagement which consumers reported having with their suppliers seemed in many ways to break down the barriers to switching that they felt in many other markets, because:

- **Few felt any loyalty or affinity towards their insurance providers.** For both control group consumers and vulnerable consumers who owned insurance products, their relationship with their insurance provider was purely transactional. Many seemed to frame their insurance renewal more like they would a major one-off purchase, such as buying a new electrical item, than as a long-standing, continuing service. This seemed to be driven at least in part by the perception that insurance premiums are typically paid annually rather than more frequently, and that it is *significantly* cheaper to do so, meaning that paying for insurance feels like a one-off event to the consumer.
- **Consumers feel less reliant on their insurance than they do other services and particularly their energy.** Some vulnerable consumers who would not countenance risking any disruption to their energy (and sometimes telecommunications) services were far more willing to take a risk and ‘hope for the best’ in relation to their insurance.
- **The value for money equation feels simpler and more clearly price driven.** With limited engagement with their provider, vulnerable consumers

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<sup>40</sup> See Social Market Foundation: Stick or Switch? Making markets fairer and more competitive (2017). <http://www.smf.co.uk/wp-content/uploads/2017/10/WEB-OF-STICK-SWITCH.pdf>

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feel that they have little ability to judge them on the factors such as showing flexibility and understanding which emerge as very important in other markets. Many were purchasing insurance purely on the basis of who could offer them the cheapest deal.

- **It is assumed that switching will be simpler and more straightforward.** Some consumers imagine that the process of switching services which are constantly in use or which require some physical equipment (e.g. energy, telecommunications) will be complex and painful. Because insurance feels more removed from everyday life, vulnerable and control group consumers tended to feel less concerned about potential problems related to switching in insurance than in other markets.
- **In addition to these factors, many vulnerable and control group consumers felt that they were being prompted or nudged to shop around in relation to their insurance in a way that they weren't in other markets.** This perception was driven by actions resulting from regulatory intervention, including consumers receiving renewal notices, but also communications from third parties such as price comparison websites contacting customers on the anniversary of purchasing an insurance product. This is outlined in further detail in the next section.

For a small group of vulnerable consumers, however, there was a sense of loyalty towards their insurance providers, and a reluctance to switch as a result. Much like in the energy market, in some cases this sense of loyalty seemed to stem from standard or regulator-driven industry practices which a small number of vulnerable consumers were misinterpreting as their provider rewarding loyalty or 'going above and beyond'. Examples included:

- Some consumers sticking with their motor insurance provider in order to keep their no claims bonus, not realising that this could be transferred between providers.
- Some consumers renewing with their contents insurer after making a claim because they had been impressed with how their claim had been handled.
  - In practice, this often amounted to the supplier simply fulfilling their contractual obligations, for example paying out when they said that they would for the items covered by their policy, but some consumers felt that their providers had exceeded their obligations, for example redecorating a whole property when only one room had been damaged in a flood.
  - Vulnerable consumers were more likely to describe renewing with the same provider after such an experience than control group consumers, who were often more confident that they would and should get the same level of service from another provider.

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- Consumers sticking with their provider because they believe no other insurer will be prepared to cover them. This was particularly pronounced for consumers with long-term health conditions, and older consumers.

### **CASE STUDY: Lara, 25-34, Consumer on a low income, Nottingham**

Lara is a busy single mother of a 5-year old, juggling working as a swimming teacher and at a charity for children with autism with her own childcare responsibilities. She describes her life as 'hectic, non-stop and independent'. She holds both contents and buildings insurance policies with the same provider, which she pays monthly to keep closer track of her spending and because she could not afford to do so annually.

Switching in this market is not Laura's priority as she feels that her current provider are a good supplier, particularly after she claimed for a paint spill, and found their service better and quicker than she expected. She also expected her premium to go up as a result of making a claim, but was surprised that the increase was as low as between £1-2 per month. This felt reasonable and Lara still felt that she was getting value for money from this provider.

*"The premium has gone up, but I haven't looked to move to anyone as they were really good, and it's not gone up by much. For the easy service I've had, I've stuck with it."*

### **CASE STUDY: Monica, 75-84, Living with a physical disability, Colne**

Monica lives alone and has been a widow for ten years. She has mobility issues and long-term pain from osteoarthritis. The pain can cause her problems when standing for longer periods of time and with walking. She feels that she has a relatively busy social life due to being very involved with her church and feels that her neighbours and community all look out for one another. She does not use the internet at all, but gets help from friends when she does need to complete processes online (for example, recently renewing her driving licence online).

She pays £650 a year for her car insurance and she finds that this keeps increasing every year. She has never made a claim, but is loath to try and negotiate a better deal for fear of having to pay even more because of her age. She has previously tried to renew her car insurance online with the help of her

neighbour (and thereby save £20) but found the process too much to do in one sitting and has not tried again since.

*“I daren't quibble with it because of my age they might decide to charge me even more.”*

#### 5.6.4 Features of this market perceived to be supporting consumers to get a good deal

Vulnerable and control group consumers generally pointed to the same specific practices in the insurance market which they felt might be supporting them to achieve better value for money:

- ✓ **Bundled policies, e.g. multi-car discounts and cover provided as part of a packaged bank account.** Much like in the telecommunications market, there is a perception that, in theory, buying multiple products at once, from the same provider, reduces hassle to the consumer and has the potential to save them money. Control group and the small number of vulnerable consumers who had these types of products found it more difficult to ascertain whether they were getting value for money in practice.
- ✓ **Opportunities to reduce prices as a result of responsible behaviour,** including the no claims bonus in the motor insurance market, though a small number of vulnerable consumers interpreted this bonus as requiring them to stay with their current provider because they did not realise that they could transfer the discount. A very small number of vulnerable and control group consumers referenced telematics, including black box and dashcam motor insurance, as an example of their provider giving them greater control over their spending and the opportunity to save money. This is felt to be particularly beneficial to younger drivers who otherwise face very expensive policies.
- ✓ **Renewal notices.** Of all four markets, vulnerable and control group consumers were most likely to report having seen renewal notices or similar communications in the insurance market in recent years, likely as a result of regulatory intervention in this market<sup>41</sup>, though consumers did not make this link themselves. Often, it was receiving a renewal notice that had nudged the consumer into switching or shopping around. These notices had stood out for a number of reasons:

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<sup>41</sup> See FCA transparency in insurance renewals webpage. <https://www.fca.org.uk/firms/transparency-insurance-renewals>

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- In contrast to other markets and particularly telecommunications and credit, consumers feel that they hear from their insurance providers relatively infrequently. This meant that they were less likely to dismiss the communication.
- The notice was generally factual and straightforward. It was rarely seen to be 'dressed up' as a marketing ploy by providers to keep their customers. Few mistrusted their providers' motivations when they saw the notice in practice.
- The notice was felt to set out clearly what they had paid for their insurance last year, and what their existing provider proposed charging them for the coming year's cover. This was felt to put slightly less onus on the consumer to do all the hard work in tracking down their contract and checking their existing supplier before shopping around (online).
- The timeframes for renewal and the implications of inaction were felt to be relatively clearly laid out. Most consumers who had seen a renewal notice believed that they had received it 3-4 weeks before the point of their contract expiring, which felt like the right balance between communicating ahead of time, but not so early that it might be forgotten about.

### 5.6.5 Features of this market perceived to prevent consumers from getting a good deal

Although there is positivity about these specific actions as a means of (seemingly) rewarding loyalty and encouraging consumers to look for a good deal, as a whole, the insurance market was viewed as far too complex and inflexible for many consumers to be confident that they are getting a good deal. While control group consumers described some of the same challenges as vulnerable consumers, they were seen to be far more severe and the impacts far more detrimental by the vulnerable consumer sample:

- ✘ **Lack of clarity and transparency overall.** The language in the insurance market is felt to be very complex and was, for many, the most challenging to understand of all the four markets. Compared to the control group consumers, vulnerable consumers were particularly unlikely to reference key terms in relation to this market, such as policy schedules, key facts documents, excesses and premiums.
  - This means that, for less confident vulnerable consumers in particular, it is impossible for them to know whether they are getting value for money in the insurance market, because they are not entirely sure what they are buying and whether it truly fulfils their needs.
  - Several vulnerable consumers had instances where they felt that they had been 'caught out' by the small print in their insurance policies. This was

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particularly the case for vulnerable consumers who felt that their case was in any way outside the norm.

- For example, one elderly participant had held boiler cover for 3-4 years, but when his boiler broke down just before Christmas, the insurer said they would not repair it again because the boiler was now too old. In this case the participant was lucky that their neighbour is a subeditor of a major newspaper in Glasgow, and threatened to run it as a story, leading to the insurer fixing it immediately. However, the participant felt without access to that influence, they would have been left in the cold over winter.
- For vulnerable consumers who are particularly time poor, such as those with caring responsibilities and dependent children, concerns that they will need to wade through their policy documents in order to make a valid claim can be a barrier to claiming even among those who hold insurance cover. One participant who was badly flooded never claimed on her contents insurance because she felt that she simply could not face it after months of 'battling' the council to repair her property and find alternative accommodation near to her son's school (see case study below).
- × **Lack of clarity and transparency in pricing specifically.** While consumers feel that in other service markets and particularly the energy market, their prices go up year after year no matter what, pricing is felt to be most random and arbitrary in the insurance market. This view is driven by:
  - Unpleasant surprises at renewal stage when the cost of a premium has increased significantly. Consumers often found that this coincided with a seemingly random period of time, in that they might have been paying what they considered to be an affordable amount of money to the same providers several years in a row, before a sudden increase in their quote. While renewal notices were felt to be helpful in drawing attention to these surprises, they were not necessarily felt to explain what was driving these price increases.
  - First or second-hand experiences of providers reducing quotes for those who attempt to negotiate. Vulnerable consumers who felt more confident and time-rich had almost always found that their existing or a potential new provider was willing to offer them a discount if they rang up to negotiate over the phone, and that this price often deviated from those advertised online or on a price comparison website. Less confident and time-rich vulnerable consumers and particularly those with mental health problems, who felt less confident contacting their supplier by telephone, tended to feel that they had no choice but to accept the price that they were quoted.
  - Significant variation in the quotes which they are offered. In many other markets, quotes are felt to be somewhat more tightly bounded, making it easier to work out the 'going price' for a certain product or service. This is felt to be much harder to achieve in the insurance market, particularly as vulnerable consumers are often having to deal with larger figures such as



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annual premiums, rather than their preferred approach of breaking costs down by month, fortnight or even week.

In addition to these systemic challenges related to clarity and transparency, vulnerable consumers specifically raised three additional barriers to achieving good value for money in this market that were not shared by the control group:

- ✘ **Being penalised for factors outside their control.** While vulnerable consumers did not use language of a 'poverty premium', of all markets, participants were most likely to allude to concerns about a 'poverty premium' in relation to insurance. Several felt that they were being penalised as a result of factors outside their control and often related in some way to their vulnerability.
  - Given that buying motor insurance is non-negotiable if you want to run a car, and many vulnerable consumers who do drive feel incredibly dependent on their car, the clearest example of this was felt to relate to motor insurance. There is a perception that consumers on a low income will be paying more for their motor insurance because they are more likely to be living in unsafe areas and less likely to have access to off-street parking. Vulnerable consumers felt powerless to do anything about this, particularly those living in council and social housing who feel they can exercise little choice over where they live.
- ✘ **A lack of understanding for vulnerable consumers.** Most consumers struggled to imagine how and when they might disclose their vulnerability to an insurance provider given their limited interaction. Some who had tried to do so at the point of renewal found that they were told that there was little the provider could do with this information, which contrasted strongly with experiences in the energy market. Those who had never tried to disclose their condition assumed that their vulnerability would be used against them in the insurance market as a reason for increasing their premium.
- ✘ **A lack of flexibility.** Vulnerable consumers interviewed were more likely to be paying for their insurance annually than they were in any of the other markets. For some consumers, this was an active choice in order to save money because of the significant cost saving compared to paying monthly (though a choice they were only able to afford by using credit products). But others were paying annually simply because they were not aware that other options that might better align with how they plan and think about their finances might be available to them.
  - Similarly, vulnerable consumers' concerns about clarity and transparency often spoke to a perception that their insurance products do not necessarily account for the fluctuating nature of their vulnerability specifically and their lives overall. For example, one older consumer felt frustrated that he was unable to continue insuring his wife's engagement ring after she was taken into full-time care as a result of her worsening dementia.

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*“I do feel like I'm paying more because I don't live in a good area, because it's a high crime rate. We have parking bays outside, but they don't count it as off-street parking, which makes the prices go up.”*  
(Consumer on a low income, 25-34, Watford)

### **CASE STUDY: Mel, 25-34, Consumer on a low income, Watford**

Mel has had home insurance policy with the same provider for the past three years, after being badly flooded in the past and regretting that she did not have contents cover. She is unsure of how much exactly she is paying and of the details of the contract.

Her home has been flooded once again since she took out the policy. However, she has never made a claim for this second flood because felt she had other priorities (including her son's health, and issues with the Council in repairing the property) and did not want to go through the anticipated rigmarole of making a claim. She was also concerned that her premium would increase and become unaffordable.

*“I didn't claim [on my home insurance when we were flooded the second time] because I didn't want a hassle, I didn't want the premium to go up, it was too much of a mission to claim. I replaced things with cheap things, my son was very ill at the time, he was close to losing his fingers because of the cold weather so I had more important things to worry about...I didn't have the time or energy to claim on my home insurance.”*

### **CASE STUDY: Caitlin, 25-34, Consumer on a low income, Rhyl**

Caitlin and her partner live in rural Wales with their 3 children. They rely on her partner's income as a self-employed mechanic, which fluctuates week by week. Living in a very rural area, they both feel that they have no choice but to run two cars, and motor insurance is their biggest expenditure of the year. The priority is paying the lowest possible amount.

Caitlin switched her insurance provider last week through a price comparison website. She had been with her old provider for five years without claiming and would have preferred to stay with them, but the £600 a year figure they quoted her was unaffordable and the new provider was offering her a £300 saving. She's

never heard of her new provider before, but does not feel any reason to doubt their credibility because she believes that the price comparison website is reputable.

*“It's always the most expensive yearly outgoing, so it's harder to get a good deal.”*

## 5.7: Getting a good deal in the credit market

Products covered in the credit market generally centred on high-cost, short-term credit for vulnerable consumers, including pay day loans, store credit, credit cards and rent-to-own (e.g. catalogues). These products were explored in the context of significant regulatory intervention in the credit market, including caps on the fees pay day lenders can charge their customers<sup>42</sup>. It is notable that many of the participants in the sample were referencing historic as well as more recent forms of credit, which may pre-date these interventions.

### 5.7.1 Overview of the credit market

This table introduces the key findings outlined in the remainder of this sub-chapter. For further detail, please refer to the corresponding section.

*Figure 14: Overview of participants' experiences of the credit market*

<b>Engagement and interest in this market</b>  <i>See 5.7.2 for further detail</i>	<ul style="list-style-type: none"><li>• For vulnerable consumers, this market is strongly associated with high-cost, short-term credit products.</li><li>• Most feel deeply negative about these products and say that they seek to avoid accessing them as far as possible.</li></ul>
<b>Switching, shopping around and negotiating behaviours in this market</b>	<ul style="list-style-type: none"><li>• The concept of switching feels incongruous in this market. Many vulnerable consumers are unaware that they could switch their credit products or consolidate their debts.</li><li>• Some consumers are shopping around, but the circumstances which mean that they need to access credit in the first place often prevent them from</li></ul>

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<sup>42</sup> See FCA price cap rules for payday lenders webpage. <https://www.fca.org.uk/news/press-releases/fca-confirms-price-cap-rules-payday-lenders>

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<i>See 5.7.3 for further detail</i>	thinking about what might represent a good deal in the long-term.
<b>Features of this market seen to be supporting consumers to get a good deal</b> <i>See 5.7.4 for further detail</i>	<ul style="list-style-type: none"><li>• There are not felt to be any features in this market which mean that it is working well to support consumers to get value for money or a good deal.</li><li>• However, a small number of vulnerable consumers feel that they have found ways to make credit work for them, including using catalogues for unexpected purchases.</li></ul>
<b>Features of this market seen to prevent consumers from getting a good deal</b> <i>See 5.7.5 for further detail</i>	<ul style="list-style-type: none"><li>• Vulnerable consumers identify a number of ways in which they believe that they are being prevented from getting a good deal in this market, including factors limiting their choice, a lack of clarity and transparency in charges and fees, aggressive sales tactics, and a lack of understanding and flexibility for vulnerable consumers.</li></ul>

### 5.7.2 Engagement and interest in this market

As for insurance, experiences of and attitudes towards the credit market diverged significantly between control group and vulnerable consumers. For the former group, the credit market was associated with long-term products such as mortgages. Those using credit cards were often doing so in a way in which they felt they had full control, and from which they could see clear benefits (e.g. reward points, greater security of payments compared to debit card payments).

