Title: Digital Markets, Competition and Consumers Bill: Subscription measures **IA No:** BEIS056(F)-22-CCP **RPC Reference No:** **Lead department or agency:** Department for Business and Trade (DBT) **Other departments or agencies:**	Impact Assessment (IA) **Date:** 20/04/2023 **Stage:** Development/Options **Source of intervention:** Domestic **Type of measure:** Primary legislation **Contact for enquiries:** ccpcorrespondence@beis.gov.uk
Summary: Intervention and Options	RPC Opinion:

Cost of Preferred (or more likely) Option (in 2019 prices)			
Total Net Present Social	**Business Net Present Value**	**Net cost to business per year**	**Business Impact Target Status**
–£315m	–£3,211	£171m (EANDCB)	Qualifying regulatory provision

What is the problem under consideration? Why is government intervention necessary?

Subscriptions are a popular payments model, allowing consumers to receive goods, services and digital content on an ongoing basis for recurring payments. Subscriptions in non-regulated sectors are worth about £26 billion per year. However, consumers spend around £1.6 billion (£0.53–£3.89b) per year on subscriptions they do not think are good value for money. These are a result of failures to fully inform all consumers before purchasing subscriptions, failures to keep customers informed about their subscriptions, limited cancellation opportunities and cancellation processes that are difficult to navigate. The government is considering legislation to address these harms.

What are the policy objectives and the intended effects?

The policy objective is to reduce unwanted spending from unwanted subscriptions. The policies under consideration are intended to give clarity to consumers about the financial commitment of their subscription contract at the point of purchase, ensure consumers are aware of ongoing payments from their subscription contracts, provide further opportunities to exit an unwanted subscription and provide easier routes to exiting unwanted subscriptions. The government does not intend to regulate in areas where there are already equivalent or higher regulatory standards in relation to subscription contracts.

What policy options have been considered, including any alternatives to legislation? Please justify preferred option (further details in Evidence Base)

1. Require businesses to clarify and enhance pre-contractual information to consumers.
2. Require businesses to issue reminders to customers about their subscription contract, with instructions for cancelling, before the end of any commitment period.
3. Provide easy exiting for subscription contracts.
4. Provide consumers with further cooling-off rights upon auto-renewal of a contract of 12 months or longer and following a free or reduced cost trial that has become a full cost contract.
5. Require businesses that provide subscription contracts to consumers which contain auto-renewal terms to offer consumers an up-front choice between a subscription contract (that will auto-renew or auto-rollover) and an equivalent contract without such a provision and require that consumers expressly consent before taking a subscription contract that will auto-renew or rollover.
6. Require businesses to get customer consent to continue with a full-priced, ongoing subscription contracts after a free trial or reduced-price period.

The preferred policy package is a requirement for businesses to clarify pre-contractual information, issue reminders to customers about their subscription contract, provide easy exiting for subscriptions and provide further cooling-off rights (1+2+3+4).

Will the policy be reviewed? N/A. **If applicable, set review date:** Month/Year

Does implementation go beyond minimum EU requirements?		N/A		
Is this measure likely to impact on international trade and investment?		No		
Are any of these organisations in scope?	**Micro** Yes	**Small** Yes	**Mediu m**Yes	**Large** Yes
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)		**Traded:**	**Non-traded:**	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister: Date: 20/04/2023

Summary: Analysis & Evidence

Description: Preferred Package

FULL ECONOMIC ASSESSMENT

Price Base Year 2019	PV Base Year 2025	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: –393	**High:** -237	**Best Estimate:** –315

COSTS (£m)	Total Transition (Constant Price)	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	237	59	**743**
High	393	1,168	**10,446**
Best Estimate	315	336	**3,211**

Description and scale of key monetised costs by 'main affected groups'

Businesses offering subscriptions will incur one-off transitional costs of £281m - £467m. These include training, familiarisation, legal and IT costs to implement new procedures and the costs of changing terms and conditions. Businesses will see a reduction in qualifying nominal profits of £26m-£573m per year and a nominal loss of revenue of £44m- £814m per year as consumers end unwanted subscription contracts, however consumers are likely to spend these savings on other goods, services and digital content, reducing this cost to businesses.

Other key non-monetised costs by 'main affected groups'

Businesses may incur additional annual costs to maintain new processes, these have not been estimated.

Businesses may change the subscription offers to consumers such as raising the monthly cost or offering fewer trials. These would reduce the benefit to consumers and has not been estimated.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	59	**512**
High	0	1,168	**10,052**
Best Estimate	0	336	**2,896**

Description and scale of key monetised benefits by 'main affected groups'

Consumers will benefit from £70m - £1,387m reduced spending per year on unwanted subscription contracts. These consumers are likely to spend a large portion of these savings on other goods and services which provide better value-for-money.

Other key non-monetised benefits by 'main affected groups'

Providing additional tools to manage subscriptions could improve consumer confidence in the business model, increasing spending on subscription contracts overall. This has not been estimated.

Empowering consumers to exert additional competitive pressures on businesses who offer subscription contracts could increase productivity in the sector. This effect has not been estimated.

Key assumptions/sensitivities/risks	**Discount**	3.5%

Our estimate of existing unwanted spending, and therefore the size of the transfer from business to consumers is uncertain and sensitive to small changes in input variables.
The estimated size of the business population may include businesses out of scope of the proposal or businesses who offer subscription contracts that already comply with this package's requirements. These businesses will incur no additional or lower costs, which would reduce the estimate of cost.

BUSINESS ASSESSMENT

Direct impact on business (Equivalent Annual) £m:			**Score for Business Impact Target (qualifying provisions only) £m:**
Costs: 171	**Benefits:** 0	**Net:** 171	856

Contents

Introduction

1 Problem under consideration

1. A subscription is, in broad terms, a contract, between a consumer and a trader, over a period of time for the supply of goods, a service or digital content and/or services. Typically, the good, service or digital content is provided on an ongoing or regular basis over a period of time in return for a recurring payment. The recuring payment can happen on a rolling basis or at the end of a fixed-term period agreed at the time of purchase. Auto-renewal and/or an auto extending term is a key feature of a subscription.
2. Subscription contracts are popular with consumers. An estimated three quarters of UK adults have at least one subscription contract and the average subscriber spends £680 a year on subscription contracts in non-regulated markets, making the subscriptions industry worth around £26 billion per year.[1] For many consumers, subscription contracts offer a convenient service with a single transaction and flexible method for purchasing. Subscriptions allow payments to be spread across multiple periods and enable consumers to try new products for free or at a reduced price. In many cases signing up to a subscription is the only way for a consumer to access a product or service. Businesses benefit from increased customer loyalty building brand recognition along the way, a more predictable revenue stream, an opportunity to innovate and test new products and services through free or reduced-price trials.
3. In the 2018 Consumer Green Paper[2] the government indicated it would consider options to address harms in the subscriptions market. There are two primary problems we consider in this assessment. Firstly, consumers are not always provided with the information they need to manage their subscriptions effectively.
4. Half of the free trials and subscriptions advertised online examined as part of a 2016 study by the European Commission contained problematic practices including unclear terms and misleading information such as not clarifying that the advertised price was a monthly payment or omitting minimum subscription terms.[3]
5. Citizens Advice report 84% of respondents to its survey about subscription traps were not aware they had agreed to a subscription at the point of purchase.[4]
6. Once subscribed, customers need to be provided with the information they require to effectively manage their subscriptions. Each year, around a quarter of consumers pay for subscriptions they did not want after being rolled over from an unsatisfactory reduced-price trial. And at least a quarter of consumers have continued to pay for a subscription without having realised the price had increased.[5] Moreover, a 2016 US study found 84% of consumers underestimated their monthly expenditure on subscriptions, undervaluing by an average of two-thirds.[6]
7. This suggests consumers are not consistently provided with the information they need about their commitments under a subscription to decide whether the subscription is value for money. This information failure should be addressed at the point of sale and throughout the subscription term.

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[1] DBT calculations, see section 6.1.

[2] BEIS, Consumer Green Paper

[3] European Commission, *Misleading "free" trials and subscription traps for consumers in the EU*, 2016.

[4] Citizens Advice, *Locked in: Consumer issues with subscription traps*, 2016.

[5] DBT calculations from YGUS and FSI, see Annex A, for a description of the data sources.

[6] West Monroe, Relationship with subscription services.

8. Secondly, cancelling subscription contracts is not always straightforward, which hinders consumers from taking control of their payments.

9. Consumers often find exiting subscriptions difficult; only 40% of consumers say they never have difficulty cancelling contracts, and 84% agree subscriptions are harder to exit than they are to join.[7] Subscriptions that are difficult to exit act as barriers to effective competition by retaining customers.

10. Auto-renewal clauses and insufficient cancellation opportunities contribute to this barrier since inaction on behalf of the consumer can lead to consumers being committed to another full-term.

11. The problems identified above have three main inefficient outcomes:
    - Consumers end up paying for subscriptions they do not want. We estimate consumer payments on unwanted subscriptions is around £1.6 billion per year.[8]
    - Customers and businesses may be missing out on advantageous sales. Information asymmetries and complicated exiting arrangements can reduce consumer confidence, meaning fewer consumers purchase subscriptions they would value, and business lose out on customers.
    - Businesses are not encouraged to compete on the quality of service. Unscrupulous businesses can use opaque terms and complicated exiting procedures to retain customers at the expense of business offering a more streamlined experience, reducing the incentives to compete on good customer experience.

2 Rationale for intervention

12. Well-functioning, competitive markets encourage growth by creating incentives for businesses to become more efficient and innovative. In many circumstances, market forces can also be expected to mitigate negative consumer experiences, such as faulty products. Offering a high-quality service would normally attract customers away from businesses who offer a poor service or operate on poor practices, and so reduce aggregate consumer harm.

13. However, markets can only be fully competitive if consumers are active, confident, willing and able to switch between suppliers to take up new products. Market failures can interfere with this process: consumers may not always know of better offers or the low quality of what they are about to sign up to (**information failures**) and **behavioural biases** mean that they may not always unsubscribe from a subscription that they do not want. Businesses may exacerbate these problems by exploiting consumers biases through poor practices such as confusing information or transactional frictions.

14. The rest of this section will explore in more detail how these market failures work and present evidence that they are present and cause consumer harm in subscription markets.

Information failures

15. According to the 2021 BEIS Public Attitudes Tracker[9], between 15% and 19% of consumers found it difficult to understand the terms and conditions when purchasing from online retailers. A further 19% to 24% had not read the terms and conditions before purchasing. Research by the European Commission into subscription traps found that around three in four consumers (74%) across the EU-28 who did not read terms and conditions from online retailers did so

[7] DBT calculations from FSI. Citizens Advice.

[8] DBT calculations using multiple consumer surveys, see section 6.2,

[9] BEIS, Public Attitudes Tracker 2021

because they were too time-consuming.[10] Experiments by the Behavioural Insights Team suggest that while the length of terms and conditions may play a role, there are several other techniques that increase consumer engagement with terms and conditions – or conversely discourage it.[11]

16. Such lack of engagement from consumers can be an obstacle to effective competition in the subscriptions market, leading to worse outcomes for consumers, and an inefficient allocation of revenues to competing business. To illustrate, according to the Consumer Protection Study 2022[12], around £18 billion of annual net monetised detriment experienced by consumers was due to problems associated with misleading prices, misleading information or unfair terms and conditions.[13]

17. These detriment estimates only refer to problems that consumers are aware of. Where key contractual information is unclear before the transaction, consumers may not know that they committed to regular payments or how difficult it might be to unsubscribe until detriment has already occurred. The National Audit Office described different types of "hidden" detriment and estimated the consumer detriment associated with them at over £4 billion in 2014-15[14].

Behavioural biases

18. Consumer decision-making can be influenced by a range of behavioural features, known as 'biases'. For example, consumer preferences can be biased towards the present at the expense of future implications of their choice (**myopia**). When applying that to subscriptions, consumers may only be able to see the present benefits of subscriptions and the cost in time of cancelling and not consider their value or the value of money saved in the future. Also, people tend to accept default positions even if presented with more favourable alternatives (**default bias** and **inertia**). Consumers have a tendency to choose the easier option and not cancel their subscription despite them finding it poor value for money.

19. For instance, a 2019 YouGov survey found that 47% of respondents had accidentally been rolled over from a trial to a fully paying subscription because they forgot or were unable to cancel the subscription.[15] Similarly, research by Attest found that almost half of consumers (49%) felt that they had been tricked into a subscription before and over half (56%) sometimes forgot to cancel subscriptions after free trials.[16]

20. Research from Money and Mental Health and Opinium found that consumers had been wanting to cancel unwanted subscriptions for 2.5 months and 6 months on average respectively.[17] Further, Opinium found that around a third (35%) of unwanted subscriptions were still paid for because the consumer kept forgetting to cancel and in a further 42% cases they had not got around to cancelling yet.

21. Behavioural biases can lead to inefficient allocations of spending by consumers, but these can be mitigated by design decisions at the point of purchasing a subscription, contract cancellation terms and communications during the subscription term. Government intervention

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[10] European commission (2016): Misleading « free » trials and subscription traps for consumers in the EU

[11] Behavioural insights team (2019): Best practice guide - Improving consumer understanding of contractual terms and privacy policies: evidence-based actions for businesses

[12] Consumer protection study 2022, National Audit Office 2016

[13] DBT calculations of Consumer Protection Study 2022 micro data. Problem types were a multiple-choice question. Therefore the responses from the report's figure 15 cannot be added up for a total across the three unfair commercial practices.

[14] Protecting consumers from scams, unfair trading and unsafe goods

[15] YouGov Unwanted subscriptions 2019

[16] Attest, The UK Direct to Consumer Economy Report, 2020

[17] Money and Mental Health Subscription retail: an expensive trap 2017

can ensure consistent efforts by all businesses to mitigate the distortionary effects of behavioural biases.

Perverse business incentives

22. The way businesses communicate information and structure consumer decisions can amplify the negative impact of biases on consumers:
    - Businesses may use complex terms and conditions or obscure information about the size of the financial commitment. These reduce the ability of consumers to make informed decisions,
    - Businesses may use trial-period pricing to attract consumers in the expectation that consumers default bias' will prevent them from cancelling subscriptions,
    - Businesses may create artificial barriers to unsubscribing and so exploit consumers' inertia and myopia, by making consumers' present-day cost of taking action more expensive in relation to the future benefits of not spending on unwanted subscriptions.
23. Businesses may have weak incentives to voluntarily improve poor practices and so mitigate consumer biases if they do not expect an advantage from it, e.g. additional customers and revenue. This may happen for three interrelated reasons. First, it could be because they may find it difficult to effectively communicate customer-friendly practices, e.g. because they are small, have limited marketing resources, and/or do not have a well-known brand. Second, they may lose revenue by stopping the practice: businesses that capitalise on behavioural biases by providing incomplete information to their customers or using complex cancellation procedures for customers to remain subscribed longer, could increase revenue by binding customers for longer and charging higher prices than consumers expected. Third, the market failures themselves and the adverse competitive dynamics they produce may disincentivise business from changing poor practices: business will be discouraged from unilaterally improving their practices and offering higher quality products or services if they fear being outcompeted by rivals who keep poor practices and do not operate on a level playing field.
24. There is strong evidence that businesses have erected barriers to deter consumers from cancelling subscription contracts and that these barriers impact consumers' ability to exercise choice and drive economic efficiency. The earlier sub-sections presented evidence that consumers find terms and conditions difficult to understand, that many consumers unintentionally get rolled over from free trials to paying subscriptions, and that it takes them some time to cancel unwanted subscriptions. Further to this, research by Attest showed that over half of consumers (56%) found cancelling subscriptions difficult.[18] According to YouGov research from 2018, 44% of consumers found it more difficult to cancel a subscription than to sign up, compared to 7% who felt the sign-up was more difficult.[19] Together, this suggests the presence of barriers to unsubscribing. In terms of impact, evidence from the Opinium Consumer Omnibus found that around a quarter (23%) of unwanted subscriptions were still paid for despite the consumer having attempted to cancel but not having been successful in doing so.
25. Similar issues with consumer contracts were prevalent in other markets such as regulated services. For instance, Ofcom decided in 2017 to reform the switching process for mobile communication services because several structural issues impeded consumer engagement. Among other reasons for low engagement, consumers needed to contact their existing provider to initiate the switch, which could be time-consuming and involve unwanted persuasion to remain.[20] Early evidence suggests a positive increase in consumer engagement

[18] Attest, The UK Direct to Consumer Economy Report, 2020

[19] Polling by YouGov on behalf of Citizens Advice (2018): Proposal to tackle subscription traps

[20] Ofcom (2017): Consumer switching. Decision on reforming the switching of mobile communication services

following the reforms: the share of mobile communication services consumers who were out-of-contract fell from 27% in 2019 to 25% in 2020.[21]

26. Consumers are also strongly in favour of reforming subscriptions rules. YouGov research in 2019 found that only 5% of consumers felt that companies should be allowed to automatically sign consumers up to a subscription after a free trial as long as that was made clear in the terms and conditions or upon signing up the free trial.[22] A 2018 YouGov research found that over four in five consumers (81%) thought that it should be as easy to cancel a subscription contract as it is to sign up.[23]

Conclusion

27. As shown above and through the consumer survey evidence presented in Section 6, “Estimating the size of the problem”, a large problem persists, despite some useful regulatory action based on existing legislation and commitments from some large businesses presented in Section 4 and Section 9.8. This continuing problem, together with the behavioural biases that make it hard for consumers to challenge businesses, businesses’ incentives to maintain unclear information and transactional frictions, and the experience in related markets, make for a strong case for government intervention. Intervention will improve outcomes for consumers and level the playing field for businesses to reward quality, innovation, and efficiency.

3 Objectives

28. Government’s aim is to reduce consumer spending on unwanted subscriptions, address consumer detriment caused by unwanted subscriptions and improve competition in the subscriptions sector by addressing the problems outlined above.