By contrast, for most of the vulnerable sample, personal experiences of the credit market were strongly associated with high-cost, short-term credit, including pay day loans, store cards, catalogues and hire purchase, echoing other research which suggests that consumers on low incomes are more likely to be using high-cost, short-term credit in order to meet day-to-day expenses<sup>43</sup>. These products were viewed negatively by almost all of these consumers and were often either something they sought to avoid (particularly older consumers) or they viewed as a 'necessary evil' which they felt they used only when they had no choice but to do so. There was

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<sup>43</sup> See FCA: Consumer credit and consumers in vulnerable circumstances (2014).  
<https://www.fca.org.uk/publication/research/consumer-credit-customers-vulnerable-circumstances.pdf>

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little sense of vulnerable consumers feeling the benefits of credit products described by some in the control group, though a minority were using credit in a way that they felt worked for them.

*"I don't use credit cards... because they cost you money in the end, anyway, usually, and we've always been the same. If we couldn't afford anything, we wouldn't buy it. If we wanted something, we would save up for it. Then, when had the money, we'd probably spent it on something else. I don't like living on credit, basically. That's how I am."*

(Consumer on a low income who has a physical impairment/condition, 75+, Watford)

*"I've borrowed too much really, and then I'm having to struggle to pay it back. I spent a lot of money doing the shower room and the bathroom and I borrowed money to do that. [Truthfully] speaking, I borrowed too much. They are very nice, but people want paying, don't they? I employed men to do all the tiling and it's expensive, isn't it? I kept having to borrow more money to pay them... I just put it on credit cards, two credit cards. I mean, I'm paying it back, but it's my own fault for borrowing too much."*

(Consumer on a low income, 55-64, Colne)

Of all markets, vulnerable consumers were most likely to use emotive language to describe their experiences of credit products. For many, their reasons for accessing credit and their choice of product was driven less by the product itself and its suitability or the value it offered, and more by the need they were seeking to meet, whether paying off existing debt, responding to a change in circumstances or buying something they feel they urgently needed. After the event, some felt ashamed that they had had to engage with high-cost, short-term credit and therefore switched off from their credit products as far as possible, while others were angry that they had felt forced into this situation and resentful towards their provider and products.

Views were, unsurprisingly, most negative among the vulnerable consumers interviewed who had previously fallen into unmanageable debt after failing to keep up with their repayments. While a small number of these consumers had received debt management advice, several had seen bankruptcy as the only option available to them, particularly if they had been issued a County Court Judgement (CCJ).

*"People like me can't just go and buy a new couch."*

(Consumer on a low income who has a mental health problem, 55-64, Glasgow)

*"It's easy to get into debt, you don't always think about the consequences, and you think you can be clever by spreading money around. They throw credit cards at you when you are young, and I got into a lot of trouble with that in my early twenties. Now I know not to go over my credit limit and to make sure I'm paying something each month."*

***CASE STUDY: Mark, 35-44, Consumer on a low income who has a mental health problem, Watford***

Mark has mental health problems including anxiety, depression and a personality disorder, and has previously had alcohol and drug dependencies. He's not currently working, having lost his job as a lift mechanic, due to his mental health problems. He has had numerous debts throughout his life and deliberately does not have a credit card as he's wary of accruing more debt. He has previously had CCJs and a debt relief order. Currently, he has several debts which impact on each other and his ability to repay.

His largest debt is £800 which he owes to a payday lender after falling behind on payments having fallen ill and lost his job. He is also currently in debt to an energy provider – although he's paid off the majority of this £600 debt to them, he still has to pay a large percentage with each top-up to his pre-payment meter to cover the standing charge and his debt, meaning when he tops up £20, he's left with £7.

He's also in debt to a provider for his broadband, though he is currently not repaying as he's heard from a friend that he shouldn't pay anyone until he has a vulnerability letter from a doctor, which could help him to negotiate more lenient repayment terms. Although he's not in debt to his mobile provider, he is paying £55 a month, as he couldn't afford the upfront cost of getting a pay as you go phone, though he feels this isn't a bad deal, as many providers were charging much more for a new phone due to his poor credit rating.

*"The main thing is they accepted me to get a new phone when other companies wouldn't. They said it would be £55 a month whilst others were saying it would be over £100 a month. My credit rating is bad."*

**5.7.3. Switching, shopping around and negotiating behaviours in this market**

The extent to which consumers described shopping around in the credit market tended to depend on the type of credit product they were buying, and their reason for accessing credit in the first place. For example, consumers purchasing items on store credit or using catalogues were usually focused more on shopping around for the item itself, rather than the credit or provider they were using to buy it. Those accessing pay day loans would often have done so in a state of emergency, meaning that they were often focused solely on the provider who could lend them the



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funds most quickly. Vulnerable consumers were much less likely to describe taking the time to shop around for credit products online than the control group, who often described using price comparison websites to check credit cards on the basis of factors such as the APR.

### ***CASE STUDY: Frank, 45-54, Living with a physical impairment/condition, Rhyl***

Frank lives in a rural part of Wales in a one bedroom, ground floor flat. He has a fiancée but they do not currently live together. He was in a serious motorcycle accident four years ago which has left him with serious physical problems and affected his mental health. His mobility is now very limited, he struggles with chronic pain, post-traumatic stress disorder (PTSD) and severe bouts of depression.

After his accident, he was unable to work due to his conditions and whilst he was waiting for his benefits to come through, he relied heavily upon credit in order to survive. He now has approximately £3,500 worth of unsecured debt on credit cards and catalogues. He has three credit cards with rates of APR ranging from 22% to 39% and feels that he is continually being offered new cards by other providers.

Despite receiving letters and offers saying that he could switch his credit cards, he has been unable to switch to cards with a lower APR. He has tried a number of times to apply for different cards but has always been turned down. He feels at a significant disadvantage due to being out of work and disabled and believes that credit companies deliberately keep him on a higher level of interest.

*“They look at your circumstances and say, ‘well, you’re unemployed, you’re disabled, you’re probably never going to go back to work,’ so they tend to try and charge you more, because they think you’re a risk.”*

The idea of switching in the credit market was even more difficult for many vulnerable consumers to engage with than the concept of shopping around for credit products. There was a strong perception among many vulnerable consumers that they were tied to a particular provider until they could pay off their debt in full (most had little money spare to be able to do this), and the idea of switching and debt consolidation either felt out of reach or unfamiliar to most vulnerable consumers in this market. By contrast, while they did not use the language of ‘switching’ in relation to credit, control group consumers were more likely to describe switching behaviours including re-mortgaging.

***CASE STUDY: Francesca, 18-24, Living with a physical impairment/condition, London***

Francesca lives with her husband in London and is 23 weeks pregnant. She has fibromyalgia, a long-term health condition which causes pain all over the body. Francesca is a rare example of a vulnerable consumer in our sample who successfully shops around for and switches their credit products. However, she feels that she has only learnt to do so as a result of life experience and trial and error in this market, after building up £4,000 of debt in her mid-teens.

Francesca now only uses credit for emergencies and to pay for her motor insurance renewal. To do this, she has a credit card from her main financial provider. She switches the card every year to pick up a product that is 0% interest for the first 3-6 months. She tries to make sure that she pays for her car insurance within this initial period because it's cheaper than extending her insurance payments over 12 months and paying by direct debit.

*"I'm always on the hunt for a bargain for everything."*

**5.7.4 Features of this market perceived to be supporting consumers to get a good deal**

For most vulnerable consumers, the factors which constitute a good deal in the credit market at the point of sale – such as ease and speed of access to credit, and the amount of money they can borrow – are often recognised, in retrospect, as representing poor value for money in the long-term. These experiences have left some vulnerable consumers feeling that it is simply not possible to get a good deal in the credit market.

However, a small number of vulnerable consumers described positive experiences of this market and feeling that they were using credit products in a way that worked for them. These were generally considered to be isolated experiences that consumers had arrived at after trial and error in this market, and exceptions to the rule rather than 'features' of this market. Examples included:

- **Using catalogues as a tactic for coping with unexpected payments.**  
Vulnerable consumers with young children in particular often found that they faced unexpected payments, for example when their child's school requires them to bring in a certain type of equipment. For some of these consumers, catalogues

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are felt to represent a solution to this challenge because they enable them to purchase the necessary items straight away while spreading out the payments.

- **Using credit unions as an alternative to high-cost, short-term credit.** One participant borrows from a credit union twice a year in order to pay for Christmas presents and for an annual summer holiday but feels that she is able to do so at low rates and while also building up her savings with the provider.
- **Purchasing credit products from your main financial provider (i.e. current account provider).** The consumers who had taken a credit card or loan from their financial provider tended to feel that doing so made it easier to keep track of payments and move money between accounts by using online or mobile banking.

*“It’s absolutely fantastic [using a credit union]. You save up for 12 weeks and then you can take your first loan out... it’s something that’s mine.”*

(Consumer on a low income who has a physical impairment/condition, 55-64, Glasgow)

### 5.7.5 Features of this market perceived to prevent consumers from getting a good deal

Vulnerable consumers were far more able to point to features of the credit market which they feel prevent them from getting a good deal, or reduce the value of their credit products:

- × **Limited choice.** Many vulnerable consumers in the sample felt that the choice of credit products available to them was restricted as a result of their circumstances. In several cases, this related to their financial history. While some had come to learn about credit scores and credit referencing agencies as a result of receiving debt management advice, few consumers felt that they had actively been made aware of the impact of their behaviour on their credit history at the point of sale.
  - There is a perception that experiences in the credit market can in turn limit choice in the other essential service markets (particularly telecommunications) where credit checks are standard practice.
- × **A lack of clarity and transparency in rates and fees.** While basic terms such as interest and APR are understood at surface value, vulnerable consumers believe that it is more difficult to understand exactly how these terms relate to what they are borrowing and what they will need to repay. Almost all of the younger vulnerable consumers in the sample felt that they had at some point been mis-sold a credit product that they could not afford. In particular, consumers had often felt ‘burnt’ by sudden changes to their interest rates, and sharp increases in their interest rate after an initial zero or low interest period.
  - The perceived lack of clarity and transparency in this market also seemed to have a bearing on how vulnerable consumers approached switching in this

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market: many vulnerable consumers were under the impression that this was simply not an option in this market.

- × **Aggressive sales tactics.** Of all markets, vulnerable consumers were most likely to describe feeling targeted by providers in the credit market. This was particularly true for younger consumers who often found themselves offered seemingly appealing products with high credit limits when they first reached adulthood. Others had purchased credit products as a result of being visited by canvassers, which were seen to target locations where consumers on a low income are more likely to live, such as council estates.
- × **Variations on controls on spending.** Many vulnerable consumers with experience in the credit market expressed surprise at the large credit limits available to consumers irrespective of their income and ability to repay. This was particularly problematic for consumers with mental health consumers, who tended to feel less confident managing their money and less in control of their spending. These consumers were often feeling anxious about the risk of overspending as a result of certain impulses or in periods in which they felt 'on a high', and the long-term impacts that this behaviour could have.
  - When asked what might represent good value for money in the credit market, some vulnerable consumers spontaneously suggested caps on credit limits for new customers to allow them to become accustomed to the product, and which could slowly be increased over time as a reward for responsible spending.
- × **Lack of understanding and flexibility for vulnerable consumers.** Vulnerable consumers with credit products had often faced challenges in relation to their debt repayments as a result of changes or fluctuations in their circumstances. Those who had sought to explain this to their provider often felt that they had received mixed responses: some had received a seemingly sympathetic response from a provider, only to find out later that they had been charged a fee as a result of delaying or changing their repayments, while others were told directly that there was nothing their provider could do to help.
  - There was little sense of any value in disclosing your vulnerability to a credit provider for most vulnerable consumers but particularly those living with a mental health problem. This added further to feelings of fatalism and led some consumers with mental health problems to withdraw and disengage from this market even further.

*"I took out a payday loan and I was going to pay it off over 6 months but then I lost my job and got ill and it all fell behind and now they're harassing me all the time. I get threatening letters. I owe them a lot, about £800. It's all adding up with the interest. I just don't open the letters anymore."*

(Consumer on a low income who has a mental health problem, 35-44, Watford)

*Image 17: A participant holding their credit cards*



**CASE STUDY: Lara, 25-34, Consumer on a low income, Nottingham**

Lara took out an account with catalogue at 0% interest for a fixed period. She focused on repaying the debt and believed that she had paid three quarters of the loan off. When she checked her account to see her progress, she realised that the interest rate had increased from 0 to 54.9%.

Lara felt angry that she hadn't been sent any information about the interest rate increase and that she never would have known the change to her repayments had she not checked her account. She has since taken out a credit card to repay the remaining debt with the catalogue as quickly as possible, and learnt through the experience about a free credit rating app which helps consumers to find the best credit deals available to them.

*"It was scary how easy it was to fall into debt. Even though it was shopping on credit, there should be some contact. It was by chance that I happened to look."*

***CASE STUDY: Lisa, 45-54, Consumer on a low income who has a physical impairment/condition, Watford***

Lisa has a very poor credit rating, having been issued two CCJs as a result of falling into unmanageable debt with two different catalogue companies. She was heavily reliant upon payday lenders in the past and was at one point in debt to four traders who operate on her estate.

Lisa has since cut up all of her credit cards, and now has just one credit card with a £200 credit limit, which she keeps in case of emergencies. Her credit card has a very high interest rate which she is aware of, but it is the only provider who will lend to her, given her very low credit rating. She has tried to apply another provider but was rejected, and she thinks, but isn't sure, that the more you apply and are rejected for a credit card, the more it impacts on your credit.

*"I do think CCJs go really go against you as they can tell that you've had that bit of debt in the past and so they're going to charge you that little bit more just in case."*

## **5.8: Conclusions from this chapter**

Vulnerable consumers appear to be facing challenges to achieving value for money in each of the service markets explored in particular depth in this research (telecommunications, energy, insurance and credit). Recent regulatory interventions and particularly renewal notices in the insurance market do appear to be having a positive impact on consumers' experiences of these markets and the extent to which they are getting a good deal, but many consumers in this sample appeared to be yet to see the benefits of these interventions.

The number of challenges experienced by vulnerable consumers appeared to be greatest in the market which has arguably seen the least intervention in relation to vulnerable consumers – telecommunications. These challenges include long and inflexible contracts with a lack of prompting and communication when they end, poor customer service and communication when problems arise; and unexpected charges.



## 6. Awareness, attitudes towards and experiences of the ‘loyalty penalty’

### 6.1: Introduction

As part of this research, we considered how consumers feel about switching, shopping around and negotiating with their providers across the four service markets of interest, and explored an issue known as the ‘loyalty penalty’ - the idea that longstanding customers, usually on roll-over contracts or default tariffs, pay more for the same goods and services than new customers. Citizens Advice has raised concerns about this issue affecting the majority of consumers in a super-complaint made to the CMA<sup>44</sup>. The CMA’s response to the super-complaint has been published on its case page.<sup>45</sup>

Vulnerable consumers - including those on low incomes, older people, those with mental health problems and/or low levels of formal education - may be particularly at risk of experiencing financial harm from a ‘loyalty penalty’ because they may find it more difficult to engage with markets and service providers and may be more likely to struggle with shopping around and switching<sup>46</sup>. The loyalty penalty issue was also raised as a concern by stakeholders at roundtable discussions held as part of the CMA’s programme of work on vulnerable consumers.

#### Chapter overview

The findings in this chapter are based on questions in the interviews, focus groups and online activities relating to participants’ experiences of shopping around, switching and negotiating with their providers in the four service markets of interest. In addition, the concept of the loyalty penalty was raised in each interview or focus group to understand consumers’ responses to the concept<sup>47</sup>.

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<sup>44</sup> See Citizens Advice: Excessive prices for disengaged consumers – A super-complaint made to the Competition and Markets Authority (2018).

[https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Super-complaint%20-%20Excessive%20prices%20for%20disengaged%20consumers%20\(1\).pdf](https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Super-complaint%20-%20Excessive%20prices%20for%20disengaged%20consumers%20(1).pdf)

<sup>45</sup> Available here: <https://www.gov.uk/cma-cases/loyalty-penalty-super-complaint>

<sup>46</sup> See Citizens Advice: The cost of loyalty – Exploring how long-standing customers pay more for essential services (2018).

<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Citizens%20Advice%20-%20The%20cost%20of%20loyalty.pdf>

<sup>47</sup> For further detail about the research materials and specific lines of questioning, please refer to the Appendix.

Through these questions, we identified that:

- For most vulnerable consumers, the existence of a loyalty penalty is not surprising. The loyalty penalty is often viewed through the frame of generally low trust in business but has also been directly experienced by a small number, for example those who have contacted their supplier after seeing a better deal advertised to new customers only.
- The loyalty penalty is viewed as unfair because it a) appears to put the onus on the consumer to switch or negotiate in order to get a good deal (behaviours which vulnerable consumers may face particular barriers to adopting), b) has the potential to disproportionately affect consumers living on a low income or with a vulnerability and c) confirms consumers' suspicions that providers are not rewarding their loyalty at present.
- The consumers who appear to be least likely to be engaging in switching, shopping around and negotiating behaviours are those with lower levels of education or a mental health problem, and older consumers without a strong support network or access to gateway products such as the internet. These consumers appear to be at greatest risk of the loyalty penalty, particularly in the two service markets where switching is perceived to be more difficult: telecommunications and credit.

These research findings have informed the CMA's response to the super-complaint, which is available separately on the CMA's website.<sup>48</sup>

## 6.2: Awareness of the loyalty penalty

Across the vulnerable consumer sample and the control group, at least half of participants had alluded to the issue of the loyalty penalty spontaneously in some way before the concept was explored explicitly in the interview or focus group. Examples included consumers describing the perception that providers do not reward customer loyalty (by which they typically meant being a long-standing customer of a certain provider), or that getting a good deal in certain markets requires the consumer to shop around and regularly change provider. Vulnerable consumers did not seem to be any less likely to mention these types of issues relating to the loyalty penalty than the control group.

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<sup>48</sup> See [CMA super-complaint investigation case page](#).

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*“New customers are only better off for a short time anyway. They pull them in with deals and offers... but very soon they start to introduce charges.”*

(Consumer living on a low income, 25-34, Rhyl)

*“Suppliers offer better deals to new customers to get more people the more customers the more money. Once you're in that contract you're tied to it and they don't need to worry about you.”*

(Consumer living on a low income and with a mental health problem, 35-44, Watford)

*“So, why would you be loyal? It doesn't make sense...It's like, if you go into the bank, you can get £100 if you're opening a new account. I don't know if it's an offer on now, but you know what I mean? So, if you open a new account and you want to get £100 and I go in and I say, 'Well, I'll open another account, you know, another one, because I have one with you, but I'll open that particular one,' I can't get £100.*

*To me, it's silly...Why not give it to your other customers?”*

(Consumer living on a low income and with a mental health problem, 65-74, Belfast)

When they were then prompted with specific information about the loyalty penalty (i.e. the idea that longer-term customers can pay more for services than newer customers), the majority of control group and vulnerable consumers in the sample felt that they recognised this concept and said that they were unsurprised by it. Participants tended to explain their lack of surprise about the loyalty penalty by referencing:

- **Their assumption that large businesses in general and service providers specifically are motivated primarily by profit**, rather than delivering a good service or doing the best for their customers. Some consumers (both vulnerable and in the control group) felt angry and suspicious that this pursuit of profit may be put above customers' best interests, while others saw it as simply the way that business works. In this context, it is felt to be unsurprising that large businesses would want to maximise their profits by attracting new customers.
- **Their perception that advertising and marketing by all of the main providers across these markets seems to be orientated towards new customers.** The perceived emphasis on good deals 'available to new customers only' in advertising and marketing has for some consumers drawn attention to the fact that new customers are more able to achieve value for money than existing customers. This perceived practice was particularly strongly associated with the telecommunications market.
  - In this sector, a small number of consumers in both the vulnerable and control samples had experiences of contacting their existing providers after seeing a good deal advertised by that same provider, only to be

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told that this deal was not available to them. These consumers generally felt that they had no choice to accept this because they were in some way 'locked in' to their existing contract.

- **In a small number of cases, awareness of recent news and coverage about the loyalty penalty.** There is a perception that there has been an increasing focus on consumer issues in the media in recent years, and more attention drawn to poor business practices, including the importance that consumers shop around in order to get a good deal. Martin Lewis was commonly mentioned by more confident vulnerable consumers and the control group in this context and emerged as a strongly trusted voice in relation to money and securing a good deal.

*"Newer customers get good deals - that's how they get new customers. Providers often have offers I'm not eligible for. That's how they get their customers. But they shouldn't hide it in the small print, things like the fact that your tariff often doubles after six months, so actually those people might be worse off than me because of that."*

(Consumer on a low income who has a physical impairment/condition, 75+, Watford)

*"Every deal is to catch new customers, they take loyal customers for granted."*

(Consumer living on a low income, 55-64, Glasgow)

**The consumers who were most likely to be surprised by the concept of the loyalty penalty were typically those who were in some way isolated (e.g. offline), or those with mental health problems or lower levels of education.**

These groups often found the topic of shopping around and switching in general to be complicated and sometimes overwhelming. No consumers in the control group expressed any surprise about the loyalty penalty when they were prompted with information about it.

*"That's quite surprising. I would have expected that a longstanding customer pays about the same as a new customer, not more."*

(Consumer living on a low income, 25-34, Rhyl)

*"I hope that longstanding customers pay less. I've been with [the same mobile provider] for a long time, I would expect a good deal."*

(Consumer living on a low income and with a mental health problem, 35-44, Nottingham)

### 6.3: Attitudes towards the loyalty penalty

Attitudes towards the loyalty penalty were – unsurprisingly – negative among both control group and vulnerable consumers. In particular, vulnerable consumers tended to express concern that:

- **The loyalty penalty may disproportionately affect consumers living on a low income and/or with a vulnerability.** While some thought that providers may focus on seeking to ‘exploit’ wealthier consumers with more money to spare, most expected that consumers on a low income and more vulnerable consumers were more likely to be at a disadvantage. For several, this played into the broader perception that life is particularly hard and unfair if you are living on a low income.
  - Within this, when asked which specific vulnerable groups may be more likely to be affected by the loyalty penalty, many control group and vulnerable consumers were particularly likely to mention older people. This research appeared to confirm that older people living in social isolation may be particularly susceptible to the loyalty penalty (see 6.4).
- **Avoiding the loyalty penalty seems to put all of the onus on the consumer to get a good deal.** There was broad consensus that depending on consumers to do all of the ‘work’ to switch, shop around and negotiate was a suboptimal situation. This view is particularly strongly held by more vulnerable consumers who feel that they:
  - Lack the time to engage in switching or negotiating behaviours, for example those with caring responsibilities.
  - Lack the confidence to engage in these behaviours, particularly those with lower levels of education, and in markets where there do not appear to be alternatives to engaging by telephone (e.g. telecommunications).
  - Lack the ‘headspace’ to engage in these behaviours, for example as a result of a mental health problem or simply because of other pressures which feel greater in life (e.g. access to benefits or problems with housing).
  - Are more likely to encounter barriers to getting good value for money or to switching than those who are not vulnerable, for example being unable to access certain energy providers because of their geographic location.
- **Avoiding the loyalty penalty requires consumers to switch provider.** For vulnerable consumers who place particular importance on the certainty and

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reliability of the services they receive, switching provider may feel like an unattractive option for fear that something will go wrong. Many consumers expressed a preference for remaining with their current provider, and needed to see a clear benefit of switching (or dis-benefit of sticking) in order to feel that this was worth the risk. This is explored in further detail in section 6.4.

- **The existence of the loyalty penalty confirms consumers' suspicions that service providers do not 'reward' loyalty.** Most consumers in both the control group and in the vulnerable sample took the view that providers *should* as a matter of principle reward loyalty, by which they typically meant long-standing custom of a particular provider. As set out in Chapter 5, consumers generally found it challenging to identify instances in which they felt that their loyalty was rewarded by service providers (exceptions to this rule included access to certain offers and receiving particularly sympathetic or flexible service from a provider, e.g. financial support from an energy provider).
  - This was in stark contrast to the retail sector, in which loyalty schemes provided by major supermarkets and high-street retailers were felt to represent a clear example of providers rewarding loyalty.

*"I'm angry. Why don't they want to keep people who've been loyal to them? They say they have things that are for loyal customers, but that doesn't interest me. The deals are never as good as the ones for new customers."*  
(Consumer on a low income, 25-34, Watford)

*"If you're a loyal customer, you're taken for granted, it's not right and it's not fair, but I can't think of anyone who doesn't do it. If you're a new customer, you get a better tariff, if you sign up to [a new provider], there's a great deal. Everyone does it. It's just a way to draw you in. It's the way it is."*  
(Consumer on a low income and with a mental health problem, 45-54, Watford)

As a result of these factors, even though some consumers in the sample were taking action to avoid the loyalty penalty - either through active choice or because they had been in some way nudged or prompted to do so (see 6.4) – the ideal situation and the best solution to the loyalty penalty was perceived to be a world in which providers reward their loyal customers, and in which switching, negotiating and shopping around is not necessary in order to avoid being 'ripped off'.

*"If I'm a loyal customer, they should just give me the best deal rather than me having to switch around."*  
(Consumer on a low income who has a mental health problem, 35-54, Glasgow)

*"We should be getting incentives and deals to stay with them."*



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(Consumer living with multiple conditions, 65+, Rhyl)

A small number of participants in the vulnerable consumer and control group sample also identified some instances where they feel that their loyalty is rewarded and which they felt suppliers could learn from, including:

- Loyalty schemes in the retail market, with advantage/points card scheme felt to offer particularly good value for money, with meaningful rewards;
- Rewards schemes, e.g. competitions and prizes open to existing customers;
- Gifts for renewing with that provider, provided that these offered a genuine benefit (for example, one older participant felt very positive about receiving a free smart speaker when he renewed his mobile phone contract);
- The no claims discount in the motor insurance market, which some consumers misinterpreted as dependent on keeping to the same provider.

*“If you are already with someone they should automatically give you the best they can give you. It’s like walking into a supermarket and they turn around and say ‘well, that veg that’s there is the same veg that’s been there 2 or 3 days ago, yeah we have fresh stuff out the back, but that’s for new customers. You come here every day.”*

(Consumer on a low income, 25-34, Rhyl)

### 6.4: Experiences of the loyalty penalty

The extent to which consumers in both the control group and the vulnerable consumer sample seemed to be affected personally by the loyalty penalty depended – unsurprisingly – on the extent to which they were shopping around, switching and negotiating with their current providers across the service markets. While there was significant variation across the sample, there appeared to be five broad typologies of consumer in relation to these behaviours (and therefore likelihood of experiencing the loyalty penalty), which are explored in detail below.

As set out in Chapter 5, and in line with previous research<sup>49</sup>, both control group and vulnerable consumers were more likely to describe switching in the insurance and energy markets than they were in relation to telecommunications and credit. Claims of switching and negotiating with providers – and therefore the potential to be

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<sup>49</sup> See Social Market Foundation: Stick or Switch? Making markets fairer and more competitive (2018). <http://www.smf.co.uk/wp-content/uploads/2017/10/WEB-OF-STICK-SWITCH.pdf>

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affected by the loyalty penalty – were particularly low in relation to the credit market. In brief, the patterns seemingly driving these differences introduced in Chapter 5 included:

- **Differences between the markets in the likelihood of receiving prompts and nudges to switch.** These prompts were particularly associated with the insurance market – in the form of renewal notices – but had also been identified in the energy market by some participants.
- **Differences between the markets in the perceived complexity of switching.** In the telecommunications market in particular, switching was often perceived to be more difficult because consumers felt that they had to contact their provider (usually by telephone) to exit their current contract and to return equipment.
- **Differences between the markets in awareness of switching as an option available to consumers.** Awareness among vulnerable consumers of the option to switch credit providers (e.g. by consolidating existing debt) was particularly low.

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Figure 15: Table summarising ‘typologies’ of participants according to likelihood of switching







 <p><b>Habitual switchers</b></p>	 <p><b>Prompted switchers</b></p>	 <p><b>Limited stickers</b></p>	 <p><b>Disengaged stickers</b></p>	 <p><b>Isolated stickers</b></p>
<p>Switching, negotiating and shopping around in most markets out of principle</p>	<p>Switching, shopping around and negotiating out of necessity or factors encouraging engagement</p>	<p>Sticking and not negotiating out of (perceived) necessity</p>	<p>Sticking and not negotiating because of disengagement</p>	<p>Sticking and not negotiating because of a lack of knowledge and tools</p>
<p>More likely to be:</p> <ul style="list-style-type: none"> <li>• From the control group</li> <li>• Older, provided that they had a strong network</li> <li>• With more life experience/ higher levels of education</li> </ul>	<p>More likely to be:</p> <ul style="list-style-type: none"> <li>• From the control group</li> <li>• At the most acute end of the low income band</li> <li>• Without additional constraints on their time</li> </ul>	<p>More likely to be:</p> <ul style="list-style-type: none"> <li>• Living with a long-term (physical) health condition</li> <li>• With caring responsibilities and/or dependent children</li> </ul>	<p>More likely to be:</p> <ul style="list-style-type: none"> <li>• Living with a mental health condition</li> <li>• With lower levels of education</li> </ul>	<p>More likely to be:</p> <ul style="list-style-type: none"> <li>• Older, without a strong support network</li> <li>• Offline</li> </ul>

Figure 16: Explanation and case studies of 'typologies' of participants according to likelihood of switching and experiencing the loyalty penalty

 <p><b>Habitual switchers</b></p>	<p><b>'Habitual switchers' were a very small group of consumers in the sample who were switching, negotiating and shopping around out of principle across most of their providers when their contracts were due for renewal. They appeared to be least likely to be affected by the loyalty penalty.</b></p> <ul style="list-style-type: none"><li>• These consumers felt determined not to be 'ripped off' by their providers (including by staying with the same provider and not shopping around) and were taking active steps to ensure that this did not happen in most of the markets. This included taking their providers 'to task' whenever they identified a problem, as well as shopping around and negotiating better deals. They were particularly likely to be describing these behaviours in relation to the insurance market, and least likely to be doing so in relation to credit (partly because this group was particularly cautious of the credit market in general).</li><li>• They were particularly likely to be aware of consumer programmes and consumer groups encouraging people to shop around and switch. A small number felt that they had seen coverage of the loyalty penalty super-complaint on television programmes such as Victoria Derbyshire and Good Morning Britain. For those who had seen this coverage, this had generally been interpreted as another example of large businesses seeking to 'rip off' vulnerable consumers and was particularly associated with the insurance market.</li><li>• Sometimes this group was going so far out of its way to avoid being, in their eyes, 'ripped off' that they were switching from suppliers with whom they otherwise felt satisfied, to unknown suppliers and brands that they did not necessarily trust in pursuit of a better deal, almost always defined as a lower price (see Chapter 4).</li><li>• In the vulnerable consumer sample, this group was often, but not always, older, and either with higher levels of education or particular life experience giving them cause to feel confident (for example having worked in businesses and therefore feeling savvy about 'underhand' or profit-driven</li></ul>
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sales tactics). They rarely had significant additional vulnerabilities such as very serious long-term health conditions.

- Having some kind of online access was essential for this group, but not all were online themselves. Some older consumers enlisted help from relatives to use PCWs or had sought out offline alternatives to PCWs after hearing about them from others and seeing them advertised online. For example, one offline consumer had sought advice from Citizens Advice on the issue and had been referred to a telephone version of a PCW.

*“If people haven’t heard that you can get ripped off if you don’t shop around then more fool them really. You can’t be too nanny state about it.”*


(Consumer living with a physical health condition, 65+, Nottingham)

***CASE STUDY: Alex, 45-54, Consumer living with multiple conditions, Nottingham***

Alex lives with his wife and stepdaughter. He has Asperger’s syndrome and is unemployed. He is very conscious of being on a low income and is frustrated that this means he is unable to afford certain repairs to his house. On occasions, his family has had to rely upon financial support from his mother-in-law to keep ‘ticking over’. He does not have any credit and is determined to avoid ever taking any out, as he has seen too many friends fall into unmanageable debt.

Alex feels that he has a responsibility to secure the best possible deals where he can, so that his family has more money and this applies to almost all expenses in his life. For example, he regularly checks a PCW to see where the offers are on more expensive grocery items, such as almond milk, and regularly checks on whether he could be saving money on his energy by using other PCWs. He also changed his home insurance provider after he made a claim for a radiator leak and they put up his premium. He is not afraid to challenge providers, and has previously secured better deals by threatening to leave.

*“I was going to switch [from one broadband provider to another] who were offering a much better deal and I saw that they were*

	<p><i>offering a better deal for new customers. So I said, ‘fine, I’ll leave, that way if I decide to come back I’ll have a better deal anyway.’ They got back to me and offered me a deal which was a third less than what other people are paying.”</i></p>
 <p><b>Prompted switchers</b></p>	<p><b>‘Prompted switchers’ were selectively switching, shopping around and negotiating better deals out of necessity or factors encouraging them to engage with their service providers. They appeared to be less likely to be affected by the loyalty penalty than consumers who had not received these prompts.</b></p> <ul style="list-style-type: none"> <li>• These consumers appeared more frequently in our sample than the ‘habitual switchers’. They were selectively and sometimes reluctantly engaging in switching behaviours, usually as a result of one or more of:             <ul style="list-style-type: none"> <li>○ Experiencing a problem with their provider or service (for example, inaccurate bills, or an unreliable service, such as a very poor or slow internet connection) that had not been resolved and which meant that they had become so dissatisfied with the service that they felt compelled to look elsewhere. These problems often had to be relatively ‘severe’ to warrant this time and effort.</li> <li>○ Finding their financial situation so squeezed that they felt forced to examine every opportunity to save money in order to make ends meet. For consumers living on the lowest incomes, entering into a period of crisis or particularly restricted finances, even relatively modest savings of £2 or £3 per bill per month were felt to make a material difference.</li> <li>○ Someone or something prompting them to engage with these switching or negotiating behaviours. This sometimes included prompts from their existing provider, but more often visits from canvassers representing providers or PCWs which had brought an issue that they hadn’t otherwise considered (i.e. whether or not they were getting a good deal on a certain service) to their attention.</li> </ul> </li> </ul>



- This group was often ‘dabbling’ with switching and negotiating behaviours (most commonly in relation to their energy but also sometimes their insurance and telecommunications services), but not necessarily sticking with them or applying them to other markets. Many fell back into disengagement when they were outside these moments of necessity or crisis, or when they weren’t being prompted to engage in some way.
- Consumers in this group were often at the most acute end of the low income definition but were usually those without any additional pressures on their time (e.g. dependent children, full-time work, caring responsibilities). They were not always online, but they were generally confident with telephone interactions, meaning that consumers with mental health issues were less likely to appear in this group.