The policies should reduce the proportion of consumers that say they were not provided with the pre-contract information they needed to make an informed decision about the commitment and risks of subscription contracts; find pre-contractual information difficult to find and understand; say they wanted to cancel a subscription but keep forgetting (they are not reminded to do so), and those that want to cancel but found it hard to navigate the exiting cancellation process or found that the contract terms made it costly to do so. These proposals shall ultimately reduce the total share of unwanted subscriptions within 5 years of implementation as a result of consumers being rolled over from a trial period, being auto-renewed onto a new subscription period, forgetting to cancel their subscription, or from difficulties exiting their subscription.

29. These should be achieved without an excessive administrative burden to businesses.

4 Options considered

30. Based on the consultation-stage impact assessment’s analysis, stakeholder responses and further policy development we decided which proposals to review. We used the consultation responses, commissioned research, and further cost-benefit analysis to assess the proposals presented at consultation-stage. An additional proposal emerged as a result of policy development after consultation, requiring businesses to provide additional cooling-off rights for

[21] Ofcom (2021): Helping customers get better deals. A review of the impact of end-of-contract notifications and pricing commitments by broadband and mobile providers

[22] YouGov Unwanted subscriptions 2019

[23] Polling by YouGov on behalf of Citizens Advice (2018): Proposal to tackle subscription traps

specific subscription contracts. The timing of this meant that we were not able to commission any research. However, we were able to engage on it with stakeholders that had responded to the Reforming competition and consumer policy consultation in June 2021. Therefore, we have assessed the proposal using the responses from stakeholders, available evidence from consultation-stage responses, commissioned research, and produced a cost benefit analysis. We have used our assessment of the proposals to put together a preferred policy package which is the government's chosen balance between delivering consumer benefits and avoiding excessive administrative burdens on businesses.

31. Regulated sectors with equivalent or higher rules in relation to subscription contracts (or where there is a compelling public policy reason) will be exempt or largely exempt. This includes areas regulated by Part C of Ofcom's General Conditions of Entitlement, financial services and insurance within the regulatory scope of the Financial Conduct Authority the regulated supply of gas, electricity, water, and the supply of medicine and certain medical products by a prescriber.

Option 0: Do nothing

32. This option includes the maintenance of consumer law currently in place to address the cost to consumers of unwanted subscriptions. This includes but is not limited to enforcing rights and obligations covered under the Consumer Right Acts 2015 ('CRA'), The Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 ('CCRs') and under The Consumer Protection from Unfair Trading Regulations 2008 ('CPRs'). Although existing consumer protection laws provide certain safeguards for consumers (e.g. ensuring that traders provide certain pre-contract information to consumers and a legal requirement for contract terms and notices to be fair), it arguably falls short of addressing some of the specific issues identified in relation to subscription contracts.

33. The Competition and Markets Authority (CMA) took enforcement action in the anti-virus and online video gaming sectors examining whether the business practices and terms and conditions associated with the automatic renewal of subscriptions in those sectors was fair and complied with the law. The Competition and Markets Authority successfully secured formal undertakings from Norton and McAfee requiring the businesses to make changes designed to make their automatically renewing contracts easier to understand and exit, as well as ensuring customers who auto-renew have extended refund rights.[24] The CMA has subsequently published compliance principles for anti-virus businesses that use auto-renewing contracts. The nine principles provide advice for anti-virus software businesses to help them ensure they comply with consumer protection law and apply professional diligence in their business activities.

34. Although the Competition and Markets Authority has achieved voluntary movement from subscription-providing businesses in certain sectors (i.e. anti virus and online video gaming), new legislation is needed to provide more clarity for businesses and consumers. With no new legislation addressing the particular issues we describe in relation to subscription contracts, we predict that there will be an ongoing lack of competition in the subscription market caused by complex terms and conditions that obscure information about the size of the financial commitment of the subscription at the point of purchase. Behavioural biases will continue to have a distortionary effect, and barriers to unsubscribing will continue to create a time-cost for consumers and prevent them leaving.

[24] Anti-virus Software CMA

35. This leads to an inefficient allocation of spending by consumers estimated at £1.6 billion per year currently being spent on unwanted subscriptions[25].

36. This option would result in no additional compliance costs to businesses because no new legislation would be introduced. While guidance may address some of the unwanted spending on subscriptions, the Competition and Markets Authority suggests this is likely minor, though it could not be quantified.

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[25] DBT calculations using multiple consumer surveys, see section 6.2,

Option 1: Preferred package

37. The preferred package includes the following proposals:

    a. Clarify and enhance the existing legal obligation on businesses to provide pre-contractual information to consumers. This means being more prescriptive than under the existing law about how, when and what information is presented in the context of subscription contracts.

    b. Require businesses to remind consumers before the end of any commitment period that their subscription contract will move onto a full price subscription contract (where a free/low-cost trial) or will auto-renew unless cancelled. The reminder would give the consumer an optimal amount of time to take action to prevent auto-renewal occurring, if this is what they wish to do.

    c. Require businesses to provide consumers with a mechanism to cancel a subscription contract in a straightforward and timely way.

    d. Require businesses to provide consumers with further cooling-off rights upon auto-renewal of a contract of 12 months or longer and following a free or reduced-price trial that has become a full-cost contract.

38. The combined impact of reminders and easy exiting is expected to be greater than the individual effect of each option, and together with the impact of cooling-off period are estimated to provide £400 million of consumer benefit per year in the form of lower spending on unwanted subscriptions. On the business side, this consumer benefit represents a direct £160 million profit loss and a £240million impact which is indirect profit and/or revenue. Consequently, only the £160 million direct profit impact is relevant to the Equivalent Annual Net Direct Cost to Business (EANDCB).[26] This impact is in addition to a one-off cost to business of between £281 and £467 million to implement proposals a, b, c and d across the 236,000 businesses affected.

39. This is our preferred option as it reduces consumer spending on unwanted subscriptions substantially while reducing the administrative burden on businesses. During the consultation-stage, businesses and consumer groups highlighted existing commitment to ensuring information is clear and digestible for consumers. Consumer advocacy groups, individual consumers, and regulators expressed support for the reminder proposals.

Option 2: Explicit consumer consent

40. This option goes further than option 1 and combines the above requirements on:

    a. Clarifying and enhancing the existing legal obligation on businesses to provide pre-contractual information to consumers. This means being more prescriptive than under the existing law about how, when and what information is presented in the context of subscription contracts.

    c. Requiring businesses to provide consumers with a mechanism to cancel a subscription contract in a straightforward and timely way.

41. And includes additional proposals on:

    e. Auto-renewal terms: If businesses provide subscription contracts which have an auto-renewal term, the same contracts without auto-renewal terms (on a fixed term basis) must also be offered. This does not apply to rolling contracts with payment intervals of a month or less.

[26] See Annex A for background to the business Impact

f. Require businesses to obtain the consent of the consumer before extending a trial or low-cost introductory offer contract to a full price term.

42. This option is estimated to provide a consumer benefit of £890 million per year. On the business side, this consumer benefit represents a direct £332 million loss and a £557 million impact which is an indirect loss and/or revenue impact. Consequently, only the £332 million direct profit impact is relevant to the Equivalent Annual Net Direct Cost to Business (EANDCB).[27] Business would also face a direct one-off cost of between £380 and £583m to implement the proposals.

43. Consultation responses from businesses and trade associations indicate that this is the least preferred option for businesses providing subscriptions as it would result in a high financial and administrative burden on businesses even for those already operating a good standard of best practice. This may lead businesses to stop offering subscription contracts. Consumers may also lose a subscription they still value because of inaction on their part when faced with a request to provide consent.

Option 3: Strengthen existing guidance on continuous payment authorities (CPAs) and introduce a voluntary code of conduct for subscription businesses.

44. This option builds on the Do-nothing option and includes recommendations to:

g. Provide guidance to bank/payment providers to encourage businesses to gain approval when there is a change in the payment amount.

h. Develop a best practice for payment system parties.

i. Develop a best practice/voluntary code of conduct with individual or groups of businesses.

j. Encourage application programming interfaces (APIs) under Open Banking to improve consumer awareness of Continuous Payment Authorities and their legal rights to cancel.

45. Several of the proposals would address Continuous Payment Authorities. By signing up to a subscription, consumers often set up a Continuous Payment Authority which gives businesses permission to take money of varying amounts from the customer's account in exchange for a good or service. In the case of a free or reduced-price trial period, businesses set up a Continuous Payment Authority and if consumers fail to cancel their subscription before the end of the trial period, businesses have the right to start charging customers the full price of the subscription. Further, Continuous Payment Authorities historically presented a risk of businesses exploiting the flexibility and increasing subscription fees unduly. Non-regulatory activity could thus involve speaking to the Financial Conduct Authority to strengthen rules around CPAs. However, the Financial Conduct Authority already sets requirements on clear, fair and not misleading information, which businesses highlighted during consultation. Further, as section 9.7 will show, the Financial Conduct Authority have been proactive in this area recently, so benefits from non-regulatory activity in this field are now likely exhausted.

46. Equivalently, government could ask the Competition and Markets Authority to put forward guidance on how existing general consumer legislation (see paragraph 32 should be enforced more stringently. However, DBT have limited formal levers to direct the Competition and Markets Authority towards specific actions.

47. One further non-regulatory option could be to develop a code of best practice for payment system parties, such as credit and debit card providers. This could involve new rules for when cardholder approval needs to be sought.

[27] See Annex A for background to the business Impact

48. A lack of information leads to consumers often being misled or not realising they are signing up to a subscription contract due to hidden or lack of pre-contractual information. A voluntary code of conduct with individual or groups of businesses would set an example and drive behavioural change. The code would include best practice steps and clarify the existing legal obligation on businesses to provide clear pre-contractual information to consumers. This would include recommendations on what and how information is presented to consumers at the pre-contract stage.
49. A different non-regulatory proposal would set guidance to encourage APIs under Open Banking, giving third party providers access to data from financial institutions, to develop a programme that makes consumers aware of CPAs and advise them on how they can be cancelled.
50. Based on our assessment above we do not expect the uptake of these recommendations to be very high and therefore it would not resolve a significant portion of unwanted consumer spending.

Analysis

5 Approach

51. We have undertaken research to gather evidence about the characteristics of businesses offering subscription contracts and the likely consumer response to these interventions. We rely on consumer surveys to estimate consumer responses to the proposals. Where the available evidence on consumer behaviour is incomplete, we were able to estimate how consumers may respond and assume that consumers will not change their behaviour. For some options, we also have incomplete evidence on the number of businesses that will have to make changes to comply with the new legislation. In these instances – and in contrast to the consumer behaviour assumption – we assume that all businesses offering subscriptions will have to make changes. These assumptions mean that our assessment may overestimate the costs to business and underestimate the benefits to consumers of the policies.
52. For the purpose of this analysis, we assumed that businesses would have six months between the associated bill passing the legislative process and the new rules taking effect. This period is not yet determined, although some form of transition period is likely and common practice in such cases. Together with the fact that the majority of reforms have been consulted on and there has been stakeholder engagement throughout most the policy-making process, we expect the transition period to be sufficient for businesses to implement the necessary changes.
53. The subscription contract reform involves costs and benefits to businesses and consumers, as well as improved competitive outcomes for the wider economy. The core consumer and business impacts mirror each other – any reduction in unwanted spending results in an equivalent loss of revenue to businesses. That means the main effect of these policies is neutral with respect to Net Present Social Value (NPSV) because it represents a transfer from businesses to consumers. The NPSV is thus driven solely by costs to businesses of implementing the measures.
54. While the transfer is presented as a cost to business, we expect consumers will not simply retain the savings from reduced unwanted spending, but instead spend these savings on additional goods and services. This will reduce the aggregate transfer from business to consumers, and it will increase consumer wellbeing. The size of the benefit to consumers of these new purchases will depend on their value relative to the unwanted subscriptions, which we have not estimated.

55. Our analysis first assesses the size of unwanted spending by estimating the annual amount that consumers spend on unwanted subscriptions (Section 6). These are ongoing subscriptions which the customer would prefer to cancel but has not yet succeeded in doing so. This could be because of moving onto a full-price contract after an initial trial period or due to frictions in unsubscribing. We will break down the overall estimate separately along two different dimensions:

- Subscription entry type: we estimate the share of unwanted subscriptions that consumers have as a result of being moved onto a full-price subscription after a trial period (vs those that were always full-price).
- Different barriers to unsubscribing: we describe a behavioural model to estimate the immediate cause of the failure to cancel the subscription. We divide the causes into consumer forgetfulness, consumer inertia, and difficulties during the cancellation process.

56. The analysis then estimates:

- The number of businesses offering subscriptions to consumers (section 7).
- The implementation costs to business of the measures (section 8).
- The reduced unwanted spending for each policy proposal (section 9)
- How the costs and benefits could interact with one-another, since the options are not mutually exclusive, but could reduce the same portion of subscription overspending (section 9).

57. The analysis then discusses:

- The wider indirect outcomes of the considered policies (section 1111).
- How the policy impacts different groups of people differently (section 12)
- How sensitive the results are to uncertain parameters (section 13)
- The impact on small and micro businesses (section 14), and
- How the outcomes and impacts could be monitored and evaluated (section 15).

6 Estimating the ‘size of the problem’

6.1 Annual overspend on subscription services from unwanted subscriptions

58. We define an ‘unwanted subscription’ as a subscription that a consumer wants to cancel because they do not believe they can make use of it to gain sufficient value-for-money *and* for which they make at least one payment after deciding they would prefer to cancel. This means, for example, a hypothetical consumer who did not use a subscription streaming service in one month but believes they will make more use of it in the future does not have an unwanted subscription. Similarly, a consumer who decides to cancel a subscription and succeeds in doing so within a billing period does not have an unwanted subscription since they did not overpay.

59. To estimate the annual spending on unwanted subscriptions, we use the following formula:

No. of subscriptions X % of subscriptions that are unwanted X Monthly cost of subscriptions X 12

Number of adults in UK

60. We use data from the ONS population estimates which indicate there were about **53 million adults in the UK** in 2020.[28]

Average number of subscriptions per adult

61. We use the results from the Opinium Consumer Omnibus[29] to estimate the total number of subscriptions held in UK. The survey was run on a representative sample of the UK population and is most representative of the current subscription market. This has been sense checked with the Forgotten Subscriptions Index (FSI), Barclaycard, a payment processor, Attest and Zuora surveys in the following section and in the Annex A.

Table 1:Estimated share of adults with subscriptions

Estimated share of adults with subscriptions	
Source	**Estimate**
FSI	74%
Zuora	82%
Opinium	73%

62. Attest surveyed only subscription holders and found they had 3.4 subscriptions each, on average.[30] Meanwhile Barclaycard reports around 3 subscriptions for each adult in the UK.[31]

63. These imply around four in five adults in the UK have at least one subscription, and those with a subscription have between 3.4 and 4 each, on average. That gives an average of 2.9 subscriptions per adult in the UK, or around **155 million subscriptions** between the 53 million UK adults. Of those 18% are fixed term auto-renewing subscriptions, or 0.5 per adult. This amounts to **27 million fixed-term auto-renewing subscriptions** in the UK.

Average monthly cost of a subscription

64. We consider four sources for the monthly cost of a subscription[32]. The results from FSI estimate the average monthly cost of a subscription is £14.19. We estimate using the Barclaycard report that subscriptions cost on average £11.62. The results of the YouGov survey suggest the average monthly cost of an unwanted subscription is £18.88.

65. We use these three estimates for the lower, central and upper bound. See also section 16.3 in the Annex A for more detail on how these estimates were derived.

Share of subscriptions that are unwanted

66. The following section is split into separate branches to account for unwanted subscription contracts that consumers want to cancel and subscription contracts on a fixed term auto-renewing basis that consumers would prefer to end automatically, if given the choice. Consumers on fixed term auto-renewing contracts are not able to exit at any month if they decide they are no longer getting value for money from their subscription or want to cancel. While both strands draw from the same survey evidence, detailed analysis of the survey micro data suggests that there is no overlap between the two branches. Unwanted auto-renewal subscriptions are therefore in addition to unwanted 'other' (essentially: rolling) subscriptions.

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[28] ONS Population estimates: Mid-2020

[29] Opinium Consumer Omnibus

[30] Attest, The UK Direct to Consumer Economy Report, 2020.

[31] Barclaycard, Subscription Society, 2020

[32] Annex A for full methodology and datasets

67. We use responses from the FSI, the Opinium Consumer Omnibus and the Money and Mental Health (MMH) surveys on subscriptions consumers were spending money on but would rather cancel. The evidence from the Opinium Consumer Omnibus shows that there is no clear relationship between wanting to cancel and deeming the subscription to be poor value for money. However, 8% of subscriptions were deemed to be poor/very poor value for money by consumers [33]. To estimate the share of subscriptions that are unwanted we use the number of subscriptions that consumers want to cancel irrespective of their value for money.

68. On average responses implied that **5% of current subscriptions are unwanted by the customer (i.e. the consumer wants to cancel them)**[34].

Spending on unwanted subscriptions

69. Referring to the formula presented at the start of this section to calculate the total annual unwanted spending,

No. of subscriptions X % of subscriptions that are unwanted X Monthly cost of subscriptions X 12

We substitute our estimated values and estimate the central **total annual unwanted spending by UK consumers is £1.4 billion**.

$$155 \text{ million} \times 5\% \times £14.19 \times 12 = £1.4 \text{ billion}$$

Share of fixed term auto-renewing subscriptions that are unwanted

70. We produced an upper and lower estimate for the share of auto-renewing subscriptions that are unwanted, and consumers are unable to cancel because they have been rolled over to a new fixed term commitment period.

71. To estimate the upper bound, we use the share of auto-renewing subscriptions that consumers
    1. felt are poor/very poor value for money and
    2. would like to have them end automatically rather than auto-renew, when asked what they would like to happen with the subscription at the end of the fixed term.

    Based on these questions, we estimate that 7% of auto-renewing fixed term contracts are unwanted or 1.3% of all subscriptions.

72. The lower bound uses the share of auto-renewing subscriptions that consumers
    1. wanted to cancel
    2. and they hadn't cancelled the subscription yet because they either
        i. forgot to unsubscribe,
        ii. haven't got round to it yet,
        iii. were unsuccessful when attempting to unsubscribe or
        iv. were planning to use it until the next renewal date.