*“I’ve been with the same provider for 10 years but after all the problems I have had with them I want to leave as soon as my contract is over. It’ll be a mission but I can’t continue with them anymore.”*

(Consumer on a low income, 25-34. Watford)


*“Someone came to the door for [an energy provider] and said I could save money so I thought I would give it a go but when the first bill came through it was higher and so I went back [to the older provider].”*

(Consumer on a low income who has a mental health problem, 35-54, Colne)


**CASE STUDY: Simon, 25-34, Consumer on a low income, Rhyl**

Simon is a self-employed bike mechanic. He lives with his girlfriend and two young daughters who are four and one. He describes his life as ‘busy, chaotic and fun’. He is relatively confident with money, and regularly sits down with his girlfriend to go through bills but still describes money as being a struggle for the family.

Up until recently he was paying £110 a month for his broadband package. He signed up 18 months ago at a baby show when there was an offer to join and get a free iPad. However, he since realised that content is repeated and that his family were not

	<p>watching enough TV to justify paying £110 a month. He has since cancelled his contract and switched to using online TV services instead, which is considerably cheaper.</p> <p>As he lives in rural Wales, the quality of internet and phone coverage is very poor. Simon signed up with a provider as they are a good mobile phone provider but has been very disappointed with the internet service. He feels frustrated that he is paying for a service which he is not getting, and this is causing him to consider looking at other providers.</p> <p>Simon has also recently switched his energy provider. He was prompted into switching after a canvasser came around and talked him through all of the options.</p> <p><i>“I signed up to [a provider] when I was at a baby show, they were offering a free iPad at the time which I thought was the deal of the century. Then I realised that it’s the same stuff on [the pay TV channels] as it is on TV. Everything is repeated.”</i></p>
 <p>Limited stickers</p>	<p><b>‘Limited stickers’ were aware of switching and shopping around as an option available to consumers but tended to believe that this was a) not an option which is open to them personally, b) that switching offered too little personal benefit, and/or c) that switching carried too great a risk (such as disruption to their service). These consumers seemed to be at greater risk of experiencing the loyalty penalty than habitual or prompted switchers.</b></p> <ul style="list-style-type: none"> <li>• One of the larger groups in our sample, these consumers either felt that switching was an unattractive option or that it was unavailable to them for a number of reasons:             <ul style="list-style-type: none"> <li>○ Reliability is particularly important, and any risk of disruption to their service was not deemed to be worthwhile. Importantly, this is often because of negative expectations of disruption related to the switching process, as opposed to negative experiences. As set out in Chapter 5, vulnerable consumers were particularly unwilling to countenance any disruption to their energy supply.</li> <li>○ They feel that they are getting a good service from their provider and are unconvinced that they could be</li> </ul> </li> </ul>

	<p>achieving better value for money. For some, this was because they believed that they were already paying the cheapest price. For others, this was because consumers perceived that their loyalty was being rewarded by their provider, for example when they received good customer service.</p> <ul style="list-style-type: none"><li>○ Their choice was felt to be restricted. As outlined in Chapter 5, this often related to factors outside of their control:<ul style="list-style-type: none"><li>▪ For example, in the insurance market, consumers with certain health conditions or age profiles who had found a provider willing to cover them did not want to risk losing this cover or the price increasing if they changed provider.</li><li>▪ Others felt constrained by their living situation, for example those in rural areas often felt that they only had access to certain energy or telecommunications providers.</li></ul></li><li>● This group may be engaging in switching behaviours in some markets which feel ‘lower stakes’ and for which reliability is less important (such as insurance), but overall there is a belief that, while they may be paying slightly over the odds, this is worth it to avoid disruption and uncertainty, particularly in relation to energy but also often telecommunications.</li><li>● Consumers in this group were particularly likely to be living with a long-term health condition or with caring responsibilities for children or adults with a condition, meaning that they often took a zero tolerance approach to risk and uncertainty, and because pressures on their time made it particularly difficult for them to engage in switching behaviours.</li></ul> <p><i>“I’m probably paying over the odds, but I can’t do anything until I pay off this debt.”</i> (Consumer living with multiple conditions, 45-54, London)</p> <p><b>CASE STUDY: June, 75+, Consumer living with multiple conditions, Colne</b></p> <p>June is 90 and lives alone. She has hearing problems and severe mobility problems. She only leaves the house once a</p>
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	<p>week with a carer or friend who take her shopping and to the bank. She is online but only uses the internet occasionally for checking the weather and news. She feels very confident about managing money and takes a meticulous and methodical approach to finances.</p> <p>She has been with her each of her service providers for over 30 years and is adamant that she would never switch for two reasons. Firstly, she is put off by the anticipated amount of time and effort it would require to actually switch (multiple phone calls and forms to complete) and secondly, she feels that, in the long run, people who switch ultimately lose out and end up paying more. This is a view which has been further cemented by hearing from friends who have had poor experiences of switching.</p> <p><i>“I have no intention of changing any of them because I simply can’t be bothered.”</i></p> <p><i>“I just don’t understand it, anyone I know who has changed [supplier] has always changed back.”</i></p>
 <p><b>Disengaged stickers</b></p>	<p><b>‘Disengaged stickers’ were a smaller group of consumers who were sticking with their provider and not switching, shopping around or negotiating because they were avoiding the issue. This group appeared to be particularly susceptible to the loyalty penalty.</b></p> <ul style="list-style-type: none"> <li>• This group of consumers were often aware that they could be overpaying for essential services and aware that switching and negotiating are possible, but were not taking action because:             <ul style="list-style-type: none"> <li>○ Other challenges in their life felt too pressing and more important, meaning that switching or shopping around has never become a priority;</li> <li>○ Engaging, switching and shopping around feels too overwhelming and difficult.</li> </ul> </li> <li>• These behaviours were most likely to be described by consumers whose vulnerability had a particularly pronounced impact on their life, and particularly those living with mental</li> </ul>

health problems which affected their confidence engaging with others in general.

- Consumers with lower levels of education (and without the life experience to counter this seen in the ‘habitual switchers’) were also more likely to describe these attitudes and behaviours.

*“If I get letters they just go in the bin, I don’t read anything. I don’t like to pick up the phone. I just want to shut everything out and be alone in my room.”*

(Consumer on a low income who has a mental health condition, 35-44, Glasgow)


***CASE STUDY: Tom, 35-44, Consumer living with long-term health conditions, London***

Tom has epilepsy, slow speech and memory loss as a result of a severe car accident at the age of 9. He hasn’t been able to hold down jobs because of his condition, and now lives on £70 per week ESA after his Disability Living Allowance was withdrawn 10 months ago. As a result, he is in 10 months of rent arrears, receiving threatening letters from his council landlords, and is desperately trying to get things together so he can take his case to a tribunal and sign onto PIP payments.

After that gets sorted out (he hopes), his next priority would be to find a new Council flat on the ground floor that is suitable for his needs. He is currently living in a flat on the third floor, accessed by outdoor concrete steps and has had nasty falls on the stairs when he’s had an epileptic fit, and been taken to the hospital in an ambulance.

The only bills that he pays are for his pre-payment meter, and though he feels the prices are creeping up, it’s his last priority and something he would only want to address once his income and long-term living situation have been resolved. He repeatedly said that he ‘just wants to get everything sorted’ before having the energy to think about getting value for money on bills.

*“I wouldn’t [switch] if I didn’t have to.”*

	<p><i>"I would [sign up for the Warm Home Discount] if I was in a bottom floor place where I can live long term, and knew I was OK long term, and all my problems were taken care of."</i></p>
 <p><b>Isolated stickers</b></p>	<p><b>'Isolated stickers' were a very small group of consumers who were not shopping around and not negotiating because of a lack of awareness of the loyalty penalty as a concept, or because they lack the information and tools to switch successfully. This group appeared to be particularly susceptible to the loyalty penalty.</b></p> <ul style="list-style-type: none"> <li>• A small number of consumers had never been exposed to the idea that they might be charged more as a result of staying with the same provider or retaining the same contract over a long period of time.</li> <li>• These consumers often felt broadly satisfied with the service that they were receiving from their supplier and believed that they received value from them. They were often extremely surprised to learn that new customers may be paying less for the same service, or that the price of their contract may be increasing if they were not engaging with it and felt angry that their loyalty was not being rewarded.</li> <li>• Consumers in this group were more likely to be older, offline and living in isolation without a strong family network, meaning that they did not have the tools or information available to help them to shop around. This group was not using price comparison websites, though they had often heard about them from TV advertising.</li> </ul> <p><i>"I think it's naughty. We're loyal customers that keep their company going, and they have the audacity to charge us more. We should be getting incentives and deals. It's really wrong."</i> (Consumer with multiple conditions, 65+, Rhyl)</p> <p><b>CASE STUDY: Margaret, 64-75, Consumer living with multiple conditions, Rhyl</b></p> <p>Margaret lives with her husband and three dogs in a bungalow near to the sea. She used to work in a hospital but was forced to retire when she had a stroke. As a result of the stroke, she now has mobility issues and a weakness down the left side of her</p>



	<p>body. She also has type 2 diabetes and struggles with severe bouts of depression. During these bouts, she tends to shut herself off from the world and not engage with anyone at all.</p> <p>She is completely offline and does not have a mobile phone. She is aware of price comparison websites and of switching because of adverts on the television and through her friends but is very disengaged with how they operate in practice. Although her husband switches his car insurance every year (with the help of a friend to find the cheapest) she is strongly opposed to switching herself. She does not believe that it would result in a better option and believes in sticking to what she knows rather than being overwhelmed by options and choice. She was very taken aback when told about the loyalty penalty as she struggled to marry up how loyal customers are the ones who end up being 'punished' when they are the ones who 'keep the company going'.</p> <p><i>"It's better the devil you know than the devil that you don't. I don't want things, you know, whizzing around my head."</i></p>
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## 6.5: Conclusions from this chapter

In the context of low trust in business and the perceived prevalence of advertising of offers, deals and discounts orientated towards 'new customers only' (particularly in the telecommunications market), the existence of the loyalty penalty is not surprising to the majority of vulnerable customers. However, it is felt to be deeply unfair, and another example of the perceived power imbalance between consumers and providers, in which consumers on low incomes and with vulnerabilities are particularly likely to be disadvantaged. Most consumers, including vulnerable consumers, tend to believe strongly and as a matter of principle that their providers should be rewarding their loyalty, and see a particular discrepancy between actions in the retail market to reward customer loyalty and to help customers to get a better deal, and practices in relation to service markets.

This means that raising awareness of the loyalty penalty is unlikely to be sufficient in and of itself to prompt the consumers who are most susceptible to the penalty into action: doing so serves to tell most consumers something they feel they already know. The vulnerable consumers who have some awareness of the loyalty penalty and have the tools, information and confidence in order to be able to do something about it tend to be doing so (though often in selective circumstances, and more often because they have been 'nudged' to take action rather than because they have

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taken the initiative to do so). Conversely, the consumers who appear to be least likely to take action and who appear to be most likely to be experiencing the loyalty penalty are often those:

- **With barriers related to engagement and communication**, as experienced by some consumers with lower levels of education or with mental health problems. Switching, shopping around and negotiating with providers can feel difficult and overwhelming, particularly for the consumers who feel that they are facing a number of more 'pressing' problems in life.
- **Living in isolation**, meaning that they lack access to the tools and information required to switch, as experienced by some older consumers and those who are offline and without a strong support network to compensate for this. These consumers were least likely to be aware of the loyalty penalty and felt most powerless to do anything about it once they were made aware of it.

## 7. Responses to potential solutions

### 7.1: Introduction

Having explored consumers' experiences of the key service markets, and their attitudes and experiences of the loyalty penalty, the final focus of the research was to understand consumers' views of potential solutions. This included the solutions that consumers themselves spontaneously identified as well as their responses to a number of ideas which were prompted in interviews, focus groups and online activities:

- Offering favourable deals to vulnerable consumers;
- Solutions to encourage consumers to shop around or switch, including:
  - Price Comparison Websites (PCWs);
  - Prompts from a supplier or third party;
  - Receiving quotes based on spending over time;
  - Automatic switching by a supplier;
  - A third party automatic switching service;
  - Collective switching.

#### Chapter overview

The findings in this chapter are based on questions in the interviews, focus groups and online activities relating to consumers' own ideas for solutions to some of the barriers they feel that they face in getting a good deal in different service markets, and the potential remedies outlined above<sup>50</sup>.

Through these questions and activities, we identified that:

- Vulnerable consumers' own 'solutions' for the loyalty penalty tend to relate less to tools which might help them to switch and shop around, and more to overcoming what they see as the fundamental problem: that providers aren't rewarding their loyalty.

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<sup>50</sup> For further detail about the research materials and specific lines of questioning, please refer to the Appendix.

- Vulnerable consumers' initial responses to the potential solutions tested were often characterised by suspicion and mistrust and were somewhat in tension with their responses to existing prompts and tools in the market, such as price comparison websites.
- Some vulnerable consumers had concerns about solutions which might take away the control, certainty and reliability which they often value, particularly in markets which they consider to be essential (namely energy and telecommunications).

### 7.2: Improvements spontaneously identified by consumers

Both control group and vulnerable consumers found it challenging to identify potential improvements that would help them to engage with markets, for example by shopping around and switching.

On prompting, participants suggested ideas that would help them to better engage with and achieve good outcomes in service markets, as introduced in Chapter 3.

- **Certainty over finances and bills.** Consumers would like to have more clarity around the terms of their contracts and bills, including limits, charges and fees, to ensure that they are actively able to avoid incurring unexpected charges which they are unable to afford.
- **Reliability of products and services.** Consumers would like to see more compensation if they do not receive the service they are paying for and greater consistency in support offered for when things do go wrong.
- **Flexibility in services and contracts.** Consumers felt greater flexibility in contracts was particularly important, so they feel less 'locked in', and to allow for changes and fluctuations in circumstances. Those who preferred the certainty of a contract felt that this should still allow flexibility, including the ability to change direct debit payment dates and the option of payment holidays.
- **Clarity and simplicity in marketing, contracts and billing.** Participants highlighted specific challenges in relation to a perceived lack of clarity in pricing across all markets but particularly telecommunications, energy and insurance, in which pricing was felt to be complex and sometimes arbitrary. The importance of clear communications is enhanced for consumers with lower levels of education and with mental health issues, who reported finding information more difficult to take in and remember.
- **Supportive customer service and communication.** Consumers felt that there should be a greater emphasis on providers resolving problems as

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quickly and effectively as possible, and more flexibility in their options for contacting providers to best meet their needs.

*“There are so many clauses as well, in insurance. You know, so much small writing.”*

(Consumer on a low income who has a physical impairment/condition, 35-44, Belfast)

*“I don't know what wattage is, they send you a bill with all this funny stuff like algebra... I don't know what a unit is... it's not self-explanatory, it's so confusing.”*

(Consumer living with multiple conditions, 75+, Colne)

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Figure 17: Summary of potential improvements that could support vulnerable consumers to achieve value for money and to better engage in each service market

	Potential improvements to help consumers engage in the <u>telecommunications</u> market	Potential improvements to help consumers engage in the <u>energy</u> market	Potential improvements to help consumers engage in the <u>insurance</u> market	Potential improvements to help consumers engage in the <u>credit</u> market
1. Certainty over finances	Greater clarity about limits, charges and fees to avoid consumers incurring unexpected charges which they do not feel able to afford.	Reducing the emphasis on estimated billing, for example through fixed monthly direct debits, or pre-payment meter tariffs which are not significantly more expensive than non-pre-payment meter alternatives.		Greater clarity about limits, charges and fees to avoid consumers incurring unexpected charges which vulnerable consumers do not feel able to afford.

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<p>2. Reliability of products and services</p>	<p>Compensation if consumers are not receiving the service that they are paying for (e.g. if their internet is slower than the internet speed promised in their contract, or if they are unable to use a device that they have been upsold).</p>	<p>Greater consistency in support offered to vulnerable consumers when things go wrong, ensuring that this covers consumers with mental as well as physical health conditions.</p> <p>Carrying over the Warm Home Discount payment if a consumer switches supplier, rather than requiring them to re-apply for the benefit.</p>		
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<p><b>3. Flexibility in services and contracts</b></p>	<p>More options for exiting contracts early if consumers' circumstances change, particularly in contracts of 18 months or more.</p> <p>Greater flexibility for consumers in picking and choosing different features of bundles and clarifying where landline rental is and isn't necessary.</p>		<p>Greater flexibility in insurance products so that these can respond to consumers' changing circumstances and needs.</p> <p>Greater flexibility in frequency and modes of payment, e.g. quarterly and six-monthly payment options so that consumers do not feel 'forced' to use credit to afford an annual premium.</p>	<p>More options for exiting or changing contracts early if consumers' circumstances change.</p>
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<p>4. Real and effective choice</p>	<p>More options for consumers living in circumstances which might be restricting their choice, e.g. rural areas or sheltered accommodation.</p> <p>Aligning information about products and contracts to consumers' needs, for example, by supporting them to work out how much mobile data they are likely to need, and identifying where they could downgrade (as well as upgrade) aspects of their contract.</p> <p>Prompts when contracts are ending and are due to start 'rolling over', particularly when this means that the consumer may then be 'locked in' to a new contract.</p>	<p>More options for consumers living in circumstances which might be restricting their choice, e.g. rural areas or sheltered accommodation.</p>	<p>Consistently providing renewal notices to consumers when their contract is due to end.</p> <p>More options for consumers to drive down premiums, e.g. 'rewarding' responsible driving through telematics.</p> <p>Improved choice for social renters who face high insurance premiums due to living in areas with high levels of crime and are not likely to be relocated by the council or housing association.</p> <p>Not being penalised with higher insurance premium quotes as a result of a health condition.</p>	<p>Greater clarity about long-term credit products available to consumers on low incomes, and the actions consumers can take to make these products available to them.</p> <p>More options for those restricted from accessing certain products as a result of their credit rating or financial history.</p>
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<p>5. Clarity and simplicity</p>	<p>More clarity about pricing structures and discounts on offer so that consumers do not feel reliant on discretion of individual staff.</p> <p>More options for consumers to work out whether they are getting what they are paying for (e.g. internet speed tests).</p>	<p>Greater clarity in terminology to support consumers to relate tariffs and contracts to their specific needs.</p> <p>Greater transparency in pricing so that consumers can identify what factors impact their tariff.</p>	<p>Greater simplicity in terminology to support consumers to relate insurance products to their specific needs.</p> <p>Greater transparency in pricing so that consumers can identify the factors which are impacting on their premium.</p>	<p>Greater clarity in how changes to products and contracts may affect the product or customer in the longer-term, e.g. payment holidays increasing interest rates, or adverse impacts on credit ratings.</p>
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<p>6. Supportive customer service</p>	<p>Greater emphasis on solving problems, clarity about any costs to the consumer that this may involve (e.g. engineer visits).</p> <p>Restrictions on upselling of products, particularly if customers are contacting the supplier in relation to a problem.</p> <p>Options for consumers to contact their provider by modes other than telephones, and ensuring that disconnecting and switching is not dependent on making telephone contact with a supplier.</p> <p>Providing training for staff handling queries from vulnerable consumers in general but particularly those with mental health problems.</p>	<p>Greater consistency in the support offered by different providers (e.g. access to the Warm Home Discount).</p> <p>Greater consistency in staff training offered by providers to support them to serve customers with vulnerabilities, ensuring that this covers mental as well as physical disabilities and health conditions.</p>	<p>Greater clarity about any support available to vulnerable consumers (who currently believe that disclosing vulnerabilities will only serve to increase their premium).</p>	<p>Providing training for staff handling queries from vulnerable consumers.</p> <p>Restrictions on upselling of products and contracts, particularly if customers are contacting the supplier in relation to a problem that they want to resolve.</p> <p>Earlier communication around the importance of maintaining a good credit score and the potential impacts of not doing so in accessing other markets and services.</p>
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### 7.3: The impact of trust on consumers' responses to potential solutions encouraging them to shop around and switch

Having understood consumers' spontaneous ideas to some of the challenges they felt that they faced in getting a good deal, questions in interviews, focus groups and online activities then went on to focus on participants' views of potential remedies which were tested in the form of flashcards. Responses between vulnerable and control group consumers tended to diverge significantly in that vulnerable consumers were typically much more cautious and suspicious of the prompts being shown.

As outlined in section 3.2, vulnerable consumers and particularly those who have lived on low incomes or in poverty for prolonged periods are particularly likely to be mistrustful compared to those who are not living in vulnerable circumstances. Many had had to overcome challenges in their lives in their dealings with the authorities and with providers (particularly if they had built up debt in the past), and some were also concerned about potential future challenges, such the risk of being scammed (particularly strongly felt by older participants). This included some distrust of charities and support organisations among some vulnerable consumers.

- One participant with a visual impairment had bought a mobile phone through national charity. He was told that the only option available to him was an outdated flip-phone, with just one key in braille. He felt that the phone was overpriced and was disappointed in the support offered by what he had thought was a reputable charity, but also felt that he had no choice but to buy it.

Subsequently, at face value, consumers were often concerned that the solution being discussed sounded 'too good to be true'. Others were concerned that a provider or third party involved might in some way be seeking to trick them or 'rip them off'. By contrast, control group consumers were generally more willing to accept potential solutions at face value.

*"I think collective switching is good. I think it would be useful as all the price negotiating has been done. As the offer is also exclusive, this would also increase the chances of the consumer wanting to stay with that provider."*  
(Control group consumer, London)

However, this response was somewhat at odds with how participants described their existing experiences of engaging in the four service markets, in which many vulnerable consumers had at least some experience of negotiating, switching, or shopping around in a particular market which would seem to depend on them trusting the deal being offered by a supplier or a third party. In particular, vulnerable and control consumers commonly described using price comparison websites, and

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expressed very few concerns about the reliability or trustworthiness of these sites (see 7.5.1).

Other participants referenced people and organisations which had ‘nudged’ them into switching and which they appeared to have trusted ‘in the moment’. These included:

- **Visits from canvassers from providers or price comparison websites (PCWs).** As is set out in detail in Chapter 5, a notable proportion of vulnerable consumers who live in social or council housing had been visited by canvassers from providers or PCWs. Others had been approached by suppliers or PCWs with stands in supermarkets or shopping centres.
  - Some consumers had switched providers as a result of this engagement. In most cases, this appeared to be driven by positive feelings about receiving face-to-face interaction (particularly for those experiencing feelings of loneliness or isolation).
  - However, feelings about canvassers did appear to be mixed: consumers with a history of unmanageable debt were more likely to feel cautious of canvassers and to associate them with ‘loan sharks’, and some had switched during a visit from a canvasser because they felt it was the only way to end the interaction.
- **Prompts from existing providers.** Most vulnerable consumers recalled receiving notifications from current providers in relation to at least some of their services when they were approaching the end of their contracts, and particularly in the insurance market. In at least some cases, these had clearly been sufficiently trusted to prompt some to look around for better deals or to negotiate with their existing supplier, though others had ignored or dismissed them.
- **Suggestions from friends and family members.** Beyond Martin Lewis, the most trusted source of information about money, deals and service providers was almost always family and friends. For some consumers, hearing that they were paying more than friends or family for a similar service, or learning a particular hint or tip from a friend or family member had prompted them to switch or negotiate with their supplier.

*“We were approached by a [energy provider] salesman in a supermarket, who was able to do a comparison for us and show us how they could save by combining energy and gas.”*

(Consumer living on a low income, 75+, Glasgow)

*“I looked [an insurance provider] up online, but I think my sister actually uses them as well. So, that was something that clicked in my head, whenever, you*

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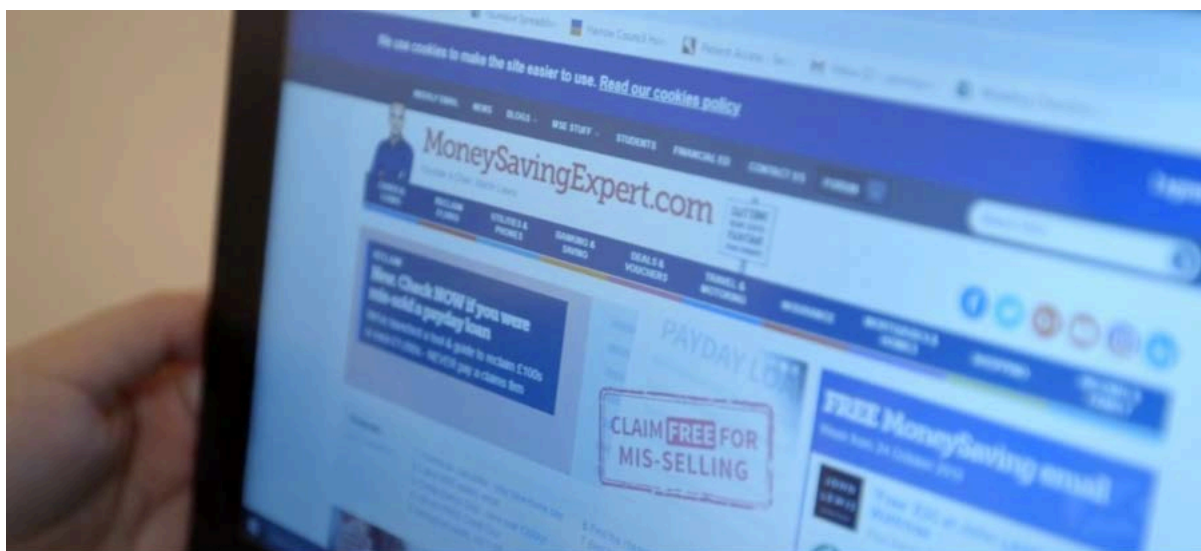
*know, I was trying them as well. That she was saying she had been using them, you know?”*

(Consumer on a low income who has a mental health problem, 35-44, Belfast)

*“I was paying £79 a month for two years and then I talked to friends who were paying £30 or £35 a month, so I called them up.”*

(Consumer living on a low income, 18-24, Rhyl)

*Image 18: A vulnerable consumer looking at MoneySavingExpert.com*



## 7.4: Responses to offering more favourable deals for vulnerable consumers

The first potential remedy tested in interviews and focus groups was the concept of providers offering more favourable deals to vulnerable consumers.

Most consumers felt positive in principle about providers offering more favourable deals to vulnerable customers, particularly when they related this to markets where some have already seen this happening, e.g. access to the Warm Home Discount in the energy market. However, for consumers who self-identified as being in some way vulnerable and who interpreted this solution as aimed at them, some practical questions emerged when they considered how this might be applied to other markets, beyond energy:

- **When will I tell my provider about my vulnerability?** In markets where consumer interaction is more limited in particular, such as insurance, consumers felt that they had little opportunity to disclose a vulnerability to their provider.



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- **Will it be clear why I am being asked if I am vulnerable?** While consumers with physical health conditions were often relatively open to disclosing this information, those with mental health problems tended to be more cautious and concerned about the potential for stigma. Some felt that if it is not being communicated that disclosing this information can work in consumers' best interests, they might assume that this information will be used against them (e.g. as an excuse not to offer them a product).
- **Will my provider know what it means to me to get a good deal?** For some consumers, there was concern about providers judging 'favourable' deals purely on price, when in fact other criteria may be as or more important to them, such as reliability of service.

*"That only works if you've got confidence in your company, but they might not put you on the best option for you. Cheapest is not always best, sometimes you need it to be reliable. [My energy provider] aren't cheap but they are reliable, I've built up trust."*

Consumer on a low income, 25-34, Watford

For a significant minority of the vulnerable consumer sample, an additional challenge emerged around the perceived relevance of this solution: more favourable deals for vulnerable consumers were sometimes assumed to be aimed at 'other people', rather than someone like them. Some participants simply did not self-identify as being vulnerable and/or on a low income and had the belief that these types of deals would (and should) be targeted at people significantly worse off than they were.

- This is particularly challenging for consumers whose vulnerability is complex and fluctuates over time. Some had questions as to whether their condition would be judged sufficiently 'severe' and believed that they would only be eligible in certain circumstances and not at others (e.g. at points of crisis). This tended to act as a barrier to these consumers disclosing their vulnerability.

*"How do you know they're going to do it? They could say they're going to do it but they could make it worse. I would want to see what I'm switching to, what I'm getting for what price."*

(Consumer on a low income who has a mental health problem, 35-44, Watford)

*"I don't think they would give you a better deal just because you're on a low income. They're a company at the end of the day and they've got to make money themselves."*

(Consumer living on a low income, 25-34, Rhyl)

## 7.5: Responses to solutions designed to support consumers to switch, shop around and negotiate

### 7.5.1. Price comparison websites (PCWs)

Consumers were asked whether they were currently using PCWs, their views and experiences of them, and their attitudes to using PCWs in future. They were also shown two excerpts from two major PCWs and asked to comment on their clarity and usefulness.

Figure 18: Participants' responses to price comparison websites (PCWs)

<b>Awareness and understanding</b>	<ul style="list-style-type: none"><li>• Awareness was high. Almost all vulnerable consumers in the sample were familiar with PCWs, and the majority were already using them in relation to at least some service markets.</li><li>• Understanding of PCWs was more mixed. While most vulnerable consumers felt relatively confident using them (or asking someone to access a PCW on their behalf in the case of those who were offline), there was more limited understanding that PCWs might not show all of the options available to them in the market, that they might not show the cheapest deals available, and that they might need to take some kind of commission in order to operate.</li></ul>
<b>Benefits associated with this solution</b>	<ul style="list-style-type: none"><li>• PCWs are considered to be essential for shopping around by those who want to do so, because they appear to save the consumer time and effort by contacting multiple suppliers for quotes on their behalf.</li><li>• Some also felt that PCWs are a useful tool for negotiating with an existing provider. A small number had successfully achieved a better deal with their incumbent provider over the phone after referencing cheaper quotes that they had been shown on a PCW.</li><li>• Consumers particularly valued that they are able to save search results and return to them later if their</li></ul>

	<p>time is limited and they cannot shop around 'in one go'.</p>
<p><b>Concerns about this solution</b></p>	<ul style="list-style-type: none"> <li>• Most consumers did not have any concerns about this solution, though most struggled to engage with this as a new or innovative solution because they did not believe that PCWs were not already well known to all consumers given extensive advertising over the past 5-10 years.</li> <li>• As above, very few participants expressed any concerns about the trustworthiness of PCWs and few had had considered how PCWs make their money or how they might be governed.             <ul style="list-style-type: none"> <li>○ The small number of consumers who expressed a more cautious view tended to be those who were aware that some providers are not listed on major PCWs as a result of seeing this mentioned on advertising, or who had concerns about PCWs selling on their contact details to third parties as a result of receiving cold marketing calls after using a PCW.</li> </ul> </li> <li>• A small number of consumers felt that the clarity and suitability of PCWs for consumers living on a low income could be improved by showing monthly charges as well as the potential cost saving associated with each option.</li> </ul>
<p><b>Differences by type of vulnerability</b></p>	<ul style="list-style-type: none"> <li>• These views were broadly consistent across the vulnerable consumer sample, though consumers with lower levels of education were generally less likely to describe feeling confident using PCWs.</li> <li>• For consumers who find verbal communication particularly difficult (such as some consumers with mental health problems), being able to interact with PCWs and switch provider online, without contacting their provider directly by telephone, was very positive.</li> <li>• Older people were most likely to describe barriers to using PCWs because of lower levels of confidence online (and some were offline entirely), but in several cases participants had overcome this challenge by asking a family member to access a PCW on their behalf.</li> </ul>
<p><b>Differences by market</b></p>	<ul style="list-style-type: none"> <li>• PCWs were more strongly associated with the insurance and energy markets, and vulnerable</li> </ul>

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	<p>consumers were more likely to report using them in these instances.</p> <ul style="list-style-type: none"><li>• Reflecting lower levels of awareness that switching is a viable option in the credit market in general, vulnerable consumers were less likely to describe using PCWs to shop around for credit products.</li></ul>
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*“I always use [the same PCW] as I like to stick to what I know.”*  
(Consumer on a low income, 25-34, Nottingham)

*“It’s simple to use and you can choose what services you are looking for, how often you would like to pay, and the prices are available quickly!”*  
(Consumer on a low income who has a mental health problem, 35-44, London)

*“On the [PCW] it doesn’t actually tell you how much you need to pay. It only tells you your saving. That isn’t as helpful as telling me the price.”*  
(Consumer on a low income who has a physical impairment/condition, 25-35, London)

In line with consumers on a low income, consumers in the control sample were similarly very familiar with PCWs and described using them regularly to switch. The few points of contrast within the control group were that mainstream consumers tended to have higher expectations of what a PCW can do for you and the kinds of information it can provide. Control group consumers were often more interested in seeing customer reviews and getting more of a holistic picture of a service, rather than focusing purely on price.

*“Being able to search for particular types of deals (e.g. duel fuel) is important as it allows you to only see the options which are relevant to you.”*  
(Control group consumer, Nottingham)

*“Not sure if I’d be interested in a star rating unless it was clear on the percentage of consumers that leave reviews.”*  
(Control group consumer, Nottingham)



### 7.5.2. Prompts

Consumers were asked for their views on receiving prompts from their provider or a third party when their contract is up for renewal, and particularly if they had stayed with the same provider without switching for a number of consecutive years.