73. We estimate that 2% of auto-renewing contracts, or 0.4% of all subscriptions, are unwanted. We use these estimates as the lower share of unwanted fixed-term auto-renewing subscriptions.

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[33] See Section 16.4 Share of Subscriptions which are unwanted

[34] See Annex A for methodology and datasets

74. In conclusion, we estimate that 2% - 7% of auto-renewing fixed-term contracts are unwanted. This amounts to 0.4%-1.3% of all subscriptions or 0.6m to 2m subscriptions per year. These unwanted auto-renewing subscriptions are **in addition** to those unwanted subscriptions calculated in the previous section because they are unwanted for different reasons.

Spending on unwanted fixed-term auto-renewing subscriptions

No. of auto-renewing subscriptions X % of auto-renewing subscriptions that are unwanted X Monthly cost of subscriptions X 12

75. We substitute for our estimated values and estimate the **total annual unwanted spending by UK consumers of fixed term auto-renewing subscriptions is £220 million**.

$$27 \text{ million} \times 5\% \times £14.19 \times 12 = £220 \text{ million}$$

Total spending on unwanted subscriptions

76. Throughout these calculations, we identify two key sources of uncertainty. The first is the share of subscriptions that are unwanted, where estimates ranged from 2% to 10%, and 2% and 7% for fixed-term auto-renewing subscriptions. The second uncertainty concerns the price of a subscription where reasonable estimates ranged from around £12 to £19. Other inputs, while uncertain, have comparatively narrow ranges, so we take these as fixed and explore only the effects of changes to the share of subscriptions that are unwanted and the average monthly price. We summarise the results of this section in Table 2. To calculate the upper and lower bounds on the size of unwanted spending, we use the upper and lower bounds for each of the share of subscriptions that are unwanted and the monthly cost of a subscription.

Table 2: Estimated total spending and unwanted spending on subscriptions

	Lower bound	Central estimate	Upper bound
Mean monthly cost	£11.62	£14.19	£18.88
Number of subscriptions	–	155 million	–
Total annual subscription spending	£22,000 million	£26,000 million	£35,000 million
Share of subscriptions that are unwanted	2%	5%	10%
Number of unwanted subscriptions	3.2 million	8.4 million	15 million
Annual spending on unwanted subscriptions	**£450million**	**£1,430 million**	**£3.440 million**
Share of subscriptions that are unwanted auto-renewing fixed-term subscriptions	0.4%	0.8%	1.3%
Number of unwanted auto-renewing unwanted subscriptions	0.6 million	1.29 million	1.98 million
Annual spending on auto-renewing unwanted subscriptions	**£84 million**	**£220 million**	**£450 million**
Total unwanted spending	**£0.53 billion**	**£1.6 billion**	**£3.89billion**

77. These suggest a range of unwanted spending from £0.5 billion to £3.9 billion. For the remainder of this assessment, **we use the central estimate of £1.6 billion** and revisit the range of outcomes in the sensitivity tests in section 1311.

78. Annex A includes further detail on the components of the calculation for unwanted spending as well as a discussion of the nature and quality of the surveys used (section 16.4).

Methodological considerations and concerns with this approach

79. The calculations above can only determine consumer spending on subscriptions that is unwanted, but this is not equal to detriment experienced. While a consumer may prefer to stop spending money on that product or service, they may still derive some value from it. Consumer detriment would equal unwanted spending minus what they would be willing to pay for the product or service (the residual value). However, experiences from the Consumer Protection Study have shown that subjective residual value and willingness to pay are difficult to monetise and interpret accurately in a consumer detriment context.[35] Therefore, we regard unwanted spending as a proxy for consumer detriment, noting that it likely overstates true detriment as defined above. Nevertheless, it still represents consumers' preference to allocate spending differently to maximise their value for money by seeking alternative products or services, incentivising businesses to compete. This also links to the earlier conclusion that while our data does not identify a strong correlation between value for money and cancellation intention, almost twice as many subscriptions were viewed as 'poor' or 'very poor' value for money than the number of subscriptions that consumers wanted to cancel (8% vs. 5%). This further suggests that the consumer detriment in this market, as per the above definition, is likely not significantly lower than the level of unwanted spending.

80. Further, in this assessment we have only considered subscription contracts in non-regulated sectors. These exclude payments for utilities such as energy or water, financial services, telecommunications, and public transport (much of which is out of scope of our proposals due to the exclusions we will apply to some regulated areas). However, consumers when reporting subscriptions that are unwanted may be referring to those in regulated sectors.

81. This approach makes no accounting for growth in the subscription market in the coming years. Consumer spending on subscription contracts has grown by around 50% since 2018 and is likely to continue to grow. As consumers purchase more subscriptions, the total unwanted spending from subscription contracts will also increase. In addition, it does not account for changes in consumer spending following lockdowns and rising living costs[36].

6.2 Share of unwanted spending that results from free trial rollovers

82. In order to estimate the share of unwanted subscriptions that are the result of being rolled over from a free or reduced-price trial period we use the YouGov (YGUS) survey. The survey asks specifically about consumers who were rolled over into an unwanted full price subscription after a free or reduced-price trial period.

83. Among survey respondents, 47% had accidentally signed up for a rolling subscription at some point. Of those, YGUS asked how often this had occurred in the last year. Responses to this question are shown in Table 3. Of those, around 52% of respondents experienced at least one issue in the past year, with an average of 1.3 subscription issues per affected consumer. Assuming 53 million adult consumers in the United Kingdom,[37] we estimate that 12.9 million

[35] BEIS (2022): Consumer Protection Study 2022: https://www.gov.uk/government/publications/consumer-protection-study-2022

[36] Kantar GB Streaming market shrinks

[37] ONS Population estimates: Mid-2020

consumers experience trial-price overspend each year on an estimated 17 million subscriptions, or 0.3 unwanted free trial subscriptions per adult.[38]

Table 3: Responses to YGUS question: How many times in the past year have you accidently signed up for a rolling subscription?

Response	Share of responses
Once	38%
Twice	11%
Three times	3%
For or more times	0%
Don't know	6%
Not in the last year	42%

84. To make these estimates consistent with our other figures, we need to convert the 17 million annual figure into a point-in-time estimate. To be internally consistent, we assume the average consumer pays for an unwanted subscription for 2.5 months before cancelling[39]. This would mean at a given point in the year, about one fifth (2.5 ÷ 12) of those subscriptions are active. We estimate that around 3.6 million unwanted subscriptions are the direct result of being rolled over from a free trial. **This adds up to £602 million per year or about 37% of the total unwanted spending.**

85. This estimate assumes there are no average differences between the costs of unwanted subscriptions resulting from trial period rollovers and unwanted subscriptions for which the customer was paying full price before deciding the subscription was not value for money. We note this assumption may not be true – it is possible higher-priced subscriptions are more likely to offer trial periods to reduce barriers to entry, especially given YGUS found a higher average monthly cost per subscription than other sources. However, this is already accounted for in the sensitivities around the total unwanted spending, so we do not separately test this assumption.

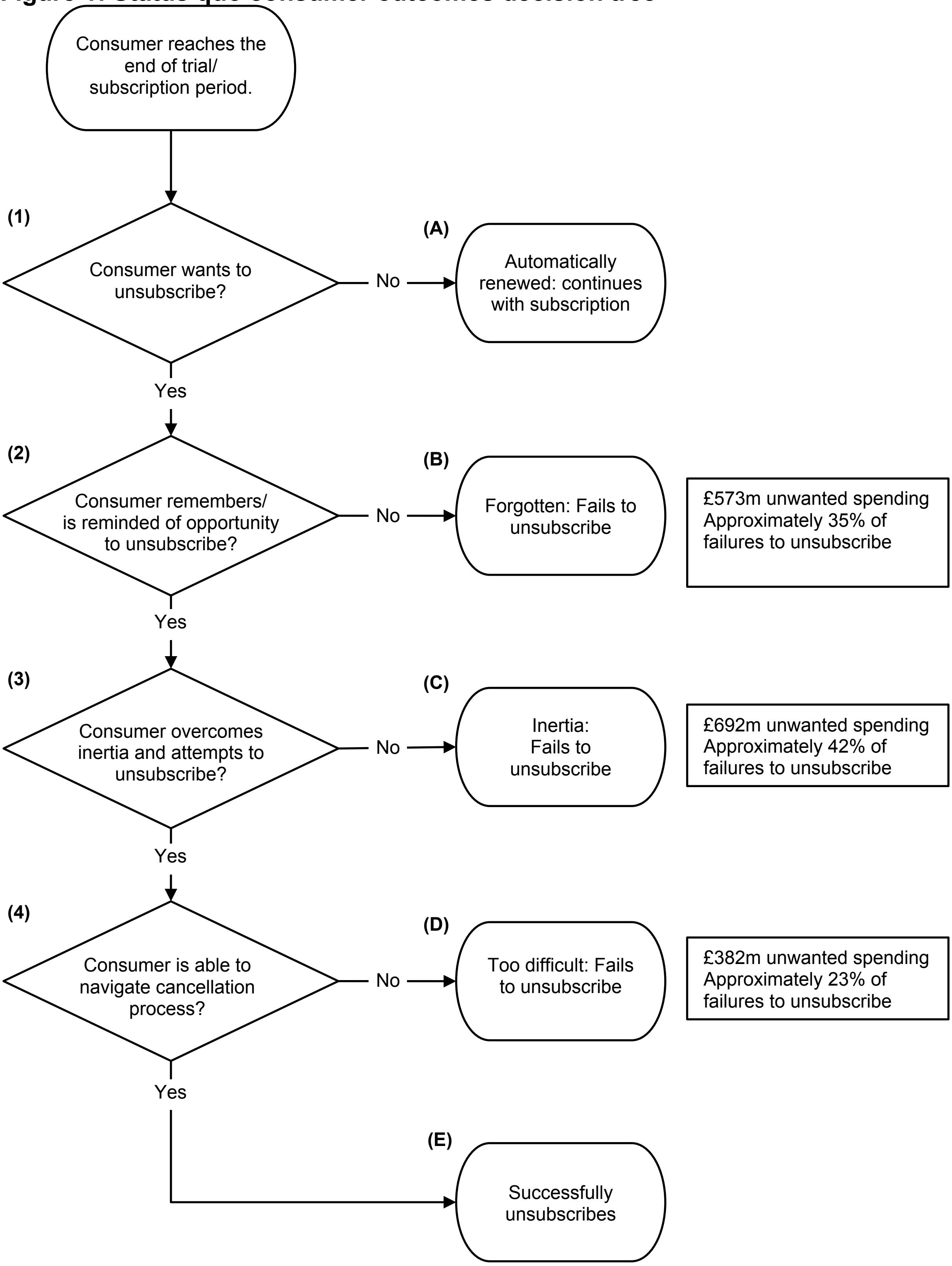
6.3 Behavioural model of unsubscribing

86. We have developed a behavioural model as set out below. We outline four criteria that separate different consumer outcomes. In order to unsubscribe a consumer must **(1)** want to unsubscribe, **(2)** remember or be reminded of the opportunity to unsubscribe, **(3)** overcome inertial biases and attempt to unsubscribe, and **(4)** understand how to unsubscribe and have the resources to do so. For simplicity, we address each of these sequentially, and outcomes **(A)** through **(E)** depend on which criteria the consumer meets. Of these outcomes, **(B)** through **(D)** represent situations of unwanted spending, where a consumer was not able to act according to their preferences.

[38] 51 million consumers x 47% who had accidentally signed up at some point x 52% for whom this happened in the previous 12 months.

[39] See Annex A, Average length of an unwanted subscription

Figure 1: Status quo consumer outcomes decision tree



87. To allocate the £1.6 billion in subscription overspending to each of **(B)**, **(C)**, and **(D)**, we rely on the responses to the Opinium Consumer Omnibus.

88. The Opinium Consumer Omnibus asked respondents that wanted to cancel their subscription why they hadn't cancelled it yet. As explained in Annex A, out of the five available reasons we assume those that those that have not cancelled yet because someone else in their household is using it/doesn't want to cancel and those planning to use it up to the next renewal date are not experiencing unwanted spending from an unwanted subscription and are removed from

the base of consumers that want to cancel their subscription. This leaves 24 respondents (34% of unwanted subscriptions causing unwanted spending) that said they keep forgetting about it, 29 (42%) said they hadn't got round to it yet and 16 (23%) said they tried to cancel but were unsuccessful.

89. We use these questions to distinguish consumers who simply forgot about their subscription **(B)** from the effects of inertia and default bias **(C)** and those who tried to unsubscribe but found the process too difficult **(D)** under the assumption "couldn't be bothered" and "had no time" are good proxies for inertia and difficulty unsubscribing, respectively.

90. For this interpretation to be correct, no respondent was referring to the same subscription in both questions (i.e. no-one responded they had both forgotten and not been bothered/not had time to cancel the same subscription). Second, we assume that these questions reflect the long-run relative likelihood of consumers experiencing each of the three barriers to unsubscribing (i.e. they are equal to the probabilities that any given consumer will fail to cancel an unwanted subscription due to one of these factors).

91. Putting these ratios into the decision tree, we find on average 35% of the total £1.6 billion unwanted spending can be attributed to consumers forgetting to unsubscribe, a further 42% failed to overcome inertial biases, and 23% tried to unsubscribe but found the process too difficult.

6.4 Summary of consumer unwanted spending by type of problem

92. For convenience, we summarise the 'size of the problem' below.

Table 4: Total consumer spending on unwanted subscriptions, with subsets by immediate cause

Total unwanted spending		**£1. billion**
Split by free trial/ full price	…of which rolled over from free trial	£602million
	…of which always full price	£1 billion
Split by reason for inaction	…of which forgotten	£573 million
	…of which caused by inertia	£692million
	…of which too difficult to cancel	£382 million

7 Number of businesses using subscription payment models

Businesses out of scope of the proposals

93. Regulated sectors with equivalent or higher rules in relation to subscription contracts (or where there is a compelling public policy reason) will be exempt or largely exempt. This includes areas regulated by Part C of Ofcom's General Conditions of Entitlement (which came into effect on 17 June 2022), financial services and insurance within the regulatory scope of the Financial Conduct Authority, the regulated supply of gas, electricity, water and the supply of medicine and certain medical products/devices supplied by a healthcare professional including a prescriber.

94. To estimate the number of businesses operating a subscription payment model in scope, we use a business survey commissioned by DBT on 2,032 businesses[40]. When asked, 296 of the 2,032 respondents said their business offered subscriptions. The survey included 49

[40] Business survey, 2022

responses from businesses that would be out of scope of the proposals, leaving 244 businesses selling subscriptions in scope. We weighted the results by size and industry using the ONS Business population estimates for the UK in 2021[41] in order to have a representative sample. Based on the weighted survey results, we estimate that 4% of UK businesses offer subscriptions, or 236,000 businesses.

95. Split by size, this represents 4% of micro businesses, 15% of small, 17% of medium and 19% of large businesses selling some sort of subscription to consumers within scope of the proposals.

8 Monetised and non-monetised implementation costs of each option

In section 8, we estimate the areas of costs businesses will incur and the aggregated costs per proposal.

8.1 Evidence sources

96. At consultation-stage, we assumed three areas of costs which businesses could incur as part of any change to their subscription offer to comply with new legislation. These are familiarisation costs, IT costs and costs of changing terms and conditions. We present the estimates of the costs of each of these areas across business sizes. A series of assumptions have been made to enable the quantification of the areas of costs to businesses of the proposed subscription reforms. These assumptions have been logged in Annex A.

97. Following consultation responses which indicated that our cost estimates were too low, DBT commissioned YouGov to conduct 25 interviews of businesses selling subscriptions across different businesses sizes and sectors. Participants provided estimates for each proposal, presented in Table 10. The research identified three main areas of costs which businesses could incur as part of any changes to their subscription offer. These are software costs, training costs and legal fees and correspond relatively well to the cost types estimated at consultation-stage.

98. The implementation cost estimated at consultation-stage under DBT assumptions and those estimated using the reported costs from the 25 businesses interviews painted a very similar picture.[42] In order to take into account the range of costs reported incurred by businesses as well as consultation responses, we provide a range of high and low costs for each proposal using the DBT and the qualitative research estimates. We apply these ranges of estimates to the number of businesses having to comply with the proposals.

8.2 Costs according to consultation-stage assumptions

Familiarisation costs

99. Familiarisation costs include the labour cost to business of reading and understanding the new regulatory requirements, including for customer service staff. We do not have complete evidence of the nature of these costs, and so we make conservative estimates using other impact assessments for changes to legislation for consumer-facing businesses, to provide an indicative estimate of the familiarisation cost.

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[41] ONS Business population estimates 2021

[42] See the assumptions log under 16.10 for an overview of the assumptions used to construct consultation-stage business cost estimates.

100. We assume that the number of staff that will have to familiarise themselves with the legislations will vary according to the size of the business.

101. The majority (95%) of businesses in the UK are micro businesses consisting of the owner/proprietor and no more than 9 additional employees. Moreover, around 90% of micro businesses have five or fewer total staff including the owner/proprietor[43]. For micro businesses, we assume the owner/proprietor will familiarise themselves with the new legislation. We estimate familiarisation will take approximately four hours to understand the requirements and how these will apply to their business. We base our costs on the wages for managers, directors and senior officials at £25.75 per hour.[44]

102. For small businesses with 10 to 49 employees, we assume two management-level staff members will need to familiarise themselves with the legislation for 4 hours each.

103. For medium businesses with 50 to 249 employees, we assume that in addition to senior staff familiarisation costs, ten customer service staff will have to receive training on the new rules for a total of 40 work hours at an hourly cost of £12.47. For large businesses, we have doubled these estimates.

Table 5: Familiarisation costs

Size	**Senior staff time (h)**	**Senior staff cost (£)**	**Service staff time (h)**	**Service staff cost (£)**	**Cost per business (£)**	**Number of businesses**	**Total cost (£m)**
Micro	4	103	0	0	100	197,000	20.2
Small	8	206	0	0	200	32,000	6.6
Medium	8	206	40	500	700	6,000	4.2
Large	16	412	80	1,000	1,400	1,400	2.0
TOTAL							**33.1**

Changes to websites and customer communications

104. Businesses in scope of the new legislation will have to make changes to their websites and prepare additional communications (i.e. email or SMS) with their customers. We assume that all SMEs and micro businesses offering subscription contracts have an online presence[45]. Since the changes required are minor, we assume these will require eight hours' work from an IT professional and that these costs are uncorrelated with the size of the business. We base these costs on web IT professionals' £19.23 per hour wages, for a total of roughly £150 per business. Table 6 shows that these assumptions suggest a one-off IT cost of £36 million per proposal across all affected businesses, with the majority falling on micro businesses.

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[43] ONS Business population estimates 2021

[44] Estimates for required hours of familiarisation are based on the impact assessment for changes requirements for alternative dispute resolution services on the basis that these policies, like Alternative Dispute Resolution (ADR) changes, will affect consumer-facing businesses.

The estimated hourly cost uses the gross hourly wages as reported in ONS Annual Survey of Hours and Earnings plus a 17% non-wage uplift to reflect the cost of national insurance, pension contributions, etc.

[45] A trader will not have to issue reminders if it does not have an online facility to send email or SMS reminders and the consumer has given no communication preference. Such traders may thus not incur IT implementation cost from the proposals and aggregate costs could be lower because of this effect, but we hold no information on how many traders this would apply to. We also consider this rule to have only a small impact on the quantified benefits, because the additional effect of reminder is likely low for the physical products and services that this primarily applies to (which themselves are in effect a reminder of the contract's existence).

Table 6: Cost of IT per business

Size	Share of businesses	Cost per business	Total IT costs (£m)
Micro	83%	£154	30.3
Small	13%	£154	4.9
Medium	3%	£154	0.9
Large	1%	£154	0.2
Total	100%	£154	**36.4**

105. These estimates cover general updates to websites such as reflecting the clearer communication on contract conditions and updating cancellation options. They do not cover the integration of easy exiting mechanisms into websites. We lacked high quality evidence on the costs businesses would incur performing this function, though were able to source external estimates. For instance, The U.S. eCommerce agency OuterBox indicates a possible range of costs. It suggests that integrating simple tools into an existing eCommerce platform would cost most businesses approximately $500 (approximately £400 at the time of consultation).[46]

Changes to subscription terms and conditions

106. As well as changing terms and conditions, businesses will need to update internal guidance and documentation.

107. We make the simplifying assumption that the cost to comply with the requirements does not vary across businesses that have pre-drafted Terms and Conditions and those who do not. Business will therefore incur a one-off cost in proceeding with this change. A survey commissioned by the Department for Business, Innovation and Skills (BIS)[47] surveyed businesses about the cost of updating terms and conditions and the frequency at which they do so.

- 12% of businesses update terms and conditions at least once every 6 months. We believe that the legislative process will give businesses enough advance notice to incorporate the new rules into terms and conditions line with their regular updates at no additional cost.
- 15% of businesses update terms and conditions between every 7 to 12 months. We assume that these updates are spread evenly across the year and thus half of these businesses (8% of all businesses) will have to bring forward their next planned update to accommodate the new legislation.
- 30% of businesses update their terms and conditions every 1 to 2 years. We assume that these updates are spread evenly across the year and thus a quarter of these businesses will plan to update their terms and conditions within six months of any rule change, and the remaining three quarters (23% of all businesses) will have to bring forward their planned update.
- The remaining 44% of businesses reported they updated their terms and conditions less often than every 2 years or not at all. We assume all of these businesses will have to make a revision to their terms and conditions outside of any planned update.

[46] OuterBox: eCommerce Website Pricing: The Cost of eCommerce Website Design in 2022: https://www.outerboxdesign.com/web-design-articles/ecommerce_website_pricing

[47] IFF Research Research Consumer Rights and Business Practices, 2013

108. In total, we estimate 74% of businesses of all sizes will incur additional costs from updating their terms and conditions outside of their usual revision cycle.

109. The survey by the Department of Business, Innovation and Skills also estimated the costs to businesses of updating their terms and conditions. These varied by business size. The survey found these costs, uprated for inflation, were:

- £304 for micro businesses,
- £1,287 for small businesses,
- £1,054 for medium businesses, and
- £3,610 for large businesses.

Table 7: Costs to businesses of updating terms and conditions

Size	**Number of businesses making T&C changes outside their usual cycle**	**Cost per business to update** terms and conditions **outside of cycle**[48]	**Total costs (£m)**
Micro	146,000	60	8.8
Small	24,000	254	6.1
Medium	4,000	208	0.9
Large	1,000	712	0.8
Total	**175,000**		**16.4**

110. Across all businesses, these one-off costs are £16.4 million per proposal.

Cost per business using the consultation-stage estimates

111. We present the costs per business for each proposal combining the types of costs identified above.

Table 8: Cost per business per proposal (excluding Easy Exiting)

Size	**Terms and conditions**	**Familiarisatio n**	**IT cost**	**Total**
Micro	60	103	154	**317**
Small and medium	231	455	154	**840**
Large	712	1,410	154	**2,275**

Table 9: Cost per business for the Easy Exiting proposal

[48] We estimate an average weighted cost of 20% if the cot to business of updating terms and conditions earlier than they would normally do

Size	Terms and conditions	Familiarisation	IT cost	Webforms	Total
Micro	60	103	154	392	**708**
Small and medium	231	455	154	392	**1,232**
Large	712	1,410	154	392	**2,667**

8.3 Costs according to qualitative business research

Cost estimates

112. This sub-section presents the estimates for the implementation costs for each proposal using the costs reported by 25 businesses selling subscriptions. The three main areas of costs to businesses identified are software costs, training costs and legal fees and correspond relatively well to the cost types estimated at consultation-stage:

- Software costs, similar to IT costs, include the changes a business must make to their websites, internal account management software, and communications with customers.
- Training costs, similar to familiarisation costs, are defined to account for staff time to conduct training on changes to customer handling. This cost was more likely to be reported by larger businesses that have customer handling teams.
- Legal fees were reported by businesses of all size. This includes in-house or outsourced lawyers to verify that the businesses internal guidance and documentation is compliant with the proposals. These costs can be estimated by lawyers' daily rates.

113. The research identified a pattern of costs by business size. Micro business reported costs across proposals between £20 to £10,480, Small and medium between £200 and £30,000 and large between £1,500 and £500,000. The median is used across business sizes to estimate the cost per proposal for each size of business. Small and medium businesses reported similar costs, so we grouped these to increase the sample sizes for our estimates.

Table 10: Median cost estimates per business size using estimates from the qualitative research

Size	Additional information	Auto-renewal	Reminders	Opt-in	Easy exit
Micro	250	325	500	500	500
Small and medium	738	1,000	500	1,000	500
Large	4,325	7,567	2,950	2,950	30,500

Caveats of the business interviews

114. The estimates using the qualitative research into business implementation costs are based off reports from 25 interviews: 7 micro, 2 small, 4 medium and 12 large. The sample is not representative of the business population. Also qualitatively, the research did not reach a data

saturation point, which further suggests that using the results as representative estimates may not be accurate.

115. We observe that there may be a relationship between the cost to implement each proposal and the size of the business. Larger businesses had a tendency to report much higher costs to implement each proposal than smaller businesses, though the research contractor took a different conclusion.[49] YouGov concluded that the impact was related to how long a business had been offering subscriptions rather than business size. To account for the possibility of a relationship, we use the median of costs across each business size to estimate the cost to implement each proposal. This method may lead to outliers not being taking into consideration.

116. Accurate cost estimates would likely have required substantial efforts by businesses. For instance, the respondents would have had to spend time to understand the proposed changes in detail, liaise with the right people within the organisation and define what would be needed to become compliant and the associated costs. Respondents were thus not generally in a position to give accurate costs estimates and the estimates provided were likely educated guesses and high level on their part.

117. To mitigate the uncertainty in our estimates we provide qualitative evidence from businesses and a range using both the estimates at consultation-stage and the estimates from the qualitative research interviews.

8.4 Ongoing costs

118. In addition to fixed implementation costs, businesses may incur ongoing costs to maintain new systems required to comply with the legislation. The size of these costs is unknown and is likely to change depending on the degree of automation businesses can implement. We have not attempted to estimate the size of these costs because they are likely small in comparison to the one-off cost and benefits. We note for example, that Ofcom assessed in *Helping consumers to engage in communications markets*, the business costs of providing customers with notifications at the end of their contracts[50]. These involved possible ongoing costs related to identifying customers that needed notifications on an ongoing basis and providing them with the notification. After consultation with stakeholders, Ofcom only estimated the costs of providing consumers with letters, on the basis that only this medium had significant ongoing costs.

9 Cost and benefits of the proposals

119. In the following section, we present the total implementation cost of each proposal alongside the benefits of the individual proposals.

9.1 Proposal a: Additional information

Clarify and enhance the existing legal obligation on businesses to provide pre-contractual information to consumers. This means being more prescriptive than under the existing law about how, when and what information is presented in the context of subscription contracts.

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[49] Business Impact report

[50] Ofcom Helping consumers to engage in communications markets

Benefits

120. This proposal aims to stop businesses hiding information in long and complex terms and conditions, by prescribing the minimum information that must be present in a clear and prominent manner during a transaction which concludes with a consumer entering a subscription contract and, overall, increases consumer engagement. To illustrate, the European Commission's 2016[51] investigation into free trials and subscriptions showed that 2 in 5 consumers do not look at their pre-contractual information rights and the process to stop a subscription before subscribing. And almost half had difficulties finding information pertaining to what they were supposed to do when they choose not to purchase the product/service after a free trial.

121. Shorter and clearer terms and conditions could motivate consumers to engage with terms and conditions more. In turn, more engagement could reduce the likelihood of consumers signing up to a subscription without being aware of the full implications and thus the number of unwanted subscriptions. In many instances, consumers find that they are not provided with the necessary information to enable them to make an informed decision or that the information is set out in a way that can negatively affect decision making. Our proposal seeks to rectify this by prescribing the information the consumer needs to be told pre-contract in order to make an informed decision on whether to proceed with a subscription and ensuring the information is presented to the consumer in a clear and prominent manner.

122. Research by the Behavioural Insights Team (2019)[52] found that providing customers with additional and clearer information at the point of purchase could improve consumer's understanding by almost 40% and double the reading rate from a tenth to a fifth of consumers. Techniques identified by the report as improving reading and understanding of terms and conditions include:

- Providing customers with frequently asked questions and icons that summarise the terms and conditions.
- Displaying the terms and conditions in a text box in which a customer can scroll through rather than a click to open option.
- Informing customers of terms and conditions in sections that are most relevant in the purchasing journey.
- Illustrative terms and conditions.
- Informing consumers of the time cost involved in reading terms and conditions.
- Ensuring customers are aware that at pre-contact stage it is their last opportunity to read the terms and conditions.

123. To understand the impact of this proposal we would also need to know to what extent better reading and understanding of terms and conditions changes consumers' purchase behaviour. However, we hold no evidence to allow such an assessment and are not able to quantify the impact.

Cost to businesses

124. In the qualitative research into business implementation costs, many businesses consider that they are already complying with the additional information requirement. However, due to businesses not having access, at the time of the interview, to the complete list of requirements under the Additional Information proposals, we assume that only a proportion of these were actually already compliant with the proposals. In section 9.8, we estimate that 20% of businesses selling subscriptions would not incur any transition costs under this option as

[51] European commission (2016): Misleading « free » trials and subscription traps for consumers in the EU

[52] Behavioural insights team (2019): Best practice guide - Improving consumer understanding of contractual terms and privacy policies: evidence-based actions for businesses

opposed to the circa 50% of businesses that reported already being compliant. The compliance estimates are only applied to the lower bound while the estimates for the upper bound assumes that all businesses will need to make changes to comply. This takes into account the lack of full information the respondents had on the reforms and thus the accuracy of their claims.

125. Respondents who considered that they had to make changes to comply with the additional information requirements reported minor IT costs to get a developer to change their website, training costs and legal fees. A micro business stated that the cost to implement this proposal would be very little and would only require them to update the email template which would be incorporated in their staff time. A medium business in the accounting sector included legal review of materials, IT costs and marketing team time in the breakdown of implementation costs.

126. We estimate in Table 11 Table 11a lower and higher bound estimate of one-off cost to business using the highest and lowest estimate from the costs estimated at consultation-stage and the estimates from the business interviews. Thus, in cases where the costs estimates were higher at consultation-stage, we used it as a higher bound.

Table 11: High and low estimates for one-off cost to implement the requirement for additional information (Consultation-stage estimates marked with an asterisk)

Size	Number of businesses needing to comply	Low cost per business	Total Low (£m)	Total number of businesses	High cost per business	Total high (£m)
Micro	157,000	250	39	197,000	317*	62
Small and medium	30,000	738	22	38,000	840*	32
Large	1,000	2,275*	3	1,000	4,325	6
Total	189,000		**64**	236,000		**101**

127. We estimate the one-off cost to business to be between **£64 million and £101 million.**

9.2 Proposal b: Reminders

Require businesses to remind consumers at the end of a trial period and at the end of each billing cycle of the opportunity to unsubscribe from the service

Benefits

128. In section 6.3, We have developed a behavioural model as set out below. We outline four criteria that separate different consumer outcomes. In order to unsubscribe a consumer must **(1)** want to unsubscribe, **(2)** remember or be reminded of the opportunity to unsubscribe, **(3)** overcome inertial biases and attempt to unsubscribe, and **(4)** understand how to unsubscribe and have the resources to do so. For simplicity, we address each of these sequentially, and outcomes **(A)** through **(E)** depend on which criteria the consumer meets. Of these outcomes, **(B)** through **(D)** represent situations of unwanted spending, where a consumer was not able to act according to their preferences.

129. Figure 1: Consumer decision tree, we assume for simplicity that a reminder letter, text or email will force the outcome of criterion **(2)**: all consumers are now reminded of the opportunity to exit the subscription, and this removes the unwanted spending from outcome **(B)** of forgetting to unsubscribe. However, we must also estimate the share of consumers who, once reminded,

travel through the rest of the decision tree and suffer from inertia **(C)** or find it too difficult to unsubscribe **(D).**

130. We adapt results from the Ofgem Collective Switch Trials [33] and so assume that the retail energy market, where consumers may have stronger inertial biases, is a reasonable comparison to subscription markets. The trial found that three sets of communications, including a reminder letter branded as coming from consumers' incumbent supplier, led to a 24-percentage point increase in the rate of switching, from 3% to 27%.[53] We assume that one reminder communication would have a third of the impact, such that 8% of people who receive it will successfully cancel their unwanted subscription. We further assume that the remaining 92% of reminded consumers will split in the same proportion as under the behavioural model under 6.3. That is 35% of 92% will forget again (**B**), 42% will note but take no action (**C**) and 23% will attempt unsuccessfully to cancel (**D**). The outcomes of these calculations are summarised in the table below. The figures relate only to the unwanted spending reallocated through the reminder, not baseline (**C**) or (**D**) outcomes.

Table 12: Reallocated unwanted spending after reminders according to each option

	Consumer category	Share of consumers	Value of subscriptions (£m)
Before intervention	Outcome **(B)**: Forgotten (Experiences unwanted spending)	100%	573
After intervention	Outcome **(B)**: Forgotten (Experiences unwanted spending)	32%	183
	Outcome **(C)**: Inertia (Experiences unwanted spending)	39%	221
	Outcome **(D)**: Difficulty unsubscribing (Experiences unwanted spending)	21%	122
	Outcome **(E)**: Unsubscribes (Reduced Unwanted spending r)	8%	47

131. The consumer benefit of a reminder is the amount by which it reduces expenditure on unwanted subscriptions by encouraging those with forgotten subscriptions to unsubscribe. We estimate a reminder would provide an annual benefit of **£47 million** to consumers that successfully unsubscribe. This requires the consumer to take action and cancel their subscription following the reminder and is considered to not be relevant for the EANDCB because it is an indirect business impact.

Cost to businesses

132. Using the estimated costs reported by businesses, more than 50% of businesses reported already sending reminders to their customers. However, due to businesses not having access, at the time of the interviews, to the full list of requirements under the reminder proposal, they are not able to give an accurate answer. Thus, referring to the analysis in Section 9.8, to

[53] Ofgem Collective Switch trials, 2019

estimate the lower bound we make the assumption to account for uncertainty that 20% of businesses already send reminders to customers[54] and would not face any additional costs under this proposal. Those that did not already send reminders to consumers reported IT costs, staff time and legal costs as costs to implement this proposal and to ensure that messages meet the requirements. To account for uncertainty in the true compliance rate, the higher bound estimate assumes all businesses selling subscriptions will have to make changes to comply with the proposal. The costs estimated at consultation-stage are marked with an asterisk.

Table 13: High and low estimates for one-off cost to implement the reminder proposal

Size	**Number of businesses needing to comply**	**Low cost per business**	**Total Low (£m)**	**Total number of businesses**	**High cost per business**	**Total high (£m)**
Micro	157,000	317*	50	197,000	500	98
Small and medium	30,000	500	15	38,000	840*	32
Large	1,000	2,275*	3	1,000	2,950	4
Total	189,000		**68**	236,000		**135**

133. We estimate that the total one-off cost to businesses to comply with the reminder proposal ranges between **£68 million** and **£135 million**.

9.3 Proposal c: Easy exiting

Requiring businesses to provide consumers with a mechanism to cancel a subscription contract which is straightforward and timely. For online contracts, this includes providing a clear mechanism allowing the consumer to terminate the contract online.

Benefits

134. The easy exiting proposal would require traders to provide consumers with a mechanism to cancel a subscription contract which is straightforward and timely.

135. We estimated above annual unwanted spending of £382 million arising from difficulties unsubscribing from subscription contracts. The easy-exiting proposal aims to reduce this unwanted spending by removing barriers to customers cancelling their subscriptions. Consumers may find cancelling difficult for a number of reasons. The Money and Mental Health survey (MMH) asked specifically why some consumers delayed cancelling their subscription. The responses are shown in

136.

137. Table 14. Respondents could select more than one response, so the column does not add to 100%. The Opinium Consumer Omnibus asked consumers that already wanted to cancel their subscription, which answer came closest to describing why they had not cancelled the subscription yet. The responses are shown in Table 15.