Figure 19: Participants' responses to receiving prompts from suppliers to switch or shop around

<p><b>Awareness and understanding</b></p>	<ul style="list-style-type: none"> <li>• Awareness was mixed. Some consumers reported receiving renewal notices in relation to their insurance products in recent years, and a number had already reported taking action as a result of these interventions.</li> <li>• There was more limited understanding as to why these notices might have come about and that they are now a mandatory practice in the insurance sector.</li> </ul>
<p><b>Benefits associated with this solution</b></p>	<ul style="list-style-type: none"> <li>• This solution is viewed largely positively and for many consumers meets a basic expectation of their provider which is only being fulfilled in certain markets at present.</li> <li>• Prompts were particularly welcomed in relation to longer term contracts of 18 or 24 months, for which</li> </ul>

	<p>consumers felt it could be harder to keep track of renewal dates and believed it was more likely that they could be automatically renewed without engaging with their supplier.</p>
<p><b>Concerns about this solution</b></p>	<ul style="list-style-type: none"> <li>• Prompts are felt to be significantly less useful if they are sent either so early that it does not feel urgent to act, or so late that consumers have missed their window to shop around. Sending prompts 3-4 weeks ahead of a contract ending was generally viewed to be optimum timing.</li> <li>• Among some consumers (and often those who have not yet received prompts in practice), there was concern about the motivations behind their supplier getting in touch. Many felt that it should be conveyed clearly why they were receiving a prompt, and that this should not be ‘dressed up’ as their provider trying to maintain or reward their loyalty.             <ul style="list-style-type: none"> <li>○ In particular, there was confusion and suspicion as to why their provider might be encouraging them to look into competitor suppliers. This suspicion may have been mitigated if the prompt was positioned clearly as something which providers are obliged to send to their customers (e.g. by a regulator).</li> </ul> </li> <li>• On a practical level, some consumers were concerned about whether they would notice a prompt, or whether they would dismiss it as marketing. This was a particular concern in the telecommunications market, in which consumers can often feel ‘bombarded’ by marketing from their own and other providers.</li> </ul>
<p><b>Differences by type of vulnerability</b></p>	<ul style="list-style-type: none"> <li>• These views were broadly consistent across the sample, with some exceptions:             <ul style="list-style-type: none"> <li>○ Older consumers were more likely to say that they would feel suspicious of prompts as a potential scam.</li> <li>○ Time-poor consumers (e.g. those with caring responsibilities and with dependent children) were especially likely to feel that they would simply miss or ignore communications because of pressure on their time. Indeed, when some of these participants showed interviewers their post and bills as part of the interview, it appeared that they had missed prompts in the past.</li> </ul> </li> </ul>

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	<ul style="list-style-type: none"><li>○ Consumers who feel less confident reading and writing, for example because of lower levels of education, felt less able to engage with these prompts.</li></ul>
<b>Differences by market</b>	<ul style="list-style-type: none"><li>● Vulnerable consumers were generally more trusting of seeing prompts in the insurance market because it is becoming a familiar practice for some in this context.</li><li>● Views of prompts in the telecommunications market were particularly complex:<ul style="list-style-type: none"><li>○ Consumers felt that they would be more likely to dismiss prompts as marketing in this market because they can often feel ‘bombarded’ by marketing from their own and other providers.</li><li>○ But, somewhat in tension with this, they also felt that this was a market in which prompts would be particularly useful because they believe it is most unclear when contracts ‘roll over’.</li></ul></li><li>● Vulnerable consumers seemed to be least likely to expect to see prompts in relation to the credit market because of lower levels of awareness that switching is possible in this market.</li></ul>

*“A lot of them do get in touch. It’s the only time they do make an effort.”*  
(Consumer on a low income who has a mental health problem, 35-44, Nottingham)

*“My car insurance I always change every year. I’m not loyal. Whoever is the cheapest on [the PCW] gets my money. I play this cat and mouse game every year.”*  
(Consumer on a low income who has a physical impairment/condition, 45-54, Watford)

*“They should get in touch – it’s so easy for people who aren’t on the ball. They should have some options if you don’t want to renew or if you do.”*  
(Consumer on a low income, 25-34, Nottingham)

*“E-mails are no good, I get spam for everything especially from [telecommunications providers] so I tend to ignore e-mails.”*  
(Consumer on a low income who has a physical impairment/condition, 25-34, London)



### 7.5.3. Receiving quotes based on spending over time

Consumers were asked for their views on receiving quotes for their services based on their previous spending over time (as opposed to estimated billing or quotes which depend on them providing estimates or assumptions).

*Figure 20: Participants' responses to receiving quotes based on spending over time*

<p><b>Awareness and understanding</b></p>	<ul style="list-style-type: none"> <li>• Awareness was low, though some consumers felt that this may be happening in the energy market. The idea felt most intuitive in this market because of familiarity with meter readings.</li> <li>• Many vulnerable consumers found this solution challenging to understand and wondered how they it would work in practice.</li> </ul>
<p><b>Benefits associated with this solution</b></p>	<ul style="list-style-type: none"> <li>• This solution was viewed broadly positively in principle. In particular, a small number of consumers saw a clear opportunity for providers in the telecommunications market to suggest contracts based on usage and behaviour (for example, recommending that the customer reduces their data allowance if they are consistently using only a small proportion of it each month).</li> </ul>
<p><b>Concerns about this solution</b></p>	<ul style="list-style-type: none"> <li>• There are some concerns related to data portability in practice. Some consumers were concerned about data security and privacy and said that they would be reluctant to share their consumption data with unknown suppliers or third parties.</li> <li>• Limited understanding of data portability meant that some consumers were envisaging this solution to be very complex and were unsure how they would go about sharing their data in practice. This was very off-putting for more time-poor consumers.</li> <li>• This solution was related by some consumers to smart meters, which attract mixed responses. Relatively few consumers in the sample had smart meters themselves, and they were instead referencing negative press and second-hand stories about billing errors.</li> </ul>

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<b>Differences by type of vulnerability</b>	<ul style="list-style-type: none"><li>• These views were generally consistent across the vulnerable consumer sample: participants universally found this potential solution challenging to understand.</li><li>• Unsurprisingly, there was typically more interest in solutions such as these which could save the consumer time and lessened the burden on the consumer, among consumers who were time poor, such as those with caring responsibilities.</li></ul>
<b>Differences by market</b>	<ul style="list-style-type: none"><li>• As outlined above, consumers could more intuitively see how this could be applied to the telecommunications market to work in their best interests, with a small number suggesting that their provider could recommend changes to their contract or package related to their actual usage.</li></ul>

*“That might be handy, but I wouldn’t know how to provide them with that information.”*

(Consumer on a low income who has a mental health problem, 44-54, Nottingham)

*“Maybe other people would be into this, at the moment I’m not. As I say, and I’ll always say, I’m set in my ways, and change, I just don’t want it, because I wouldn’t like to change and wouldn’t like it”*

(Consumer on a low income who has a mental health problem, 35-44, Glasgow)

### 7.5.4. Automatic switching

Consumers were asked for their views of automatic switching, whereby their provider would automatically move them onto the lowest tariff available when their contract ended. As part of the online activities in the research (and offline equivalents), they were also shown two ‘mocked up’ examples of what an email or text message notifying them about automatic switching could look like in practice.

*Figure 21: Participants’ responses to automatic switching*

<b>Awareness and understanding</b>	<ul style="list-style-type: none"><li>• Awareness was low. Very few vulnerable consumers had heard about or had any direct experience of automatic switching.</li><li>• Mixed understanding of what currently happens when a customer’s contract ends was a further barrier to engaging with this market: familiar with standard variable tariffs, for example, was typically low.</li></ul>
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<p><b>Benefits associated with this solution</b></p>	<ul style="list-style-type: none"> <li>• There was more positivity about this solution when it was interpreted as a consumer's existing supplier automatically switching them on to a more favourable tariff, rather than the concept of being automatically switched to another provider. This was felt to go some way towards rewarding loyalty, taking the onus away from the consumer to get a good deal, and reflected consumers' preference to stay with their existing supplier for reliability of service.</li> <li>• Some consumers strongly believed that providers should be switching them on to the best available deal as a matter of course when their initial contract ends.</li> </ul>
<p><b>Concerns about this solution</b></p>	<ul style="list-style-type: none"> <li>• The most strongly felt concerns about this solution related to a perceived lack of control:             <ul style="list-style-type: none"> <li>○ Some consumers were concerned that they may find themselves 'locked in' to another lengthy contract with their provider, particularly if they miss the communication from their provider notifying them that they have been automatically switched.</li> <li>○ Consumers have some concerns about their provider's ability to determine the best deal for them, particularly in markets where factors other than price are deemed to be important in determining value for money.</li> </ul> </li> <li>• A very small number of consumers felt less positive about this solution as a result of their own experience. Some believed that they had already been automatically switched to a tariff they were told would be cheaper by their energy provider, only to find that their bills increased rather than decreased.</li> </ul>
<p><b>Differences by type of vulnerability</b></p>	<ul style="list-style-type: none"> <li>• The consumers who felt most cynical about this solution were typically those who placed the greatest emphasis on certainty and control.             <ul style="list-style-type: none"> <li>○ For example, those the lowest incomes were often concerned about <i>any</i> changes or disruption to their finely balanced bills and direct debits.</li> <li>○ While for those for whom reliability is particularly important, there were concerns about being switched to a less certain or reliable contract.</li> </ul> </li> <li>• Consumers who were particularly time poor were often concerned about missing communications relating to automatic switching, and therefore being</li> </ul>

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	<p>without important information about their contract should they wish to engage or switch in the future.</p> <ul style="list-style-type: none"><li>• The consumers who tended to feel most positive about this solution were those who are most disengaged with switching and shopping around at present (or 'disengaged stickers'). These were more likely to be consumers with lower levels of education or a mental health problem.</li></ul>
<b>Differences by market</b>	<ul style="list-style-type: none"><li>• The few consumers who believed that they had had any experience of automatic switching tended to relate this to the energy market. However, there was some scepticism about seeing this practice widely adopted in this market because of the importance of reliability of service: some consumers were concerned that the best deal in relation to energy may not necessarily be the cheapest.</li><li>• There was more positivity towards the idea of seeing this type of practice in markets which feel more transactional to the consumer, such as insurance. Vulnerable consumers with insurance products tended to feel more confident that they could take a risk in this market, compared to markets which they considered to be essential, such as energy.</li></ul>

*"I'd like to have some notice or to be told. Don't take the power out of somebody's hands; at the end of the day they're the ones paying for it."*  
(Consumer on a low income, 25-34, Nottingham)

*"If I don't happen to see this I will be left confused as to what is going on."*  
(Consumer with a mental health problem, 55-64, Colne)

*"Why would I switch when I have no information what the new tariff is? I also wouldn't trust that a text would switch me. What if the text wasn't received or something went wrong their end?"*  
(Consumer on a low income who has a physical impairment/condition, 18-24, London)

Control group consumers tended to be more open to and trusting in the idea of automatic switching, but some expressed similar concerns about a lack of autonomy. They felt it was important that automatic switching was clearly positioned and communicated to the consumer, and some felt that consumers should be required to 'opt in' rather than 'opt out'.

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*“This is great, my supplier moving me to a better deal which saves me money without affecting the contract.”*  
(Control group, London)

*“It puts the emphasis on the customer to do everything. I don’t like having to ‘opt out’ of things. I prefer the option to ‘opt in’.”*  
(Control group, London)

### 7.5.5. A third party automatic switching service

Having established the idea of automatic switching in general, consumers were asked for their views on a third party automatic switching service. This was explained as a service which would look out for the best deals on a customer’s behalf, and switch them automatically if a better deal was available. To help to bring this solution to life, consumers were shown some excerpts from an existing third party automatic switching service which involves a monthly fee.

*Figure 22: Participants’ responses to a third party automatic switching service*

<b>Awareness and understanding</b>	<ul style="list-style-type: none"><li>• Awareness was very low. The concept of a third party automatic switching service was new to all consumers in the sample. This means that it was often a relatively challenging concept to understand and imagine, even when shown information from a third party switching service which currently exists.</li></ul>
<b>Benefits associated with this solution</b>	<ul style="list-style-type: none"><li>• As for automatic switching in general, this solution was most appealing to ‘disengaged stickers’, who were most likely to be feeling overwhelmed by their services and who were most open to others taking control. These consumers saw that this solution could clearly save them time and effort and take a source of anxiety away from them.</li></ul>
<b>Concerns about this solution</b>	<ul style="list-style-type: none"><li>• The same concerns about a lack of control applied to a third-party automatic switching service as to the broader concept of automatic switching.</li><li>• In addition, there is some concern about:<ul style="list-style-type: none"><li>○ The introduction of a third party organisation. However, as outlined in section 7.3, many consumers were concerned about ‘third parties’ in principle and in the abstract. There was little awareness that brands that they know and trust, such as major PCWs, might also be classified as third parties.</li></ul></li></ul>

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	<ul style="list-style-type: none"> <li>○ Paying for a third party automatic switching service. For the lowest income consumers, even a fee of £2-3 month can feel like money that they cannot afford to waste, and there is some concern that any savings made would be outweighed by the cost of the service.</li> <li>○ The risk of constant disruption. There was a belief that, for the service to be worthwhile, consumers may be switched several times a year (depending on the nature of their contract), fuelling concerns about frequent changes to direct debits and impacts on credit history.</li> </ul>
<p><b>Differences by type of vulnerability</b></p>	<ul style="list-style-type: none"> <li>● As outlined above, this solution is most appealing for consumers who feel particularly disengaged from and overwhelmed by the idea of switching and shopping around for a better deal, including those who:             <ul style="list-style-type: none"> <li>○ Feel they lack the 'headspace' to engage with these markets, such as those with mental health problems.</li> <li>○ Feel they are particularly time poor, such as those with caring responsibilities.</li> </ul> </li> <li>● This solution is least appealing for consumers who do not identify as being time poor and who feel relatively confident shopping around and getting a better deal.             <ul style="list-style-type: none"> <li>○ The older consumers who were well networked and had online access (either directly or through a family member) were often most dismissive of this solution).</li> </ul> </li> </ul>
<p><b>Differences by market</b></p>	<ul style="list-style-type: none"> <li>● Consumers seemed to find it equally challenging to imagine this solution working in practice across the markets tested (though note that the existing supplier operates in the energy market).</li> </ul>

*"I'd like to know how secure their services are as I have had my card cloned before from purchasing things online. I'd be a bit dubious about all my details going into there. To give it to all one place, I would be a little bit hesitant."*

(Consumer on a low income who has a physical impairment/condition, 45-54, Watford)

*"How does this work then? It is so confusing. Do you pay monthly or pay nothing till you switch? Then is the monthly fee back dated... I don't like the sound of it at all. Sounds dodgy."*

(Physical Disability, 18-24, London)

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*“The hassle is taken away and the process is made simple.”*

(Consumer on a low income who has a mental health problem, 45-54, Nottingham)

These views were consistent with the control group, though control group consumers were less likely to feel very negative about the principle of involving a third party.

*“I don’t want to be chopping and changing constantly. I don’t have the time to keep a sharp eye on what’s going on.”*  
(Control group, London)

### 7.5.6. Collective switching

The final solution tested related to collective switching, whereby a third party negotiates a better deal from a provider on behalf of a group of consumers. Participants were provided with some information about the Ofgem collective switching trial in order to bring this solution to life.