[54] See Section 8.9 for Methodology

Table 14: Responses to MMH question, Have any of the following delayed you from cancelling your subscriptions?

Response	Share of respondents
I keep forgetting	36%
I want to finish my free trial before cancelling	33%
I'm worried the company will pressure me to stay if I call	17%
I think it will take lots of effort to cancel	17%
I struggle to make phone calls	12%
I prefer not to think about it	10%
I'm embarrassed to cancel	8%
I don't know how to cancel	8%
Other	12%

Table 15: Responses to the Opinium Consumer Omnibus question, You said you wanted to cancel this subscription. Which comes closest to describing why you haven't cancelled the subscription yet?

Response	Share of respondents
I keep forgetting about it	18%
I haven't got around to it yet	21%
I have tried to cancel, but was unsuccessful	12%
Other people in my household still use the subscription / don't want to cancel	23%
I plan to use it up until the next renewal date and then cancel (e.g. something you pay for annually)	27%

138. A large share of consumers find subscriptions difficult to exit as a result of the process designed by businesses. For example, fear of pressure-selling at the point of cancellation, or difficulty making phone calls were selected by 17% and 12% of respondents, respectively. The Opinium Survey reported 12% of unwanted subscriptions being the result of consumers trying to cancel but being unsuccessful. When offering online cancellations, businesses will be required to adopt user friendly online interfaces[55] which could help consumers succeed in cancelling contracts. Displaying the cancellation process prominently on their website, or in email communications could address the 8% of consumers who didn't know how to cancel, in addition to acting as a reminder, for example.

139. The Business Omnibus asked businesses selling subscriptions how subscribers can cancel subscriptions. Around 67% allow consumers to cancel by email, 59% to cancel through an automated process on their website and 44% by sending a letter.

[55] For example, a Princeton study found 169 examples of 'confirmshaming' in 164 sampled websites, where cancellation or opting-out of services is presented by the company as harmful or unwise.

Table 16: Respondents to Business Omnibus survey question, how can consumers cancel their subscriptions?

Answer Choices	Share of responses
By following an automated process on our website	59%
By sending us an email	67%
By sending us a letter	45%
By calling us	55%
By visiting one of our branches/shops	22%
Other	4%
Don't know/ can't recall	4%
Only offering non-automated systems (calling, visiting a branch, other)	6%

140. The fact 17% reported difficulties unsubscribing or general concerns of using the phone suggests at least half, or as much as 75% (17 ÷ 23[56]) of frictions are a result of requiring phones as the main means of cancelling. The role of telephone-only cancellations in causing frictions to unsubscribing is highlighted in Citizens Advice research on routes to tackle subscription traps[57]. This gives some support to a high upper bound for the amount of unwanted spending that can be addressed by easy exiting.

141. Given the uncertainty in our evidence base for this option, we choose the widest range of estimates for the benefits of this option. That is, the option will resolve between 17% and 75% of the remaining unwanted spending caused by frictions to unsubscribing, or **£66m to £286m (or an average of £176 million).**

142. The reduced unwanted spending is a transfer from business to consumers and is a direct cost to business. This is because consumers that have an unwanted subscription but were experiencing friction to unsubscribing will now be able to unsubscribe. However, not all of that impact is relevant for the EANDCB because that metric only counts profit impacts. As per the methodology outlined in Annex A, we estimate that £95m of the impact (central estimate) is a profit impact. The remainder is considered to be an impact on business revenue and excluded from the EANDCB.

Cost to businesses

143. Using the Business Omnibus, 59% of businesses responded that they have an automated process on their website to cancel subscriptions. Of these 55% were micro, 61% were small and medium and 69% were large businesses. We assume that this proportion of business would not face additional costs to comply. This leaves 101,000 businesses that still need to make changes to comply with the proposals.[58] The costs estimated at consultation-stage are marked with an asterisk.

144. In the YouGov research, a small share of businesses interviewed required customers to call to cancel their subscription and the Pandemic has meant that many no longer require cancellation to be done in person. Overall, businesses reported the least amount of disruption and cost to implement these proposals because of the existing high compliance rate.

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[56] 17% of respondents were worried the company will pressure me to stay if I call and 23% of unwanted spending is due to consumers finding it too hard to cancel their subscription.

[57] Citizens Advice, *Locked in: Consumer issues with subscription traps*, 2016.

[58] See Section 9.8 for methodology

Table 17: High and low estimates for one-off cost to implement the easy exiting proposal

Size	Number of businesses needing to comply	Low cost per business	Total Low (£m)	High cost per business	Total high (£m)
Micro	88,000	500	44	708*	63
Small and medium	15,000	500	7	1,232*	18
Large	500	2,667*	1	30,500	14
Total	104,000		**53**		**95**

145. We estimate the total one-off cost to comply with the easy exiting proposal ranges between **£53 million and £95 million.**

9.4 Proposal d: Cooling-off period

Requirements for businesses to provide consumers with a further cooling-off right of 14 days upon an autorenewal of a contract of 12 months or longer. The same cooling-off right shall apply where the consumer has started a full cost contract at the end of a free or reduced cost trial.

Benefit

146. Under this proposal consumers are provided with a 14-day opportunity to exit an unwanted subscription contract where they have missed an earlier exit window before a free or reduced-price trial becomes a full-cost contract or before a contract auto-renews to a new long-length term. Under contracts covered by the current rules[59], a cooling-off period applies from the point when the contract is entered into, whether or not the contract starts with a free or discounted trial. The consumer may be able to exercise this cancellation right so as to end the contract before the free/discounted trial becomes a full-cost subscription, but this will not always be the case. Current rules do not provide for any cooling-off period to start when a free/discounted trial contract becomes a full-cost contract, or where a subscription contract automatically renews onto a new commitment period. When either a trial rollover or an auto-renewal occurs, the consumer is bound for the remainder of the minimum contract commitment period, needs to conform with notice periods or needs to pay an early termination fee to end the contract early, unless the business voluntarily offers an option to end the contract earlier with no or reduced termination fees, notice period or residual payments. This policy will directly address consumers' default bias by providing them with an additional opportunity to cancel unwanted subscriptions after forgetting or not getting round to cancelling, without having to comply with the businesses' sometimes stringent cancellation policies and, in some instances, benefiting from a full or partial refund. This will also create an incentive for those who cancel more than 14 days after having their contract rolled over or auto-renewed, and therefore continue to pay for unwanted subscriptions during this time, to cancel earlier to benefit. Furthermore, the proposal will also prevent businesses from using stringent cancellation policies that create barriers to cancelling a subscription as soon as it has been rolled over or auto-renewed.

147. Two groups of consumers may benefit from the additional cooling-off rights: firstly, consumers who do not currently cancel within 14 days of being rolled over from a trial or auto-renew onto

[59] Part 3 of the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013

a long commitment period because of forgetting, inertia or the contract terms make it harder for them do to so but who are now more incentivised to cancel with the implementation of this new policy; secondly, consumers who already cancel within 14 days of being rolled over or have a contract auto-renew (and will continue to do so). In both cases, the main determinant of what benefit, if any, consumers are entitled to is the type of product. For instance, benefits are expected to be lower for goods that are perishable or made-to-order, as the detailed rules on refunds will be formulated so as to not place unreasonable burdens on businesses. Different rules will also likely apply for some digital content subscriptions. Further, the benefit also depends on the length of the contract and the frequency of payment periods. Another factor determining consumer benefits is businesses' voluntary actions: some businesses may already voluntarily offer refunds or fee-free / reduced fee early contract termination in the above scenarios. In such cases, (part of) the benefits from the new cooling-off rights would not be additional and should not be counted towards the policy's impact.

148. To calculate the impact of this proposal, we would need information on:

(1) how many unwanted subscriptions that are the direct result of a trial period or a rollover to a commitment period of a year or longer are <u>already</u> being cancelled within the first 14 days of being rolled over onto a new full-price contract[60]

(2) how many consumers will change their behaviour and cancel earlier than they would have done without the further cooling-off rights.

(3) how much consumers (1) and (2) pay when they get rolled over. This component is likely a combination of:

a. the monthly price of subscription,
b. the contract length,
c. the payment period,
d. the type of product
e. what businesses' voluntary policies are in this area.

149. We have estimated the impact of the proposal through separate, simplified models for free trials and auto-renewing subscriptions with a contract length of a year or longer. The next paragraphs show the information we hold on the necessary calculation components, apply it, and justify the assumptions that have been used.

Benefit for consumers rolled over from a free trial

$$\mathit{Impact\ of\ proposals\ on\ free\ trial\ unwanted\ spending} =$$

$$\mathit{Total\ adults\ in\ GB\ x\ Share\ with\ an\ unwanted\ subscription\ that\ is\ the\ direct\ result\ of\ a\ free\ trial\ x}$$

$$\mathit{Share\ that\ experienced\ at\ least\ one\ issue}\ \boldsymbol{in\ the\ past\ year}\ \mathit{x\ number\ of\ subscriptions\ per\ affected\ pe}$$

$$\mathit{share\ that\ pay\ for\ a\ month\ or\ less\ before\ cancelling\ x\ monthly\ cost\ of\ a\ subscription}$$

150. For the free-trials model, we use evidence from the YGUS survey[61]. This shows 47% of consumers have at least one unwanted subscription that is the direct result of being rolled

[60] Note that the new renewal cooling-off period will apply to subscriptions rolling over to any period of 12 months or more. This will typically apply in the case of yearly (or longer) regularly renewing contracts. However, it could in principle apply to a contract that started with one or more periods of less than 12 months which then rolled over to a 12-month commitment period under its terms. Thus, a contract might not trigger the renewal cooling-off rights at the point of the first renewal etc, but at some subsequent renewal the cooling-off rights could apply. **However, for the purpose of this impact assessment we have considered typical contracts likely to be covered by the new policy, that is contracts with recurring periods of 12 months or more.**

[61] Britons waste £800m on unwanted subscriptions, YouGov 2019

over from a free trial[62]. Of those, around 52% of respondents experienced at least one issue in the past year, with an average of 1.3 subscription issues per person that had accidentally signed up to a subscription after a free trial. The YGUS asked those consumers who had been rolled over from a free trial how long they paid for the subscription before cancelling. Responses to this question are shown in Table 18. Broadly, this evidence suggests that consumers are already proactive in cancelling an unwanted subscription resulting from a free trial – around 48% of respondents paid for the subscription for a month or less before cancelling. Furthermore, we have estimated in Section 6 that the average monthly cost of subscriptions is £14.19.

Table 18: Responses to YGUS question: How long did you pay for the subscription before cancelling? (Percentage of consumers that have accidentally signed up to a rolling subscription at the end of a free trial)

Response	Share of responses
One month or less	48%
2-3 months	23%
4-6 months	6%
7-10 months	3%
11-12 months	5%
12+ months	1%
Don't know	9%
Not applicable - still paying	5%

151. Therefore, we estimate that a maximum of 8 million subscriptions will benefit from the proposal. We make the simplifying assumption that these consumers will benefit from a refund equal to a month's payment. We also assume that all 48% who cancelled within a month according to the YouGov survey would cancel within two weeks because the cooling-off period will create more of an incentive for those that cancel in the three to four weeks following roll-over to cancel earlier. Therefore, we estimate £117 million of unwanted spending on subscriptions is the direct result of a trial rolling over and are currently being cancelled within 14 days of the roll-over. This does not capture those that will cancel earlier than they otherwise would have done without the policy.

Benefit for consumers rolled onto a contract of a year or longer

Impact of proposals on autorenewal unwanted spending=

number of unwanted auto-renewing subscriptions x share of auto-renewing subscriptions that are longer than a year x share that cancel subscription within one month of autorenewal x monthly cost of subscriptions x 12 months

152. For the second policy scenario, we have estimated in Section 6.2 that 1.3 million auto-renewing subscriptions are unwanted. We estimate from the Opinium Consumer Omnibus that

[62] Estimated in Section 1.1

more than half (52%)[63] of auto-renewing subscriptions have commitment periods of a year or longer (See table 19). Using the estimate of the share of unwanted subscriptions that are over a year is not robust enough as the sub-samples are too small. Therefore, we make the simplifying assumption that the share of unwanted auto-renewing subscriptions that are a year or longer is the same as the share of all auto-renewing subscriptions that are a year or longer.

153. We do not hold robust evidence on the share of unwanted auto-renewing subscriptions that are cancelled within 14 days of being auto-renewed onto a contract of a year or longer. Some arguments suggest that the share will be higher than those that cancelled after a free trial roll-over because of the higher financial gain. Other arguments and stakeholder responses[64] suggest that it is likely lower because free trials are often used to receive the product for free with little intention of paying the full price after. The following paragraphs discuss both possibilities.

154. The support for the first case rests on the bigger financial commitment brought with long-term auto-renewing subscriptions and the resulting higher gains from cancelling an unwanted auto-renewing subscriptions within the cooling-off period. We have estimated in Section 6.1, that the average subscription contract costs £14.19 a month. Under the terms of an auto-renewing contract in scope of the proposal the customer is required to purchase the contract for at least a year resulting in at least a £170.28 spending (£14.19x12). This is a much higher level of unwanted spending compared to that typically incurred when a trial accidentally rolls over. According to evidence from YouGov on subscriptions that have accidentally rolled over from a free trial, just under half of these consumers reported spending £50 or less towards those subscriptions including any additional fees.[65] Therefore, we assume that consumers with unwanted auto-renewing contracts will have a higher financial incentive to take advantage of the benefits that the additional cooling-off period bring.

155. However, stakeholders thought that fewer consumers would cancel an auto-renewing subscription than those that cancelled a free trial that has rolled over. One respondent suggested that consumers are less likely to take action when a known payment leaves their account (as a result of auto-renewal) compared to an unexpected or new payment (after a trial). Another said that some consumers start free trials with no intention of paying for the product after the trial. A business respondent shared data according to which 50% - 55% of all consumers who took up trial subscriptions with them cancelled before moving to a full-price subscription, compared to 10% - 15% who cancel annual subscriptions. While this data seems to support the argument, it is difficult to interpret conclusively because it is in relation to the full subscriber base, rather than just those who decided to cancel.

156. In light of the differing arguments and evidence, we make the simplifying assumption that the share of consumers that will cancel an unwanted subscription within 14 days of auto-renewal will mirror the share of those that cancel an unwanted subscription that has rolled over from a free trial (48%). Implicitly, this involves the same assumptions as for the trial rollover calculations that all those who cancelled within one month according to the YouGov survey would cancel within two weeks. Therefore, we estimate that 320,000 auto-renewing subscriptions are cancelled within the first 14 days (1.3 x 0.52 x 0.48), worth £55m (320,000 x £14.19 X 12 months) of unwanted spending. These estimates do not capture those that will cancel earlier than they otherwise would have done without the policy. We test the uncertainty of our assumptions around the share that will cancel within the cooling-off period (the 48%) in the sensitivity analysis of the proposal.

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[63] We assume that those that say they have a contract between 7-12 months have a contract of 12 months. We use the average of 25% (12%+12%) and 78% (12%+12%+53%).

[64] In March 2023 we separately consulted stakeholders (via email) that had responded to the RCCP consultation on subscription traps, about the impacts of the cooling-off period

[65] Britons waste £800m on unwanted subscriptions, YouGov 2019

Table 19: Consumer Omnibus evidence on the length of auto-renewing contracts

Response	Share of responses
1 -3 months	10%
4-6 months	12%
7-12 months	53%
1-2 years	12%
2+ years	12%

157. Evidence suggests that some consumers are already receiving refunds (in part or in full) when they cancel a subscription. Therefore, we need to take voluntary actions by business into account in our assessment of the benefit. A 2015 study by Citizens Advice on Consumer issues with subscription traps found that 30% of consumers that felt they were misled into signing up for a subscription and contacted the trader to request a refund were offered a full or partial refund[66]. We consider that this implies that around 30% of consumers with unwanted spending as a result of free trials rolling-over and contracts auto-renewing, already benefit from some form of additional cooling-off rights. Given this research is from 2015, we reached out to stakeholders to seek their views on this assumption in the present subscription market. Out of 24 responses, 6 disagreed with this assumption. When an explanation was provided, respondents generally said that that some of the 30% would be regulatory compliance where a customer has been misled into signing up to a subscription implying that this may be an overestimate. However, no respondent provided an alternative estimate. Out of the 11 businesses that responded 6 said they offered some form of discretionary goodwill refund if the customer contacted them to cancel. No respondent was able to comment on the actions taken by other businesses. However, analysis of the responses from the Consumer Protection Study 2022 supports the appropriateness of using the Citizens Advice figure for additionality. The data suggests that around a third of consumers that purchased a subscription in scope and experienced a problem relating to either misleading information, misleading price, or unclear terms and conditions received a partial or full refund after taking action.[67]

158. In addition to stakeholder responses, additional analysis on the business side suggests that at least some other businesses already voluntarily comply with the proposed change. First, we have performed informal desk-based research into the terms and conditions of businesses known to sell subscriptions [68]and found that they offered some form of refund to consumers.

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[66] https://www.citizensadvice.org.uk/about-us/our-work/policy/policy-research-topics/consumer-policy-research/consumer-policy-research/locked-in-consumer-issues-with-subscription-traps/

[67] DBT analysis of underlying data from the Consumer Protection Study 2022: https://www.gov.uk/government/publications/consumer-protection-study-2022

We have not formally incorporated these survey results into the analysis because we cannot be sure that the problems related to issues with subscription traps in general, much less to trial or auto-renewing subscriptions in particular. While problems are likely very similar, they could also relate to other issues like difficulties exiting contracts or hidden charges.

[68] Top results that appeared when searching online for “subscription cancel refund”

159. We have included some examples from different product categories below:

> "*Paid members who haven't placed an order using the benefits of Amazon Prime are eligible for a full refund. Paying members who have only used Amazon Prime delivery benefits may be eligible for a partial refund. If the other benefits (Prime Video, Prime Music, or Prime Gaming) have been used, members aren't eligible for a refund*" Amazon, digital subscription, large business
>
> "*To be eligible for a refund, the request must be submitted within 30 days of the renewal and only a prorated refund will be given*." Zoom, digital subscription, large business
>
> "*If, for any reason you're not satisfied you may cancel at any time during your subscription and receive a full refund on any unmailed issues within 30 days."* The Week, magazine subscription, medium business
>
> "*To be eligible for a refund, the request must be submitted within 30 days of the renewal and only a prorated refund will be given*." Perlego, educational, medium business

160. Secondly, the Competition and Markets Authority has published a guide of good practice for businesses selling subscriptions which states that for subscriptions to be fair they should provide consumers with a right to cancel a subscription after it has been renewed, without paying cancellation fees or providing any notice. [69] Thus, businesses complying with good practice may already comply with the new proposal.