*Figure 23: Participants’ responses to collective switching*

<b>Awareness and familiarity</b>	<ul style="list-style-type: none"><li>• Awareness and understanding was very low. No participants had any familiarity with or direct experience of collective switching. As for automatic switching, some found this solution challenging to understand.</li><li>• A small number of participants from more rural areas who had some experience of collective buying, e.g. collaborating with neighbours to buy heating oil in bulk (at a discounted price), tended to find this solution more intuitive.</li></ul>
<b>Benefits associated with this solution</b>	<ul style="list-style-type: none"><li>• The principle of a third party negotiating with providers on consumers’ behalf has some clear appeal: consumers felt that there is both power and safety in numbers.</li></ul>
<b>Concerns about this solution</b>	<ul style="list-style-type: none"><li>• Consumers often read literally into the term ‘collective’ switching and did not tend to see this solution as relevant to them unless they were living in some type of coherent community, e.g. sheltered accommodation.<ul style="list-style-type: none"><li>○ Eschewing the language of ‘collective switching’ and focusing instead on exclusive deals being negotiated on the consumer’s behalf may be more appealing and effective (similar to the approach taken in Ofgem’s current collective switching trial).</li></ul></li></ul>



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	<ul style="list-style-type: none"> <li>• As for the third party automatic switching service, there was some knee-jerk concern about the involvement of a third party provider.             <ul style="list-style-type: none"> <li>○ However, consumers felt that they would be less concerned if the third party was a brand or organisation they knew and trusted, such as a PCW or a consumer organisation.</li> </ul> </li> <li>• Again, consumers expressed concern about the risk of losing control, and being offered a deal which may be cheap, but does not necessarily take into account the factors which matter most to them in determining value in these markets (e.g. reliability of service).</li> </ul>
<p><b>Differences by type of vulnerability</b></p>	<ul style="list-style-type: none"> <li>• As for automatic switching, this solution was most popular among the consumers who were most disengaged and found the prospect of seeking to engage or negotiate particularly daunting, such as those with mental health problems.</li> </ul>
<p><b>Differences by market</b></p>	<ul style="list-style-type: none"> <li>• Consumers were more likely to conceptualise this solution in relation to the energy market, potentially because the illustrative example related to this market, but perhaps because this is the product which feels less tailored to individual needs and circumstances (i.e. the actual electricity or gas supplied will be the same).</li> </ul>

*“Having someone negotiate for you would save me a lot of time and hopefully money. I’m still unsure of using a third party but I think if more people used them and they proved themselves effective then I would consider it”*  
(Consumer with a physical disability, 18-24, London)

*“This sounds a very useful idea. If [a regulator] could truly work on the consumers behalf, then I would definitely be interested in this idea. Could be good for energy and car insurance, maybe more. Collectives have traditional been quite successful as they carry more "clout" and buying in bulk can be a money saver. More legal assistance could be afforded to protect the consumer.”*  
(Consumer on a low income who has a mental health problem, 55-64, Colne)

Responses to collective switching were very comparable to vulnerable consumers among the control group. In particular, control group consumers were often concerned about a lack of nuance and tailoring in their product choice as a result of collective switching.

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*“I do not like the idea of it at all. Although it may be useful for some people, I do not think that such a service would be of any use to me. Maybe if I was in business and running a company, then this kind of service might benefit me, but otherwise not.”*  
(Control group, London)

*“It’s an interesting idea. I would need to know more about how the collective is put together, would you need to be a certain kind of customer to qualify? I don’t think it would work for insurance as individual circumstances would be so different (claims history, risk factors etc) but it could work for more straightforward things like energy and telecoms.”*  
(Control group, London)

## 7.6: Conclusions from this chapter

A range of different potential solutions to better support vulnerable consumers to engage with service markets and providers in order to get good outcomes were tested with participants. On detailed probing, responses to each solution were generally positive, provided that consumers’ concerns about a potential lack of control were addressed:

- **Offering more favourable deals and discounts to vulnerable consumers:** Most participants felt positive in principle about this solution. However, some practical questions did emerge such as when they should tell their providers about their vulnerability, and whether it would be clear why they were being asked to disclose this information about themselves.
- **Price Comparison Websites (PCWs):** Participants were familiar with price comparison websites and many were regularly using them. They were viewed positively, being felt to save the consumer time and effort by contacting multiple suppliers for quotes on their behalf.
- **Prompts from a supplier or third party:** This solution was viewed largely positively and for many participants meets a basic expectation of their provider which is only being fulfilled in certain markets at present. Receiving prompts 3-4 weeks before contracts coming to an end was generally viewed as the optimum timing.
- **Receiving quotes based on spending over time:** This solution was viewed broadly positively. However, some consumers were concerned about data security and privacy, and said that they would be reluctant to share their consumption data with unknown suppliers or third parties.
- **Automatic switching by a supplier:** There was more positivity about this solution when it was interpreted as a consumer’s existing supplier automatically switching them on to a more favourable tariff, rather than the concept of being automatically switched to another provider, as it was felt to go some way towards rewarding loyalty. However, participants raised concerns about the potential lack of control this solution would afford them as consumers. For example,

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participants had some concerns about their provider's ability to determine the best deal for them, particularly in markets where factors other than price are deemed to be important in determining value for money.

- **A third party automatic switching service:** Participants' concerns about a lack of control applied to a third-party automatic switching service as to the broader concept of automatic switching. In addition, there were concerns raised about the introduction of a third party, paying for such a service, as well as the perceived risk of constant disruption.
- **Collective switching:** Participants responded broadly positively to the principle of a third party negotiating with providers on consumers' behalf. However, as for the third party automatic switching service, there was some immediate concern about the involvement of a third party provider, and participants again expressed concern about the risk of losing control.

These responses to the tested solutions also highlight a general sense of mistrust amongst participants in providers and institutions such as government, as well as those that they are unfamiliar with such as regulators. This mistrust adds to other barriers to engagement, including, for example, having other challenges to contend with which feel far more pressing and important, or feeling that you have limited 'headspace' as a result of a mental health problem.

Overall, participants' responses to the tested solutions point to the importance of framing. Specifically, participants had more positive perceptions of and responses to existing solutions and those tested in the research when:

- **They make clear the purpose of the communication and the motivations behind it.** Perceptions that service providers are profit-driven and will prioritise pursuing that profit over what is best for the customer were rarely far away for most participants. As a result, if it is not explained to consumers why they are receiving a prompt from their provider encouraging them to switch, or why they are being asked if they have any particular vulnerability, then these consumers appear to be likely to jump to the most negative or cynical interpretation.
- **They reference familiar concepts and reference points.** Several of the solutions tested were met with particular scepticism because consumers found them challenging to understand (particularly auto and collective switching), or because they introduced concepts and organisations with which they did not feel familiar (such as unnamed third parties). In this context, the research points to the value of:
  - Solutions being associated as far as possible with people and organisations which vulnerable consumers already feel that they know and trust.

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- Solutions being broken down as far as possible into simple language. For example, re-framing collective switching as about exclusive deals being negotiated on consumers' behalf (as per the recent Ofgem trial) had a more positive response from participants than relying on them self-identifying as being part of a 'collective'.
- **They are communicated in a way that is timely and tailored.** Consumers in the research were open to the fact that they are dismissing or ignoring communications in many of these markets, and some are concerned that they may miss communications if remedies such as automatic switching start to become commonplace. In this context, the research points to the importance of:
  - Consumers hearing from their providers ahead of time if communication requires them to take action (such as renewal notices), and ideally at more than one point in time. Receiving a renewal notice 3-4 weeks ahead of contract renewal was generally viewed to be the optimum timeframe by participants, though some consumers felt that this was too far ahead of time and particularly valued receiving follow-up communication.
  - Consumers receiving communications in the form which best meets their particular needs (which are complex, fluctuating and unique to the individual). For the majority of vulnerable consumers in the sample, there was a strong preference for written over verbal communication, and digital contact over physical letters, provided that there was a clear means of contacting their supplier via telephone, email or webchat should they wish to do so.

## 8. Conclusions

The views and experiences of vulnerable consumers consulted in this research point to five key conclusions, with implications for developing potential solutions to enable vulnerable consumers to better engage in service markets:

1. **There is no ‘one size fits all’ solution to the challenges which vulnerable consumers face.** The vast range of circumstances and experiences of participants in this research has highlighted the diversity of vulnerable consumers’ experiences and views, and echoes existing literature which suggests that vulnerability is complex and multi-layered. However, the research has also pointed to a set of common themes that vulnerable consumers feel that they need to see in relation to their money and engagement with service markets:
  - **Certainty over their finances and bills.** In our sample, this has emerged as being particularly key for those at the lowest end of the low income spectrum, those who have a condition which is in some way fluctuating and causing potential disruption to their routine, and those who feel particularly time poor because of other pressures on their lives, such as dependent children.
  - **Reliability of products and services.** Many consumers on a low income can find that a lot of their energy and ‘headspace’ is taken up with worry about managing to balance finances and not running into financial difficulty. This means that the reliability of services ‘running in the background’ is very important. This tends to be heightened for those who have a physical disability which increases their dependence on certain products, and older consumers who may be particularly dependent on others or living in isolation.
  - **Flexibility in services and contracts.** Consumers on a low income also highlighted the perceived importance of flexibility in services and contracts to give them breathing space at times when their circumstances change. This is particularly key for those working in insecure, low paid work, those who are coping with a recently acquired condition, and consumers who have a mental health problem which fluctuates over time and means that they have episodes where they find it harder to engage.
  - **Real and effective choice over providers, contracts and deals.** Some vulnerable consumers feel that they are not able to access certain products and providers when they do engage. This is most pronounced among offline consumers, consumers living in certain types of housing which may restrict their choice (e.g. sheltered accommodation), those living in rural settings, and who have

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vulnerabilities which might directly impact on their ability to access certain products.

- **Clarity and simplicity in marketing, contracts and billing.** Vulnerable consumers highlighted the perceived complexity of communications and information in the four markets explored in the research. They highlighted the importance of greater clarity and simplicity in communications to support them to engage with service markets and exercise choice over products and providers. This was particularly the case among those with lower levels of education and with mental health problems.
- **Supportive customer service and communication.** This emerged from the research as being critical for vulnerable consumers to help them engage with their providers and markets, and in order to feel that they are getting value for money with their providers. Supportive customer service is especially important for those with a mental health problem that causes difficulty in communication, and those with lower levels of education.

2. **Vulnerable consumers' conceptions of value for money are often strongly price driven, but additional factors can 'trump' the lowest cost in consumers' conception of what is and isn't a good deal.** While participants were generally very price sensitive (particularly those who are living on low incomes without any additional vulnerabilities) in certain circumstances, other factors can become more important for getting value for money, including the reliability of services, and the certainty of prices and contracts.

3. **Vulnerable consumers feel that they face challenges in getting value for money in each of the service markets explored in this research.**

Across the four markets, there are some common themes that consumers identified as preventing them from feeling that they can engage and be confident in getting a good deal:

- **In the telecommunications market,** vulnerable consumers highlighted perceived inflexibility in contracts, fluctuations in charges and billing, factors affecting their choice (particularly those living in rural areas or certain housing situations), and perceived limited support for consumers with vulnerabilities.
- **In the energy market,** vulnerable consumers highlighted the complexity of terminology and contracts, factors which seem to be limiting their choice (again particularly for those living in rural areas or certain housing situations), and perceived inconsistency in the support offered by providers.

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- **In the insurance market**, vulnerable consumers also raised complexity both overall and in relation to pricing specifically; perceived restricted access for vulnerable consumers who fear that their choice is constrained as a result of their vulnerability; seemingly limited support for vulnerable consumers; and perceived inflexibility in contracts and modes of payment.
  - **In the credit market**, vulnerable consumers felt most restricted by their perceived inability to access products which are not necessarily high-cost and short-term, a seeming lack of transparency in relation to charges and fees; and limited support for consumers with vulnerabilities.
4. **While generally unsurprised by the existence of the ‘loyalty penalty’, relatively few vulnerable consumers in the sample were proactively and consistently taking action to engage with providers and switching to get a better deal.** The vulnerable consumers who have some awareness of the loyalty penalty and have the tools, information and confidence in order to be able to switch, shop around or negotiate tend to be doing so, often when prompted or nudged into taking action. However, this was typically happening in selective circumstances, rather than consistently across the markets and over time. The consumers who appear to be least likely to take action are often those:
- **With barriers related to engagement and communication**, as experienced by some consumers with lower levels of education or with mental health problems.
  - **Living in isolation**, meaning that they lack access to the tools and information required to switch, as experienced by some older consumers and those who are offline without a strong support network to compensate for this.
5. **Participants’ experiences, and the way in which they responded to potential solutions tested in the research, point to the importance of framing and communication of solutions.** In particular, the research highlights three common themes:
- **General low levels of trust of institutions, business and the authorities among many vulnerable consumers.** Participants tended to feel far more positive about solutions that they viewed as coming from people and organisations which they believe they can trust, such as those they associate with being ‘consumer champions’, including Martin Lewis, Money Saving Expert, and price comparison websites.
  - **Low levels of familiarity and understanding.** Many of the potential solutions to support vulnerable consumers engage with service



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markets tested in this research are relatively complex and were challenging for consumers to understand. This is particularly true of automatic switching and collective switching, the principles of which participants struggled to grasp. If consumer engagement with these solutions is necessary, then this research suggests that communications may need to be simplified to help support vulnerable consumers to do so.

- **The importance for vulnerable consumers of reliability of services and flexibility in contracts and billing.** Vulnerable consumers can feel concerned about solutions which appear to compromise their sense of control, and, without explanation, automatic and collective switching can seem to threaten this priority. They often feel that providers could do more to recognise the importance of reliability and flexibility, for example through supportive customer service and by offering vulnerable consumers different options for engagement.

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## 9. Appendix

### 9.1 Bibliography

#### ***Overarching literature***

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Ofcom, *Pricing trends for communications services*, May 2018

Ofcom, *Pricing trends for communications services*, October 2018

## 9.2 Vulnerable consumer sample breakdown

		Watford	London	Nottingham	Rhyl	Colne	Belfast	Glasgow
<b>Overall location total</b>		<b>6</b>	<b>11</b>	<b>6</b>	<b>8</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>Consumer s on low income 'only'</b>	<b>Total</b>	1	4	1	3	2	2	2
	<b>Age</b>	• 1x 25-34	• 1x 35-44 • 3x 75+	• 1x 25-34	• 1x 18-24 • 2x 25-34	• 2x 55-64	• 2x 25-34	• 1x 55-64 • 1x 75+
	<b>Gender</b>	• 1x Female	• 4x Male	• 1x Female	• 2x Female • 1x Male	• 2x Male	• 1x Female • 1x Male	• 2x Male
	<b>Education</b>	• 1x NVQ 4	• 1x No education • 1x Secondary school • 2x Degree	• 1x Secondary school	• 1x No education • 2x Secondary school	• 1x GCSE • 1x Post school qualification	• 1x GCSE • 1x NVQ Level 3	• 2x No education
<b>Consumer s on low income plus mental health problem</b>	<b>Total</b>	2	4	1	3	2	2	2
	<b>Age</b>	• 1x 35-44 • 1x 45-54	• 2x 35-44 • 1x 45-54 • 1x 55-64	• 1x 35-44	• 1x 35-44 • 1 x 45-54 • 1x 65-74	• 1x 25-34 • 1x 55-64	• 1x 25-34 • 1x 35-44	• 1x 35-44 • 1x 55-64
	<b>Gender</b>	• 2x Male	• 2x Female • 2x Male	• 1x Female	• 2 x Female • 1 x Male	• 1x Female • 1x Male	• 2x Female	• 2x Female
	<b>Education</b>	• 2x GCSE	• 2x No education • 1x NVQ Level 3 • 1x BTEC Level 3	• 1x Secondary school	• 1x Secondary school • 1x No education	• 1 x Secondary school • 1x HND	• 1x A Level • 1x O Level	• 1x Highers • 1x No education

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					• 1x NVQ Level 3			
	<b>Mental health problem</b>	<ul style="list-style-type: none"> <li>• 1x Personality Disorder and Depression</li> <li>• 1x Alcohol Dependenc y</li> </ul>	<ul style="list-style-type: none"> <li>• 2x Depression and Anxiety</li> <li>• 1x Anxiety and Agoraphobi a</li> <li>• 1x Addiction Recovery, Depression, Psychosis</li> </ul>	• 1x Anxiety	<ul style="list-style-type: none"> <li>• 1x PTSD and Depression</li> <li>• 2x Depression and Anxiety</li> </ul>	<ul style="list-style-type: none"> <li>• 1x Depression</li> <li>• 1x Alcohol Dependenc y</li> </ul>	• 2x Depression and Anxiety	<ul style="list-style-type: none"> <li>• 1x Depression</li> <li>• 1x PTSD</li> </ul>
	<b>Total</b>	3	3	4	2	2	2	2
<b>Consumer s on low income plus physical health condition</b>	<b>Age</b>	<ul style="list-style-type: none"> <li>• 1x 25-34</li> <li>• 1x 45-54</li> <li>• 1x 75+</li> </ul>	<ul style="list-style-type: none"> <li>• 1x 23</li> <li>• 1x 38</li> <li>• 1x 54</li> </ul>	<ul style="list-style-type: none"> <li>• 1x 50</li> <li>• 1x 55-64</li> <li>• 2x 75+</li> </ul>	<ul style="list-style-type: none"> <li>• 1x 25-34</li> <li>• 1x 75+</li> </ul>	• 2x 75+	<ul style="list-style-type: none"> <li>• 1x35-44</li> <li>• 1x 75+</li> </ul>	<ul style="list-style-type: none"> <li>• 1x 35-44</li> <li>• 1x 65-74</li> </ul>
	<b>Gender</b>	<ul style="list-style-type: none"> <li>• 2x Female</li> <li>• 1x Male</li> </ul>	<ul style="list-style-type: none"> <li>• 2x Female</li> <li>• 1x Male</li> </ul>	<ul style="list-style-type: none"> <li>• 1x Female</li> <li>• 3x Male</li> </ul>	• 2x Male	• 2x Female	<ul style="list-style-type: none"> <li>• 1x Female</li> <li>• 1x Male</li> </ul>	• 2x Female
	<b>Education</b>	<ul style="list-style-type: none"> <li>• 1x GCSE</li> <li>• 1x Degree</li> <li>• 1x NVQ 5</li> </ul>	<ul style="list-style-type: none"> <li>• 1x Secondary School</li> <li>• 1x NVQ Level 3</li> <li>• 1x No education</li> </ul>	• 4x Secondary school	<ul style="list-style-type: none"> <li>• 1x No education</li> <li>• 1x Degree</li> </ul>	• 2x Secondary school	<ul style="list-style-type: none"> <li>• 1x GCSE</li> <li>• 1x No education</li> </ul>	<ul style="list-style-type: none"> <li>• 1 x HND</li> <li>• 1x No education</li> </ul>

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	<p><b><i>Physical health condition or disability</i></b></p>	<ul style="list-style-type: none"> <li>• 1x Osteoarthritis</li> <li>• 1x Fibromyalgia</li> <li>• 1x Nerve Damage</li> </ul>	<ul style="list-style-type: none"> <li>• 1x COPD</li> <li>• 1x Fibromyalgia</li> <li>• 1x Epilepsy</li> </ul>	<ul style="list-style-type: none"> <li>• 1x Autism and ME</li> <li>• 1x Prostate Cancer</li> <li>• 1x COPD</li> <li>• 1x Rheumatoid Arthritis</li> </ul>	<ul style="list-style-type: none"> <li>• 1x Congenital Arm Defect</li> <li>• 1x Severe Visual Impairment</li> </ul>	<ul style="list-style-type: none"> <li>• 2x Mobility Issues</li> </ul>	<ul style="list-style-type: none"> <li>• 1x Fibromyalgia</li> <li>• 1x Arthritis and Diabetes</li> </ul>	<ul style="list-style-type: none"> <li>• 1x Back Injury</li> <li>• 1x Angina</li> </ul>
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### 9.3 Recruitment screening information

Consumers were selected to take part in this research based on the following criteria.