161. Finally, in 2021, the Competition and Markets Authority's enforcement action against anti-virus software providers led to several businesses giving formal commitment to make changes designed to make their automatically renewing contracts easier to understand and exit, as well as ensuring customers who auto-renew have extended refund rights. The Competition and Markets Authority subsequently published new Compliance Principles for anti-virus software businesses that use automatically renewing contracts. Principle 7 advises businesses to offer additional cooling-off rights at each contract renewal. This suggests that all good practicing anti-virus businesses using auto-renewing contracts are likely already providing additional cancellation rights as well as businesses abiding by the Competition and Markets Authority's subscription good practice guide.[70]

162. Based on all the above arguments and evidence, we consider it very likely that a substantial share of businesses, but not all of them, offer some form of voluntary measures. Absent alternative evidence provided through consultation or a clear indication that the number was an over- or underestimate, we therefore remain with our assumption that 30% of consumers already benefit from some form of cooling-off rights and will test the uncertainty in our parameter in the sensitivity assessment. We thus consider that £51m of unwanted spending on trial and auto-renewal rollovers, is already being recouped by consumers through voluntary action from businesses **and estimate the potential additional benefit of the cooling-off period to consumers at £120 million.** The estimated impacts may overestimate the true impact of the proposals. Only a group of these 48% consumers will have cancelled within the first 14 days of being rolled over. Additionally, we do not know which type of products these contracts relate to (information (3.d)) or their payment periods (3.c). As mentioned, this influences the size of the benefit. The above estimates assume that all products are entitled to a full refund, which is not the policy e.g. for bespoke or perishable goods.

163. Conversely, the estimate may be an underestimate of the true impact as we have not captured consumers that will change their behaviour and cancel a subscription earlier than they would otherwise have done without the further cooling-off rights (information (2)). Some

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[69] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/820547/UCT_09_Subscriptions.pdf

[70] https://www.gov.uk/government/publications/compliance-principles-for-anti-virus-software-firms/compliance-principles-for-anti-virus-software-businesses-that-use-auto-renewing-contracts

combinations of product types and contract terms may also give consumers higher benefits than the standardised benefits assumption used in the above simplified models, though we lack the granular data to model this more accurately.

164. The estimated £120 million reduced unwanted spending is a transfer from business to consumers and is a direct cost to business where consumers already cancel within 14 days and where they are not already providing full refunds. If consumers change their behaviour and cancel earlier than they would otherwise have done, then that reduced unwanted spending would be a direct cost to business. However, we do not hold any evidence on the size of this cost. Furthermore, not all of the direct impact is relevant for the EANDCB because it only counts profit impacts. As per the methodology outlined in Annex A, we estimate that £56m of the impact (central estimate) is a profit impact. The remainder is considered to be an impact on business revenue and excluded from the EANDCB.

Cost to businesses

We have limited direct information on the costs that businesses would incur to implement a cooling-off period. However, based on the qualitative business research and stakeholder engagement, we have no reason to assume that the costs to implement this option will be substantially different to the implementation costs of the other proposals or that it will incur different types of costs. The overall theme from the qualitative research was that the type of costs tended to be similar between the proposals covered.[71] We sought stakeholders' views on whether these types of costs were also relevant for the cooling-off proposal. All 24 respondents agreed that these are the types of costs that businesses would incur when implementing a cooling-off period and none of them mentioned another type of one-off cost. Therefore, we consider the following to be the types of one-off implementation costs for the cooling-off proposal:

- Legal and other internal staff cost to become familiar with what is required under the cooling-off proposal and what those changes mean practically for the business.
- Training costs for staff whose work is affected by the changes, e.g. customer service agents to administer cancellation and refunds
- IT costs: businesses may have to make changes to their website content, terms and conditions, and other customer-facing communication materials. Depending on a business' level of automation, the proposals could also require software updates to Customer Relationship Management (CRM) systems, websites, or mobile applications to add functionality such as automated cancellation after trial periods or after auto-renewal. Stakeholders reported having to make changes to billing platforms, integrate different operational systems and may have implement a functionality to draw upon user level usage data to determine how much of the product the consumer has already used.

165. As part of the stakeholder engagement on the cooling-off period, we tested the extent to which stakeholders agreed that the scale of the costs to implement the cooling-off proposal would be broadly in line with the scale of the implementation costs of the other proposals. None of the stakeholders provided new or alternative cost estimates for a cooling-off period. Out of the 24 respondents, two disagreed that the costs to implement a cooling-off period would be similar to those of implementing the other proposals, but provided no additional explanation, while the remaining respondents neither agreed nor disagreed.

166. One stakeholder said that most businesses update and maintain their system regularly as well as perform wider staff training anyway. Therefore, any additional costs should not be high if the implementation of the proposal can be built into the regular upgrades. Similarly, another

[71] Qualitative research

said that the implementation of the cooling-off proposal may overlap with the implementation of the other proposals, suggesting that some costs would be lower when bundled together with the other proposals. We consider the implementation cost of each proposal individually, so that argument would suggest that the costs may be overestimated. However, we believe there are good reasons for linear cost scaling, in particular for familiarisation costs where more proposals mean more material to become familiar with and understand the implications of.[72] Further, Table 10 shows the implementation costs tended to be similar between the proposals tested during the qualitative research with businesses conducted by YouGov.

167. Therefore, we have based estimates for the cooling-off proposal's business implementation cost on the estimated costs of the other proposals in Table 8, Table 9, and Table 10. Specifically, we took the average of all the low and high estimates used for other proposals to arrive at low and high per-business cost estimates for cooling-off, which we then multiplied by the number of subscriptions businesses. For instance, the estimated low cost per micro business of £340 is the average of £250 (additional information, table 10), £317 (auto-renewal, table 8), £137 (reminders, table 8), £317 (opt-in, table 8), and £500 (easy exit, table 10).

168. This approach produced **estimates for the business cost of implementing the cooling-off period of between £96 million and £144 million** as per Table 20 below.

Table 20: one-off business implementation costs for a cooling-off period

Size	Number of businesses	Average per-business cost estimates across proposals		Total cost [£m]		
		Low	High	Low	High	Central
Micro	197,000	340	470	67	93	
Small and Medium	38,000	684	982	26	37	
Large	1,000	2354	9,658	3	14	
Total	**236,000**			**96**	**144**	**120**

169. These figures are likely overestimates for three reasons.

a. Firstly, they assume that all businesses that offer any kind of subscription contract would incur implementation cost. In practice, the cost of this proposal would only be incurred by businesses offering free or reduced-price trial periods which automatically roll over on to full price contracts and those offering contracts that auto-renew on to a fixed period of 12 months or longer.

b. Secondly, of those businesses, only those that are not already compliant would have to make changes to the way they operate. Evidence from Citizens Advice, business responses to our stakeholder engagement, the Competition and Markets Authority's enforcement action against anti-virus providers and informal online research[73] suggests

[72] This argument is also supported by departmental guidance. "*BEIS (2017): Business impact target – appraisal of guidance: assessments for regulator-issued guidance*" suggests reading speed as a potential methodology to estimate familiarisation cost and the report's table 1 lists several data sources for reading speed. While we chose not to apply reading speeds mechanically for our estimates, the underlying argument broadly holds that more proposals typically mean more clauses and material to familiarise which in turn will take businesses proportionately more time.

[73] A search of popular subscription service's cancellation policies (See Annex A for details)

that at least some businesses already offer a form of an additional cooling-off period which allow consumers to be refunded the full or unused payment or allows them to cancel without providing a significant notice period after a roll-over.

c. Lastly, under the Consumer Contracts Regulations businesses are already required to provide an initial 14-day cooling-off period for purchases made from a distance.[74] Businesses are likely to already have systems in place to comply with the regulations. Additionally, stakeholders mentioned that the implementation could be merged with regular system updates or overlap with the implementation of the other proposals in the chosen package. For this reason, the size of costs may be smaller than estimated. However, these businesses do not have the full list of requirements of the cooling-off period. Therefore, the cost estimates assume all businesses will have to make changes to comply. The extent of the costs may therefore be an overestimate.

170. In addition to these one-off off implementation costs, one stakeholder reported some ongoing costs that they would incur such as:

- Increased customer service costs due to a higher volume of consumers claiming refunds.
- Staff to unpack and repack products as well as possibly discounting products for resale.
- Payment costs to issue refunds.
- IT costs to maintain systems.
- Ongoing staff training costs.

171. However, this respondent did not provide any indication of the magnitude of these costs. We cover ongoing costs in more detail in Section 8.4.

9.5 Proposal e: Auto-renewal

172. Requirement for businesses that provide subscription contracts to consumers which contain auto-renewal terms to offer consumers an up-front choice between a subscription contract (that will auto-renew or auto-rollover) and an equivalent contract without such a provision and require that consumers expressly consent before taking a subscription contract that will auto-renew or rollover.

173. *Benefits*

174. Consumers who opt for a contract with an auto-renewing provision may still have unwanted spending. This could be because they later decide the subscription is not providing value for money and want to unsubscribe, but then have difficulties doing so. Consumers may still have unwanted spending if they do not understand the choice that was presented and register for an auto-renewing subscription without understanding the commitment.

175. We recognise that not all subscriptions may need to be subject to this kind of regulation. Specifically, subscriptions where the customer can exit at any month will not need to offer the consumer a choice between an auto-renewing and a fixed-term contract, because such choice adds no further benefit. Therefore, the analysis focuses solely on auto-renewing contracts which renew onto a new term of a month or more.

176. Based on the Opinium survey, we estimate that consumers hold 27 million fixed-term auto-renewing subscriptions running longer than a month[75] in the UK. We estimate that 6 million of these consumers would rather have their subscription end automatically at the end of the fixed term. In section 6.2, we assume that under this proposal between 0.6 million and 1.9 million

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[74] https://www.legislation.gov.uk/uksi/2013/3134/contents/made

[75] See section 6.2 Average number of Fixed term auto-renewing contracts

fixed-term auto-renewing subscriptions would be cancelled, or £220million of unwanted spending would be avoided.

177. This is an indirect impact as the proposal requires consumers to take action and consent to having an auto-renewing contract or a contract without auto-renewing provisions. Therefore, it is not included in the EANDCB.

Cost to businesses

178. In the qualitative research, smaller businesses reported less of a concern with implementing this proposal. However, these reported that it would lead to an increase in staff time where contracts were agreed over the phone as it would require more of a dialogue. A small business reported the need to move to a new platform to have a system with a choice between a fixed term contract that auto-renews and a fixed-term contract that ends at the end of the fixed term. This would require an increase in staff time and admin and IT cost to set up a system. In the case of larger businesses, system changes, testing, product development, changes to the business model, amendments to Customer relationship management (CRM) systems and time of development, technical, finance, products, business and sales teams were reported as additional costs under this proposal.

Table 21: High and low estimates for one-off cost to implement the Auto-renewal proposal (Consultation-stage estimates marked with an asterisk)

Size	Total number of businesses	Low cost per business	Total Low (£m)	High cost per business	Total high (£m)
Micro	197,000	317*	62	325	64
Small and medium	38,000	840*	32	1,000	38
Large	1,000	2,275*	3	7,567	11
Total	236,000		**98**		**113**

179. Based on the business interviews and our assumptions on the types of business costs at consultation-stage, we estimate that the costs to businesses of implementing the auto-renewal range between **£98million and £113 million**. We are unable to estimate the current level of compliance with the proposals. The extent of the costs may therefore be an overestimate.

9.6 Proposal f: Opt-in

A requirement for businesses to seek 'opt-in' from consumers before the end of any initial free or reduced-price trial period in order to continue into the subscription contract.

Benefits

180. The Opt-in proposal would require traders to seek express permission from consumers during any initial free or reduced-price trial period to continue onto a full-priced subscription contract. A request for permission would serve as a reminder to consumers that a trial-period is coming to an end, as well as moving the default position to 'unsubscribe' should this permission not be granted. We expect an 'opt-in' request to improve outcomes for consumers that want to cancel but forget and those who remember to cancel but suffer from consumer inertia or face frictions to unsubscribing.

181. As subscription contracts would terminate by default unless express permission to continue is provided, we expect the 'opt-in' proposal to completely remove the unwanted spending associated with consumers being automatically moved onto full-priced subscription contracts that they have either forgotten about, faced frictions to unsubscribing from or delayed unsubscribing. As such, we estimate the 'opt-in' proposal will reduce annual unwanted spending by **£602m**, the value of such subscriptions presented in Table 3.

182. The reduced annual unwanted spending is a transfer from business to consumers and we regard this impact on business revenue as direct. Unless consumers explicitly communicate wanting to continue a subscription, their service will be ended, their payment will stop, and businesses will lose the revenue from that subscription. However, in line with Annex A, we estimate EANDCB-relevant impacts on business profit margins at £325 million. The remainder is considered a loss of revenue only and not relevant for the EANDCB.

183. The opt-in proposal is also expected to generate time savings for those who successfully unsubscribe or face frictions to unsubscribing by removing the need to follow cancellation processes following a free trial, although this is unquantified.

184. The opt-in proposal may incur some additional costs on consumers who want to continue the subscription, but forget to opt-in. These consumers could face time costs in re-joining the subscription, and the disbenefit of not receiving the good or services in the interim. This cost is not quantified.

Cost to businesses

The cost of this proposal would only be incurred by businesses offering free or reduced-price trial periods and of those businesses, only those that are not already compliant. We know that not all businesses selling subscriptions offer free or reduced-price trials, however, the cost estimate assumes all businesses will need to comply and make changes. Therefore, the cost for this proposal may be an overestimate.

Table 22: High and low estimates for one-off cost to implement the opt-in proposal

Size	**Total number of businesses**	**Low cost per business**	**Total Low (£m)**	**High cost per business**	**Total high (£m)**
Micro	196,000	317*	62	500	98
Small and medium	38,000	840*	32	1,000	38
Large	1,000	2,275*	3	2,950	4
Total	236,000		**98**		**141**

185. We estimate that the one-off cost to business to comply with the opt-in mechanism ranges between **£98 million and £141 million**.

9.7 Proposal g: non-regulatory options

a. **Provide guidance to bank/payment providers to encourage businesses to gain approval when there is a change in the payment amount.**
b. **Develop a best practice for payment system parties**
c. **Develop a best practice/voluntary code of conduct with individual or groups of businesses**

d. Encourage application programming interfaces (APIs) under Open Banking to improve consumer awareness of Continuous Payment Authorities (CPAs) and their legal rights to cancel

Benefits

186. The Financial Conduct Authority has been proactive regarding CPA’s and introduced rules last year regarding contract autorenewals and insurance subscription contracts. The Payment Services Regulations 2017 states that consumers have the right to cancel a CPA at any time through their bank or card provider and banks are being reminded of their obligation to cancel a CPA when requested. Generally, a customer must consent to the execution of a transaction or a series of transactions, such as a CPA, as required by regulation 67 of the Payment Services Regulations 2017[76] and confirmed in the Financial Conduct Authority Approach Document para 8.151. GDPR also requires customer consent to share personal data, which may include card details. The Financial Conduct Authority have since confirmed that they view existing guidelines as sufficient and that they do not plan to take any further activities regarding CPAs.

187. Another proposal involved a code of best practice for payment system parties. In January 2019, Mastercard introduced new rules for businesses offering free trials of physical goods, requiring them to get cardholder approval before the trial ends and the billing period starts as well as instructions on how to cancel a trial. These new rules may have helped with the problem in the meantime, though they also mean that there is now less scope for further non-regulatory action.

188. We have suggested the development of a voluntary code of conduct with individual, or groups of businesses to set an example and drive behavioural change through the relevant sectors. However, unless this is made a direct requirement, we expect take up to be low and therefore leave a significant amount of unwanted spending caused by free or reduced-price trials unresolved. This is due to businesses having limited incentives to comply voluntarily and compliance involving a cost implication e.g. to change the information provided or offering different ways to exit subscription contracts. The previously mentioned enforcement against anti-virus and gaming businesses provides a useful sense of the necessary conditions for voluntary agreements as well as their impact and limitations.

189. We have not been able to estimate the costs and benefits of these proposals but expect the take up to be low and therefore lead to none or little of the unwanted spending arising from unwanted subscriptions being reduced.

9.8 Existing Compliance

190. As mentioned, in the business cost estimates, many businesses in the business qualitative research reported already complying with some of the proposals, and therefore would not incur many additional transition costs. Out of 25 interviews, 13 reported already providing consumers with some form of additional information and reminders (52%). In some cases, respondents that thought they complied stated that they would need to seek legal advice on whether they were compliant with the proposed new requirements which would impose an additional cost. Additionally, the respondents, at the time of the interview, were not provided with the full list of requirements under the additional information and the reminder proposals. Thus, to mitigate the risk of respondents misunderstanding the requirements and/or not having the detail on the full worked up requirements, we use 20% as a compliance rate for both additional information and reminders. This estimate of existing compliance is used to estimate

[76] Payment Services Legislations 2017

the lower one-off cost estimates while the higher bound assumes that all businesses still need to comply with the proposals.

191. In order to estimate the number of businesses selling subscriptions that are required to make changes to comply with the Easy Exiting proposals, we use responses from the Business Omnibus. In all instances where businesses operate online and consumers cannot unsubscribe through an automated system, businesses will need to provide that option. The Business Omnibus asks businesses selling subscriptions how customers were able to cancel their subscriptions. We assume that those that allow customers to cancel through an automated process on their website, are already compliant with the easy exiting proposal. Cancellations by other means do not necessarily signify that it is an automated and easy process. To err on the side of caution and over- rather than underestimate the share of businesses that would have to comply with the proposals, we use the share of businesses that have an automated process on their website as already being mostly compliant with the proposal. Of those that reported having an automated process on their website, 55% were micro, 61% were small and medium and 69% were large businesses. This leaves 104,000 businesses that still need to make changes to comply with the proposals.

9.9 Policy option interactions

192. We intend to bring forward these policies as a package of reforms. When packaged up, the addressed unwanted spending from different policy options does not generally add up linearly. To explore the different combinations of policies,

193. Table 23 shows the effects of each policy individually, along with two combined policy scenarios. The check marks in the respective columns indicate which options are summarised in each row. The preferred option combines proposals 1,2, 3 and 4, but we have also presented the alternative explicit choice package to demonstrate the range of costs and benefits that could reasonably emerge as a result of these policies.

194. Specifically for the preferred policy package, the modelling suggests that reminders and easy exiting complement each other, and that their combined impact – and thus the impact of the preferred policy package – is more than the sum of their parts. This is because of those consumers who would not have attempted to cancel without a reminder and would not have succeeded without the easier exiting channel. Furthermore, reminders and easy exiting may impact the size of the benefit of the cooling-off period and vice versa. For instance:

195. Reminders may alert consumers of their further cancellation rights, resulting in more consumers cancelling within the 14 days following roll-over or auto-renewal, thus increasing the impact of the cooling-off period. (+)

196. Similar to the interaction between reminders and easy exiting, more of those who attempt to cancel within the cooling-off period – whether motivated by reminders or independently – will succeed with the easy exiting proposal in place, compared to current exiting options. (+)

197. It is possible some of the subscriptions cancelled during the cooling-off period would later have been cancelled as a result of easier exiting routes. (-)

198. Further, some of the subscriptions currently cancelled during the cooling-off period may be cancelled already during a trial period as a result of either easy exiting, reminders or a combination of the two. (-)

199. Also, a cooling-off period may lead to consumers who would have cancelled at the end of the free trial or long contract period wanting to take advantage of the cooling-off period but ending up failing to cancel because of behavioural biases. (-)

200. There are thus multiple interaction channels between these three policy options and these partly point in different directions. We hold insufficient evidence to quantify these interactions

or to conclude robustly which direction of impact dominates. Given the highly specific combination of the proposals, there is no external evidence on the size of their interactions. One approach to determine robust estimates for interactions could have been running laboratory experiments, though this is difficult to implement for decisions and behaviour that take place over extended periods. Another approach could have been to trial the package for some types of subscriptions or geographic areas only, but this would have meant that consumers in control groups would continue to experience harm as well as disproportionate effort and complexity for an uncertainty relating only to one of several components of the package. Considering this, we do not assume any positive or negative interactions between cooling-off and other proposals, though we note the uncertainty around this.

201. The positive interaction between the reminders and easy exiting proposals similarly applies to the explicit choice package, along with further interactions. The package's auto-renewal and opt-in proposals reduce the number of subscriptions that ever become unwanted and so reduce the potential impact that reminders and particularly easy exiting proposals can have. The aggregate impact for the explicit choice package is therefore less than the impact of the sum of its parts. There is also a full overlap between the subscriptions targeted by the auto-renewing and opt-in proposals on the one side and the cooling-off proposal on the other side. This is why a cooling-off period would not add value in this policy context and is therefore not part of the explicit choice package.

202. As highlighted in section 9, a large effect of these policies is a transfer from businesses to consumers equal to the unwanted spending addressed by the policies. This transfer translates to a loss of revenue and a (partly smaller) loss of profit for businesses in cases where the proposal leads to subscriptions being cancelled earlier than they normally would have been. There are different business revenue impacts across the different proposals. For example, proposal c, the requirement to provide an easy mechanism to exit a subscription, would lead, in part, to a direct cost to businesses for the proportion of customers that were already seeking to cancel but were unable to do so.

203. Under the explicit choice package, without explicit consent from consumers, the requirement for businesses to provide an Opt-in option will lead to their subscription contract being ended and businesses will lose the revenue. We thus regard the business revenue impacts from the proposals as direct. Under the auto-renewing proposal, where there is a choice made by consumers, the business revenue impact would be indirect.

204. In addition to this transfer, businesses will need to make direct expenditures to comply with the policy. These were described throughout sections 8 and 9 and are summarised in the 'Costs to businesses' columns. We calculate the net present value (NPV) over the ten-year appraisal period. Transition costs are incurred only once, in the first year of the appraisal period, while annual benefits are incurred in each year, with an annual discounting rate of 3.5%.

205. For these calculations, we do not allow for any cost-reductions that may occur by bringing forward multiple policies simultaneously. For example, businesses may require less than twice the estimated training costs to train customer services staff on both the easy-exiting policy and the reminders policy at once, but we do not make this assumption in the aggregated scenarios.

206. Where we have estimated a range of outcomes elsewhere in this analysis, such as the total size of unwanted spending (£0.53 billion to £3.89 billion), ranges are based only on the central estimate of unwanted spending. If we took the range of the size of unwanted spending into account, the ranges for each proposal would be greater.

207. Implicitly, some of the proposals in the preferred policy package assumes that some businesses are compliant. If there is less overlap between compliant businesses, more businesses are affected by the policy package, but by fewer of the package's proposals – and hence the impact per business is smaller.

Table 23: Policy option interactions, £ millions, rounded to 2 significant figures

		Additional information	Reminders	Easy exiting	Cooling-off	Auto-renewal	Opt-in	Annual reduced unwanted spending/ transfer from business to consumer	*Of which the following impacts EANDCB*	*Not EANDCB -relevant business cost[1]*	One-off implementation cost	Number of businesses affected
Single options	Additional information only	✓						Unknown	*Unknown*	*Unknown*	£64m-£101m	189,000 – 236,000
	Reminders only		✓					47	*0*	*47*	£68m-£135m	189,000 – 236,000
	Easy exit only			✓				176	*95*	*81*	£53m-£95m	104,000
	Cooling-off period				✓			120	*65*	55	£96m-£144	236,000
	Auto-renewal only					✓		220	*0*	*220*	£98m-£113m	236,000
	Opt-in only						✓	602	*325*	*277*	£98m-£141m	236,000
Combined scenarios	Preferred package	✓	✓	✓	✓			400	*160*	*240*	£281m-£467m	236,000
	Explicit choice	✓	✓	✓		✓	✓	889	*331*	*557*	£379m-£583m	236,000

[1] Either because the impact is indirect e.g. reminders, auto-renewal, or because impact does not manifest as lost profit due to variable cost. See Annex A for details.

9.10 Preferred Option

208. The preferred option combines:
    - Proposal a: Additional information
    - Proposal b: Reminders
    - Proposal c: Easy exiting
    - Proposal d: Additional cooling-off rights

209. The estimated annual consumer benefit from these combined proposals is £400 million of which £160million is a direct transfer of business's lost profit because of consumers previously finding it difficult to exit their subscription now being able to do so[78]. The remainder affects businesses through a loss of revenue or is an indirect impact. We estimate that businesses selling subscriptions will face a one-off cost between £281 million and £467 million.

210. This option comes with a lower cost to business than the explicit choice package while reducing the cost associated with unwanted subscriptions that are mainly a result of consumers forgetting to unsubscribe or finding it too difficult to unsubscribe.

211. When asked, businesses reported relatively minor costs to implement the proposals and, in many instances, businesses reported already being compliant with the proposals.

10 Remedies and Enforcement

10.1 Remedies

212. There will be remedies available to the consumer in the event of non-compliance by a trader with the new requirements. In summary, there will be a remedy on the face of the legislation which creates a new cancellation right for consumers in the event of a breach of any of the requirements by a business. This will be coupled with a right to refund if the consumer elects to cancel.

10.2 Enforcement

213. As detailed above, the proposals will include remedies available to the consumer in the event of a breach of the new requirements by a business. This should reduce the need for consumers to take action to enforce the law as a civil right.

214. In the event that enforcement action is necessary, there are different options for consumer protection law enforcement in the event of a breach of the subscription legislation by a business.

215. Firstly, the consumer can enforce the law as a civil right. This may be because it is implied into the contract (e.g. section 12 CRA) or there may be a bespoke civil regime providing for a right of redress (e.g. Part 4A CPRs). Consumers could also enforce their private rights set out in the new legislation, by bringing civil proceedings against a business, in the event the business does not comply with the remedial provisions set out in the new legislation.

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[78] See Annex A on Business Impact for methodology

216. Secondly, there could be civil enforcement by public enforcers (such as the Competition and Markets Authority) under Part 8 of the Enterprise Act 2002. Under these proposals, the business may offer an undertaking to change their behaviour and provide enhanced consumer measures (this can include compensation for consumers or allowing the consumer to terminate the contract) or the court may require these through a court order. Strengthened powers by the Competition and Markets Authority to enforce consumer law – a different part of the draft competition and consumer bill – would further give the Competition and Markets Authority better tools to enforce compliance with the proposed regulatory changes.

217. Thirdly, there could be a criminal offence (e.g. regulation 19 of CCRs relating to 14 day right to cancel an off-premises contract and regulation 8 – 13 of the CPRs). However, we are not introducing any new criminal offences with our proposals.

11 Wider impacts

218. In addition to the direct effects discussed in Section 9, we anticipate a number of wider impacts from these policies. These include the following.

- More efficient allocation of consumer spending as a result of reduced unwanted spending.
- Changes to business practices in the subscription industry as a result of higher consumer mobility.
- Improved consumer confidence in subscriptions models.
- Improvements in business productivity due to increased competitive pressure

219. We have not attempted to quantify these effects. We also have not quantified the effects of changes to business models in the industry at this stage in the analysis.

Better allocation of spending

220. While our central estimate suggests the preferred package combination of policies could return as much as £400 million to consumers every year, we do not expect a reduction in private sector revenues by the same amount. Instead, we anticipate consumers would use savings from reduced spending on unwanted subscriptions to purchase other goods and services, including other subscriptions, elsewhere in the economy.

221. The size of this reallocated spending is unknown. However, the UK consumer savings ratio was around 7% over the five years up to the end of 2019.[79] This could indicate more than 90% of reduced unwanted spending could be used to purchase other goods and services.

222. This has two important effects. First, by using their savings to purchase new goods and services, consumers will reduce the aggregate cost to businesses from reduced unwanted spending.

223. Second, since consumers are no longer spending income on unwanted subscriptions, consumer benefits from their earnings should increase. The size of this benefit depends on the additional value consumers place on new purchases compared to unwanted subscriptions.

Changes to business practices

224. As explained in section 2, the current practices mean businesses can retain consumers more easily, increasing expected revenue per consumer. Increased revenues from existing customers might provide businesses with the opportunity to offer introductory offers to entice

[79] ONS, Household savings ratio. We exclude 2020 from this estimate due to the increase because of public health restrictions to during the coronavirus pandemic.

new customers. Similarly, increased revenue over the customer's lifetime may allow businesses to offer reduced monthly prices to their customers.

225. These policy changes can make income for subscriptions businesses less certain; they may also reduce the profitability of subscription businesses. Businesses may respond to these changes by reducing introductory price offers, which are valuable to consumers, both by allowing access to the subscription product at a reduced price and allowing customers to compare products with reduced risk. Businesses may also increase the price of the subscriptions to reduce the impact of the proposals' implementation cost as well as cover the lost revenue from consumers cancelling their subscription.

226. If increasing customer mobility means the total revenue businesses can expect over a consumer's lifetime are reduced, businesses may respond by increasing the monthly price of a subscription, reducing the utility of subscriptions for remaining customers.

227. During the qualitative research, business representatives have not indicated that they plan to make changes to their business practices to mitigate the cost of the proposals.

Improved consumer confidence in subscription models

228. The difficulty of managing subscriptions deters some consumers from entering the subscriptions market. FSI asked respondents who did not have any active subscriptions what factors deterred them from purchasing one. 24% of respondents said committing to monthly payments was off-putting, and 8% viewed subscription contracts as a 'hassle'.

229. Taking steps to ensure consumers can easily exit subscriptions they do not value, and ensure they are kept in control of their subscriptions throughout could encourage these consumers to enter the subscription market.

230. The degree to which new consumers will enter, or degree to which these changes represent new spending and increases in demand, as opposed to reallocated spending from other businesses is unknown and we have not attempted to quantify it.

Increased competitive pressures

231. These policies aim to increase buyer information in the subscription industry by allowing consumers to better compare subscription offers in advance and allow customers to exit subscriptions that are unwanted more easily. In both cases this will empower consumers to direct spending away from unwanted subscriptions more easily than in the status quo, increasing competitive pressures.

232. Heightened competition could improve the quality of subscription contracts available to consumers as well as improve business productivity. These effects are unquantified.

12 Equalities assessment

233. While these policies do not apply differently because of protected characteristics, they are likely to have a differential impact on people with some protected characteristics. We consider two causes of differential impacts:

    1. Different exposure to the problem: some groups of consumers may experience more instances of unwanted spending caused by subscriptions.
    2. Type of causes are the results of different average behaviours that may mean different groups have different average responses to certain policy interventions.

Our evidence for the first type is mixed and has some inconsistencies, and our evidence for the second type is very limited and we have not made clear assessments of the average changes.

In this section we use responses from the Opinium consumer Omnibus, Citizens Advice, Money and Mental Health and YouGov. Please refer to section 16.1for an overview of these surveys' statistical robustness.

12.1 Different exposure to the problem

234. **Gender:** The Opinium consumer Omnibus reported that men and women have an equal number of subscriptions (2.9 subscriptions per adult). The YouGov survey[80] , on the other hand, suggests men spend slightly more on unwanted subscriptions than women do.[81] This is supported by Barclaycard research suggesting men spend on average £680 per year across all their subscriptions (including wanted and unwanted subscriptions), while women spent £420 per year, on average.

235. The evidence on experiencing problems is mixed: Citizens Advice conducted an online survey for consumers who had been affected by so-called subscription traps[82], where consumers are tricked by unscrupulous businesses into registering for costly subscriptions. While the survey was self-selected, 71% of respondents were women, which leads us to assume that women were more likely to have problems with them. In contrast, men were found more likely to have signed up to a subscription after a free trial than women according to a YouGov survey. Another YouGov survey (2018) asked respondents whether they were paying for a subscription that they do not want. The results found no significant difference between the share of men and women that said they were paying for an unwanted subscription.[83] Consequently, we do not have enough strong evidence to assume that one gender is more negatively impacted by unwanted subscriptions than the other.

236. **Age**: The Opinium consumer Omnibus reported those aged between 18 and 30 had on average 4 subscriptions compared to 2 for those aged 51+. Similarly, the Money and Mental Health (MMH) survey suggest that young consumers are more likely to have unwanted subscriptions, and are more likely to delay cancelling, see Table 32. In contrast, the YouGov survey[84] did not find large differences by age in the number of unwanted subscriptions respondents had during the last 12 months (although sample sizes were small). It did find that a larger share of consumers under 25 were more likely to pay a subscription for a month or less before cancelling than those over 25. The YouGov survey also suggested that those under the age of 25 spend considerably less per subscription than those over 25. The YouGov survey is limited in that it only asks about unwanted subscriptions respondents joined through a free trial, which may not be representative of all subscriptions. Moreover, people at younger ages are likely to have lower incomes, meaning lower-priced subscriptions are not necessarily more affordable.

237. There may also be variations on which type of unwanted subscriptions different age groups hold: MMH suggests there are significant variations in subscription products by age. For example, 20% of respondents between 18 and 24 reported a gym membership, compared with only 4% of those over 65. News subscriptions show less variation; 11% of those between 18 and 24 reported having a newspaper subscription (including online) compared with 14% of those over 65.

238. Pregnancy and maternity: YouGov evidence suggests that households with children are more likely to be paying for an unwanted subscription than households without any children,

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80 YouGov Unwanted subscriptions 2019

81 See Annex A

82 Citizens Advice, *Locked in: Consumer issues with subscription traps*, 2016.

83 Polling by YouGov on behalf of Citizens Advice (2018): Proposal to tackle subscription traps

84 YouGov Unwanted subscriptions 2019

15% and 9% respectively.[85] Consumers with children may be more likely to hold more subscriptions than those with none which may increase the chances of them paying for at least one they do not want.[86] The Consumer Omnibus survey asked consumers if they had a subscription in any of the listed categories. The findings support the above assumption as a larger share of respondents with no children reported not having any subscriptions compared to those with children under 18.

239. Overall, the evidence on how different groups of consumers might experience different levels of harm is mixed. There is some evidence that men spend more money on unwanted subscriptions, though source differ as to whether men are more likely to have unwanted subscriptions. The available surveys also reach differing conclusions whether younger consumers have more unwanted subscriptions or lose out more from them, compared to older consumers. Further evidence suggests that children in the household may increase the likelihood of using subscriptions and of holding unwanted subscriptions. We do not have evidence on all protected characteristics which means we are unable to identify the varying levels of harm experienced by different consumer groups. During the monitoring and evaluation stage we will prioritise gathering evidence on protected characteristics beyond age and gender.

12.2 Differential impact of proposals

240. Overall, the proposals are an expansion of existing consumer rights. There is thus no reason to assume that consumers with protected characteristics will be directly or indirectly worse off due to the proposals. Specific features in consumer law which may have been more beneficial to those that are more likely to suffer from e.g. digital exclusion were retained. Specifically, consumers will still be able to cancel a subscription using the existing method of cancellation via offline means, as per the Consumer Contracts regulations. Consideration was thus given to the fact that an automated process may not work for everyone (there may be issues of consumer vulnerability and where some consumers are digitally excluded). Consideration was also given to how reminders should be received. It was considered important that a trader uses communication methods that it considers its customers are likely to read, or that they have been told are the consumer's preferred method of communication. Those with some protected characteristics (e.g. the elderly) may be more likely to be digitally excluded and so exclusively online reminders (email) were ruled out as being the only option. Instead, the requirement is that the trader issues the reminder using the consumer's preferred method of communication (in the event the consumer has notified the trader of this). In the event the consumer has not notified the trader, the renewal reminder is to be sent by email or SMS.