#### Demographic information:

- **Age:** a spread of ages, including a maximum 25 who are 65+, and a minimum 75+
- **Sex:** a mix, including minimum 15 male respondent and minimum 15 female respondents
- **Ethnicity:** minimum 6 BAME respondents
- **Employment:** a spread of employed/unemployed/retired respondents including maximum 15 retired respondents and minimum 15 respondents in employment (full or part time)
- **Education level:** this was recorded, but not used as a screening criteria
- **Income:** all participants to be low income defined as average household weekly income of £300 after tax, including all sources of income, including earnings, benefits and pension
- **Living situation:** a spread of living situations (including living alone / living with others / living with children under 18)
- **Car ownership:** a mix of participants who do and do not own a car
- **Location:** a spread across urban and rural areas
- **Physical or sensory disability:** minimum 10 adults on a low income self-identifying as having a long-term illness, health problem or impairment that limits their daily activities. Participants to have a spread of impairment levels, and there to be a mix of participants with congenital and acquired impairments. Within that to include 2 participants with physical impairments, 2 with visual impairments, 2 with auditory impairments and 2 living with multiple conditions.
- **Mental health problem:** minimum 10 adults on a low income self-identifying as having a mental health problem. Participants to have a spread of impairment levels and a spread of mental health problems. To include 2 participants who have not been diagnosed and 2 living with multiple conditions.
  - *Participants were screened out who have had any kind of experience in the last 12 months in relation to their mental health problem that might have made taking part in the research particularly difficult.*

#### Information about their interactions with service markets:

- **Key markets:** participants with a spread of products in the energy, telecoms, consumer credit and insurance markets

- **Energy:** a spread of methods of payment including prepayment meter, fixed payment tariff, variable payment tariff, debt-repayment meter. Include those who are on Priority Service Register.
  - **Telecoms:** a spread of services bought, including 'bundled' services. Within that:
    - **Mobile:** a spread of methods of payment including 6 with 'pay-as-you' go contract, 6 with a 'fixed monthly' SIM-only contract, and 6 with a 'fixed monthly' contract that includes their handset
    - **Internet services:** a spread of experience including 6 with broadband and phone line rental 'fixed monthly' contract, 6 with a broadband only 'fixed monthly' contract, 6 who only use mobile internet (e.g. through a smartphone, tablet or internet dongle plugged into a laptop or computer)
  - **Consumer credit:** a spread of those who have bought or renewed credit products in the past 2 years, including 5 with credit cards, 5 with payday loans and 5 with store credit or hire purchase plans (by which you pay for a product in instalments)
  - **Insurance:** a spread of those who have bought or renewed insurance products in the past 2 years, aiming for 10 with home insurance, 10 with car insurance, 2 with life insurance/critical illness/income protection/payment protection insurance, 2 with private medical or dental insurance, and 2 with travel insurance
- **Responsibility for markets:** All to have responsibility (either sole or joint) for making household decisions about the relevant markets
  - **Switching:** a mix of those who have switched suppliers or considered switching suppliers in any of the key markets in the last two years and not
  - **Getting a better deal with current suppliers:** record those who have got a better deal with their suppliers in any of the key markets in the last two years and not

### Attitudinal statements

- **Vulnerability:** Participants were asked whether they agree or disagree with the below statements. They were to code against at least 1 blue box, indicating areas of their life which might make them more vulnerable in their interactions with service markets. At least 10 were to code against 3 blue boxes.

Statement	Agree	Disagree
I am a very sociable person and like to have people around me		

I make sure to organise social activities with friends or family at least once or twice a week		
I know I ought to get out and about but I sometimes find it hard to feel motivated enough to leave the house		
Sometimes I feel like I need help with certain things but that I do not have anyone I can ask to help me		

- **Interactions with service markets:** Participants were asked whether they agree or disagree with the below statements. They were to code against at least 1 blue box, reflecting behaviours and attitudes which might limit their ability to get good value for money in the key service markets. At least 10 were to code against 2 blue boxes.

Statement	Agree	Disagree
I feel confident shopping around online for these types of services and products		
I research these types of services and products online (for example on price comparison websites) before buying them		
Sometimes I feel like I could be getting a better deal on these types of services and products but I'm not sure how to get one		

## 9.4: Research materials

### 9.4.1 Overview of discussion guide

The following overview summarises the points covered in the and was adapted for all depth interviews, ethnographic sessions and focus groups.

Section	Key discussion points and activities
<b>Section 1: Introduction</b>	<ul style="list-style-type: none"> <li>• Moderator introduction, covering explanations of and BritainThinks and CMA, purpose of the research and confidentiality rules.</li> <li>• Consent and permission to record sought from participant.</li> <li>• Opportunity for participant to ask questions about the research.</li> </ul>
<b>Section 2: You and your life</b>	<ul style="list-style-type: none"> <li>• Participant introduction, covering attitudes to their life, daily routine, living situation, social networks, employment and pressures on their time.</li> <li>• Transport use, covering impact of lack of/ access to a car.</li> </ul>

	<ul style="list-style-type: none"> <li>• For those with a disability or mental health problem, introduction to their condition and the impact on their lives.</li> </ul>
<p><b>Section 3: Managing money and getting value for money</b></p>	<ul style="list-style-type: none"> <li>• General discussion on managing money, covering methods of managing money, confidence in managing money overall and comparing confidence in doing so across different products and services. Exploring tactics that consumers use to help to manage their money, in particular impact of access to gateway products and use of online tools.</li> <li>• Perceptions of ‘good value for money’, whether this is something participants think about, in what circumstances and its relative importance for different their products and services. Also exploring how easy or difficult it is to know if you are getting good value for money in across different products and services.</li> <li>• Specific experiences of good and bad value for money, as identified in online community. Understanding perceptions of how good value for money was achieved and what they think helped, and perceptions of what influences getting bad value for money.</li> <li>• Impact of inconsistency of getting good value for money across different products and services on their lives and whether this is considered fair.</li> <li>• Grocery shopping, covering barriers to getting good value, methods for getting good value and how they would prefer to shop.</li> </ul>
<p><b>Section 4: Key market deep dive</b></p>	<p><i>All markets covered in each interview. For each market following areas were covered, before digging deeper into specific lines of questioning for each market:</i></p> <ul style="list-style-type: none"> <li>• Information about specific service bought in that area, covering methods of payment, amount paid, supplier.</li> <li>• Experience of that supplier, covering any negative experiences, how those were managed and impact on participant’s life. For those with a disability or condition, discussion on impact of their experience, and views on disclosure. For those 65+, discussion on views of how older customers are treated by supplier.</li> <li>• Contact with supplier, including means of contact from supplier, frequency, level of engagement with supplier, and views on information from supplier. Specific examples of good/bad contact with supplier.</li> </ul>

	<ul style="list-style-type: none"><li>• Knowledge of contract in place, covering contract end, renewal procedure, and if participants plan to act when contract ends.</li><li>• Length of time with supplier, covering decision to sign up with supplier where applicable, what prompted signing up with supplier, where this decision was made, and reasons for staying with supplier or switching.</li><li>• Experiences of switching or thinking about switching, covering reasons for doing so, what prompted them, what was easy/difficult, whether they feel they achieved good value for money by doing this, and if they would consider switching again based on this experience. Impact of disability or condition on choice available.</li><li>• Experiences of changing contract or tariff while staying with the same provider, including what prompted this, how easy/difficult it was and whether they would do it again. Impact of disability or condition on choice available.</li><li>• Feelings towards supplier overall, covering trust, especially in relation to giving them good value for money.</li><li>• Perceptions of getting good value for money in relation to this service, covering outcomes and any help needed to get good value for money.</li></ul> <p><i>Additional areas explored for key markets:</i></p> <p><b>Energy</b></p> <ul style="list-style-type: none"><li>• Differences or impact of housing situation, particularly living in temporary accommodation or other less stable housing situations</li><li>• Impact of different payment methods and related factors e.g. direct debit, pre-payment meters, smart meters</li><li>• Awareness and experiences of support e.g. Priority Services Register, Winter Fuel Payment, Warm Homes Discount, capped pricing</li><li>• Awareness and understanding of key terminology e.g. Standard Variable Tariff, capped tariff, direct debit, dual fuel discount, estimated billing</li></ul> <p><b>Telecommunications, including broadband, mobile phone, pay TV and fixed line rental</b></p> <ul style="list-style-type: none"><li>• Additional factors influencing choice of product/service/supplier and conception of a good deal in each specific service within this market e.g. broadband speed and coverage for home internet</li><li>• Awareness and impact of 'bundling' on choice, ability to identify value for money, understanding of contract and (perceived) ability to switch or change contract/tariff</li><li>• Impact of any challenges in this market on their lives more broadly and on other markets, e.g. challenges with</li></ul>
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	<p>internet access impacting on ability to achieve a good deal in the other markets</p> <ul style="list-style-type: none"><li>• Awareness and understanding of key terminology e.g. bundles, packages, coverage, pay as you go, SIM only</li></ul> <p><b>Consumer credit</b></p> <ul style="list-style-type: none"><li>• Financial capability and confidence and impact of that on engagement in this market</li><li>• Reliance on credit and reasons for accessing credit products, and impact of this</li><li>• Differences by or impact of type of credit product (e.g. credit cards, payday loans, store cards etc.) and frequency of payment</li><li>• Perceptions of choice and factors which may be restricting choice, such as existing debt or factors related to age/health condition/disability</li><li>• Approach to paying off debt</li><li>• Awareness and experience of credit rating and credit referencing agencies, including ease and difficulty of engaging with credit referencing agencies</li><li>• Awareness and experience of support e.g. debt management advice</li><li>• Awareness and understanding of key terminology e.g. APR, credit limit, default, interest, minimum monthly payment</li></ul> <p><b>Insurance (prioritising home (i.e. building, contents or combined insurance) and car insurance)</b></p> <ul style="list-style-type: none"><li>• Differences by those who have and have not claimed on their insurance, and experiences of claiming</li><li>• Impact of living situation i.e. renters compared to home owners</li><li>• Reasons for <u>not</u> accessing home (contents) insurance beyond reasons related to living situation</li><li>• Awareness and understanding of how insurance premiums are calculated and factors that impact on this</li><li>• Awareness and understanding of key terminology e.g. APR, premium, excess, no claims discount/bonus,</li></ul> <p><i>The following potential solutions to help low income and vulnerable consumers were tested and explained verbally by moderators.</i></p> <ul style="list-style-type: none"><li>○ Prompts to think about changing supplier, covering preferred channel and messenger for receiving these</li><li>○ Receiving advice about how to manage money and bills in general</li></ul>
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	<ul style="list-style-type: none"> <li>○ More favourable deals for consumers who disclose that they are on low incomes or have a disability or a health condition</li> <li>○ Ways of getting quotes for suppliers based on what you've been spending over time to help you work out the best deal to meet your needs</li> <li>○ Information on how much money you could save by switching supplier, for example by using a price comparison website</li> <li>○ Being automatically switched to the best tariff by your provider</li> <li>○ A third-party automatic switching service which can automatically put you on the best deal, covering reactions to exchanging money/information for this service</li> </ul>
<p><b>Section 5: Attitudes</b></p>	<ul style="list-style-type: none"> <li>● Comparison of getting value for money across different products/services, how easy/difficult it would be to switch tariff/provider and priorities for getting better value for money – as well as any impacts of contracts ending at same time.</li> <li>● Perceptions of what kind of person gets better/worse value for money in service areas and if its someone like them.</li> <li>● Perceptions of whether longstanding customers get better/worse value for money than new customers.</li>   <li>● Opinions on Citizens Advice 'loyalty penalty' research, covering fairness, who is likely to be most affected, extent of the problem, and whether they are affected. Also covering reaction to estimate that some loyal customers could be £900 worse off.</li> </ul>
<p><b>Final section</b></p>	<ul style="list-style-type: none"> <li>● Concluding comments, thoughts, payment of incentive, opportunity to ask any further questions.</li> <li>● Information provided about final task in online community.</li> </ul>



### 9.4.2 Online community activity plan

The following overview summarizes the tasks that participants completed ahead of and following their face-to-face interview. The majority of participants completed these tasks on a specialist online research platform, and the activities were adapted for those who needed to complete them offline or in alternative formats.

Section	Key discussion points and activities
<p><b>Activity 1: You and your life!</b></p>	<ul style="list-style-type: none"> <li>• <b>Introduction to you and your life [Video task with option to write text]:</b> including living situation, local area, how they spend their time, hopes and concerns for the future.</li> <li>• <b>A typical day in your life [Written task]:</b> covering how a typical week day is spent, what they enjoy most about the day, what is more difficult/stressful, if any help or support is used or needed.</li> </ul>
<p><b>Activity 2: Getting value for money</b></p>	<ul style="list-style-type: none"> <li>• <b>How you do your shopping and spend your money [Written task]:</b> covering how they shop (e.g. online/instore); what's most important in this process; what they spend money on in a typical month/more occasionally and how they pay for them; and fluctuation/stability of spending.</li> <li>• <b>Getting value for money [Written task]:</b> covering last 6 months, a time when they got good value for money and why and a time when they got bad value for money and why.             <ul style="list-style-type: none"> <li>○ Rating a range of products and services on a sliding scale of 1 – 5, with 1 representing bad value for money and 5 good.</li> </ul> </li> <li>• Reminder of upcoming face to face interview.</li> </ul>
<p><b>Face-to-face interview takes place</b></p>	
<p><b>Activity 3: Reviewing bills and contracts</b></p>	<ul style="list-style-type: none"> <li>• <b><u>Your bills and contracts</u> [Written and video/photo task]:</b> covering how easy/difficult it was to find, how the information was presented and how easy/difficult it was to understand, anything that was new or surprising, and if they are planning to do anything as a result of reviewing their contracts.</li> <li>• <b><u>For those that could not find their bill or contract:</u></b> what information they would have liked to find in there, how important it is they could find that information, and if there</li> </ul>

	<p>would be another way of finding it without seeing a bill or contract.</p>
<p><b>Activity 4: Thinking about your options</b></p>	<ul style="list-style-type: none"> <li>• <b>Getting better value for money [Written task]:</b> <ul style="list-style-type: none"> <li>○ <i>Spontaneous perceptions:</i> Participants to imagine they are looking for better value for money in this market and explain what steps they would take to get a better deal, use of PCWs, and views on whether PCWs are more effective for some services than others.</li> <li>○ <i>Price Comparison Websites:</i> Heatmapping exercise of screenshots of 2 PCWs, highlighting things that are more/less effective in helping them get a good deal. Views on missing information that would have helped them get a good deal</li> <li>○ <i>Automatic Switching:</i> Explanation of automatic switching. Heatmapping exercise of a mocked-up text and letter from a service provider, and a screenshot of a third-party automatic switching service. Highlighting things that are more/less effective in helping them get a good deal.</li> <li>○ Views on automatic switching, whether they would use it, who would be trusted to provide this service and if it would be more useful for some products/services than others.</li> <li>○ <i>Collective Switching:</i> Explanation of collective switching and Ofgem trial, whether they would use it, who would be trusted to provide this service and if it would be more useful for some products/services than others.</li> <li>○ Overall whether they prefer the idea of automatic or collective switching.</li> </ul> </li>   <li>• <b>Final thoughts [Written task]:</b> Covering likelihood of looking for better value for products/services in future, comparing across markets. Views on what is most helpful to get good value, whose responsibility it is to help get good value, and final advice.</li> </ul>