241. Even though we do not expect any consumer to be worse off due to the proposals, some groups of consumers may benefit more from the proposals than others. We do not have direct, robust evidence on how the proposals will affect different population groups in different ways, because these tools are not yet available for consumers to use. The only way to test reactions would be to conduct behavioural experiments, which would be costly and time-consuming. However, we can make useful inferences on the policies' likely impact for different groups based on the reasons why they cancel unwanted subscriptions later than intended.

242. **Gender:** The Opinium survey found that inertia was a stronger hindering factor for women, while forgetting accounted for more of men's unwanted subscriptions. Specifically:

    1. Women were more likely to say they hadn't cancelled their unwanted subscription yet because of inertia (48%), compared to 39% of men's unwanted subscriptions.

[85] Polling by YouGov on behalf of Citizens Advice (2018): Proposal to tackle subscription traps

[86] Opinium Consumer Omnibus

2. More than two fifths of unwanted subscriptions held by men haven't been cancelled yet because they forget compared to 24% of those held by women.

243. This implies that reminders may be a more effective proposal for men because it would target a larger share of their unwanted subscriptions.

244. **Age:** Responses to MMH on the causes of delays to cancelling subscriptions showed that younger respondents seemed to have more difficulties unsubscribing via phone calls or in general. Specifically,

    1. 14% of respondents aged between 18 and 24 reported they struggled to make phone calls, compared with 2% of those over 65.
    2. 18% of those between 18 and 24 reported they did not know how to cancel their subscriptions, compared to around 5% in other age bands.

245. These might suggest easy-exiting rules requiring online options would be more effective at reducing unwanted spending in young groups.

246. As mentioned in Section 12.1, there are significant variations in subscription products by age. For example, 20% of respondents between 18 and 24 reported a gym membership, compared with only 4% of those over 65. The details of the further cooling-off rights mean that the benefits will vary across types of subscriptions. Therefore, some consumers will benefit more than others, in part, depending on the type of subscriptions they hold. Furthermore, consumers under 25 were more likely to cancel an unwanted subscription that is the direct result of a free trial within a month of being rolled over than older consumers. This suggests that they are more likely to benefit from the cooling-off proposal.

247. It is likely that consumers with certain characteristics may find managing subscriptions easier. For example, Ofcom's study[87] on adults' media use and attitudes found that older adults were more likely to not have access to the internet or be 'narrow' internet users. 'Narrow' internet users are defined as those who had undertaken less than four online activities. One in ten non-internet users were adults who are most financially vulnerable and 14% were in DE households[88]. DE households were also more likely to be narrow users. To the extent that digital connectivity affects a customer's ability to manage their subscriptions, providing an online easy exit option online may not help these people, but as mentioned earlier, offline methods were retained to ensure no consumers were disadvantaged by the new rules. However, consumers may exit through the same means they entered in a straightforward and time effective way.

248. Consequently, men and younger consumers may benefit more from the reminder and the easy exiting proposals respectively. On the other hand, older consumers and those most financially vulnerable are likely to experience lower benefits from the proposals aimed to make it easier to cancel subscriptions online. Again, we unfortunately lack evidence on the differentiated several protected characteristics because available surveys did not ask respondents about them. We intend to collect data on additional protected characteristics in the course of the policy monitoring and evaluation stage.

[87] Ofcom Adults' Media use and attitudes report 2022

[88] Households with semi-skilled & unskilled manual occupations, Unemployed and lowest grade occupations

13 Sensitivity assessment

249. This analysis is very sensitive to the input assumptions. We identified three main sources of uncertainty regarding the size of the transfer from businesses to consumers and two sources of uncertainty for the cost to businesses.

13.1 Uncertainty on the size of the transfer

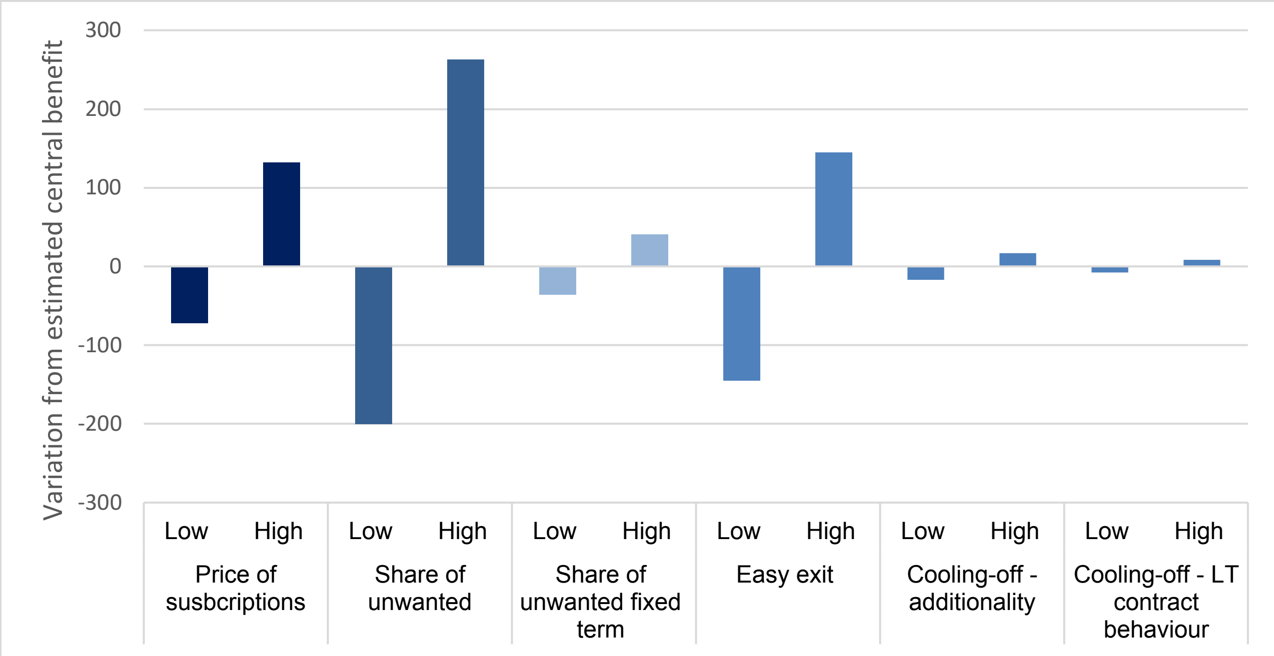
250. The three sources of uncertainty impacting the size of the transfer from businesses to consumers are:

- We do not know the actual average monthly cost of a subscription service. Estimates range from around £11.89 to £18.88 per month. For our central estimate, we assumed subscriptions cost £14.19, but we include here sensitivity tests for average costs at each of those extremes.
- We are not certain of the share of subscriptions consumers continue to pay for that they would rather cancel. During this assessment we have assumed 5% of subscriptions are unwanted, we explore the effects of whether 2% or 10% of subscriptions were unwanted instead.
- There is also uncertainty as to the impact of proposals:
    a. The analysis used a wider range for the likely impact of the easy exiting proposal – between 17% and 75% of problems with unsubscribing could be resolved.
    b. Further, our estimates for the impact of the cooling-off period proposal assumed that 30% of consumers currently already receive refunds and that these transfers should not be counted as an additional policy impact. Similarly, we assumed that 48% of consumers who did not want an auto-renewing subscription to roll over to a new long-term period would cancel it within the cooling-off period. As per sub-section 9.4, there are reasons that these assumptions may be over- or underestimates in both instances. Therefore we test in this sub-section how a 10 percentage point variation in these assumptions would change the policy's impacts.

251. In Figure 2: sensitivity analysis – variation from the estimated central benefit, we test the effect of the ranges on the overall consumer benefit. The estimated range for the average monthly cost of subscriptions may decrease the overall annual consumer benefit from the proposals by roughly £72 million and increase by as much as £131 million when testing for each of the extremes.

252. The larger uncertainty in the share of unwanted subscriptions means that consumer benefit may be approximately £200 million lower or £263 million higher compared to the central estimate. The uncertainty in the success of the easy exiting proposal in resolving the number of unwanted subscriptions means that the reduced unwanted spending may increase or decrease by £145 million depending on actions taken by consumers. The uncertainty around the cooling-off period has a smaller effect of +/- £17 million and +/- £8 million, compared to the other uncertainty factors.

Figure 2: sensitivity analysis – variation from the estimated central benefit



253. A similar exercise for the reduction of unwanted spending over the 10-year period shows the size of the range for estimates of unwanted spending. These large ranges are a result of relying on consumer surveys to estimate the total unwanted spending. Despite using multiple sources, the uncertainty inherent in the sampling for a survey means there will be differences of several percentage points in the estimated share of subscriptions that consumers do not want, and a range of estimates for the cost of those subscriptions.

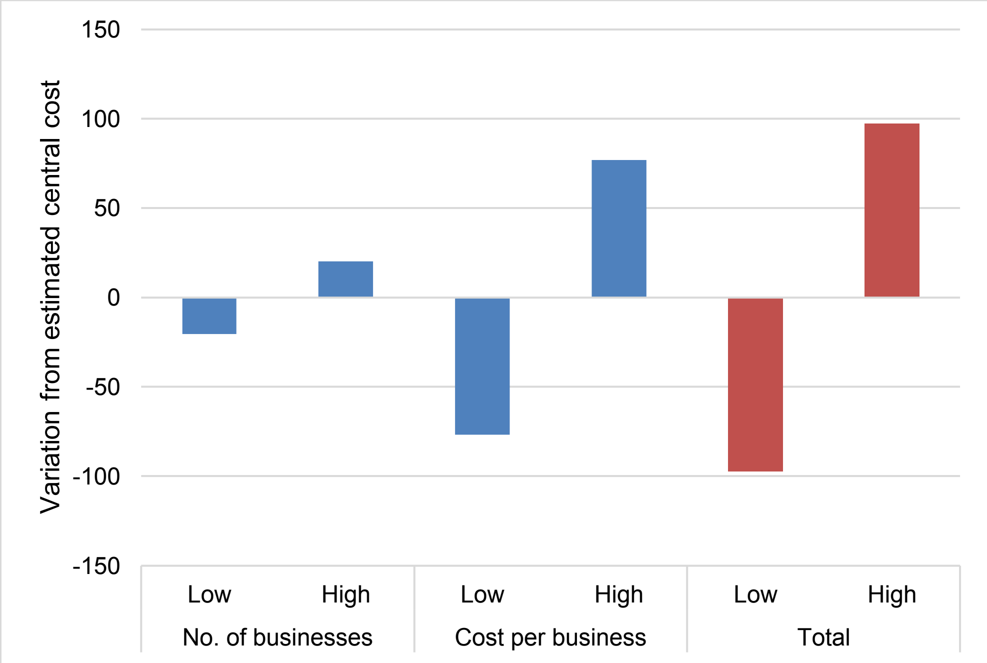
13.2 Uncertainty on the business implementation cost

254. Business implementation cost is driven by two factors – the number of businesses affected by the regulatory changes and the cost per business to implement them.

255. Section 7 showed that we used a representative survey of businesses to understand how many businesses sell subscriptions. While each survey comes with a risk for measurement error and other statistical uncertainties, we consider this a proportionate and robust base. The other uncertainty in this area is how many businesses already comply with the proposed legislation. Section 9 outlined the compliance assumptions for each proposal. Figure 3: sensitivity analysis – variation from the estimated central cost [£m]Figure 3 shows that uncertainty around compliance accounts for around +/- £20m of the estimated range for business implementation cost.

256. Sections 8 and 9 explained the size of the costs per business to implement the changes and how these were derived. As per Figure 3: sensitivity analysis – variation from the estimated central cost [£m], this uncertainty accounts for around +/- £76m of the estimated range of business implementation cost. It is thus the bigger contributor to the uncertainty.

Figure 3: sensitivity analysis – variation from the estimated central cost [£m]



14 Small and micro businesses assessment (SaMBA)

257. In this section, we use two of the four main policy scenarios to show the trends in our assumptions for costs to businesses. First, using the proposals in the preferred package where a cost has been estimated, we see small and micro businesses account for around 83% of businesses by number and 70% of the cost. While this suggests the cost per business are lower for micro businesses than those for medium and large businesses, it also illustrates the policies with lower overall costs are proportional to the number of businesses.

258. Overall, this sensitivity assessment demonstrates the costs to an individual business of these policies increases with the size of the business. In each of the main policy scenarios we consider, micro businesses incur lower total costs than their share of the business population but a larger cost as a share of their turnover as seen in Figure 4: Cost breakdown per business under the preferred package and the costs as share of average revenue. Small, medium and large businesses incur a greater share of costs than their share of the population, the difference between a business' share of the population and its share of the costs increases with the size of the business.

259. This indicates that micro businesses below the average turnover of micro businesses may face implementation costs of more than 1% of their turnover.

260. While the range of costs is narrower when aggregating businesses by business size, there are larger variations in individually reported costs which reflects the uncertainty in our estimates. In addition to this, our estimates account for a 55% compliance rate with the easy exiting proposal for micro businesses, compared to 61% for small and medium and 69% for large and assumes 20% of all businesses already comply with the additional information and reminder proposal.

Figure 4: Cost breakdown per business under the preferred package (LHS) and the costs as share of average revenue (RHS)

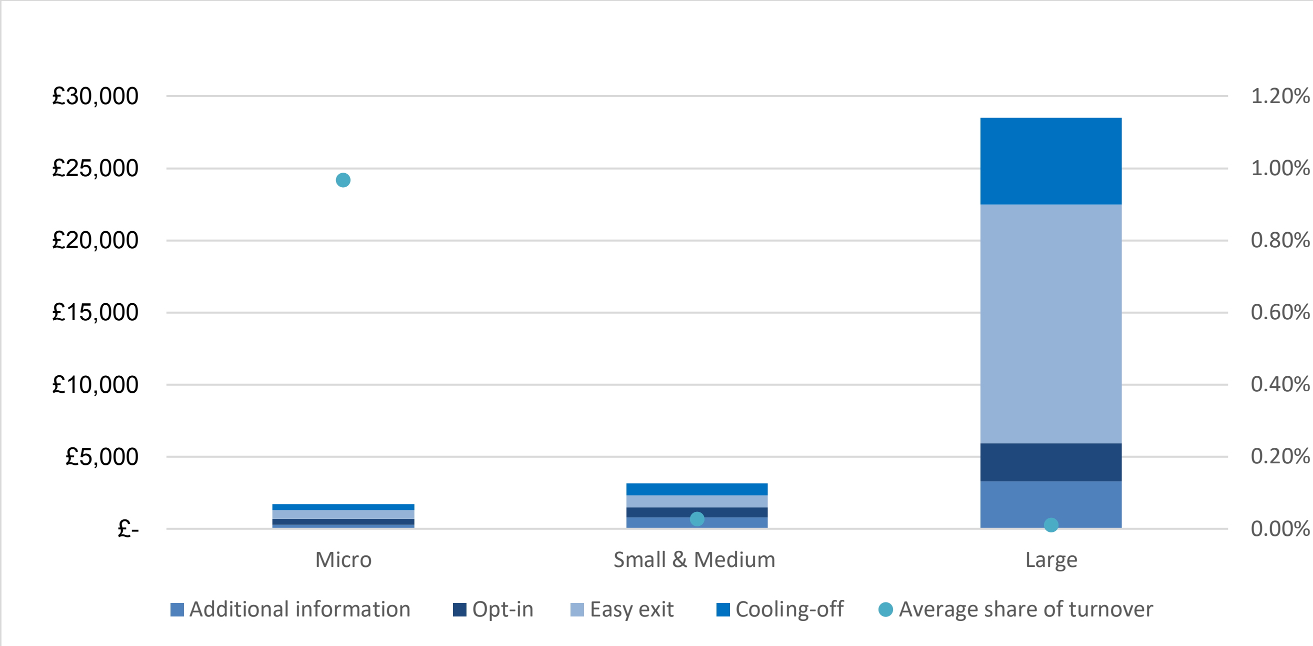


Figure 5 : Cost breakdown for businesses under the preferred package (LHS) and share of businesses (RHS)

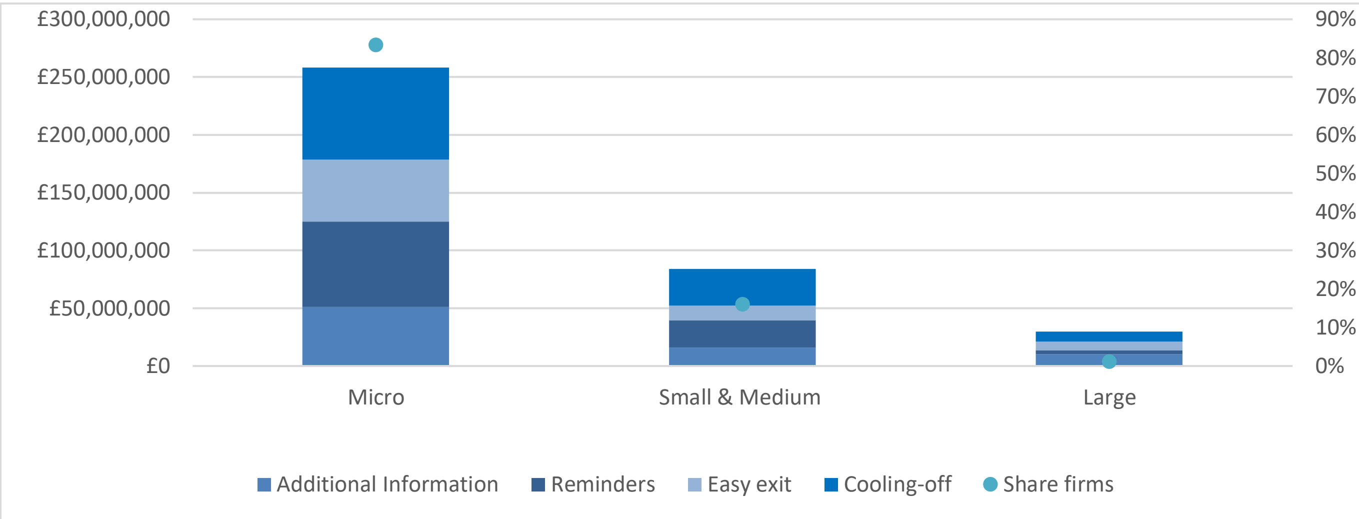
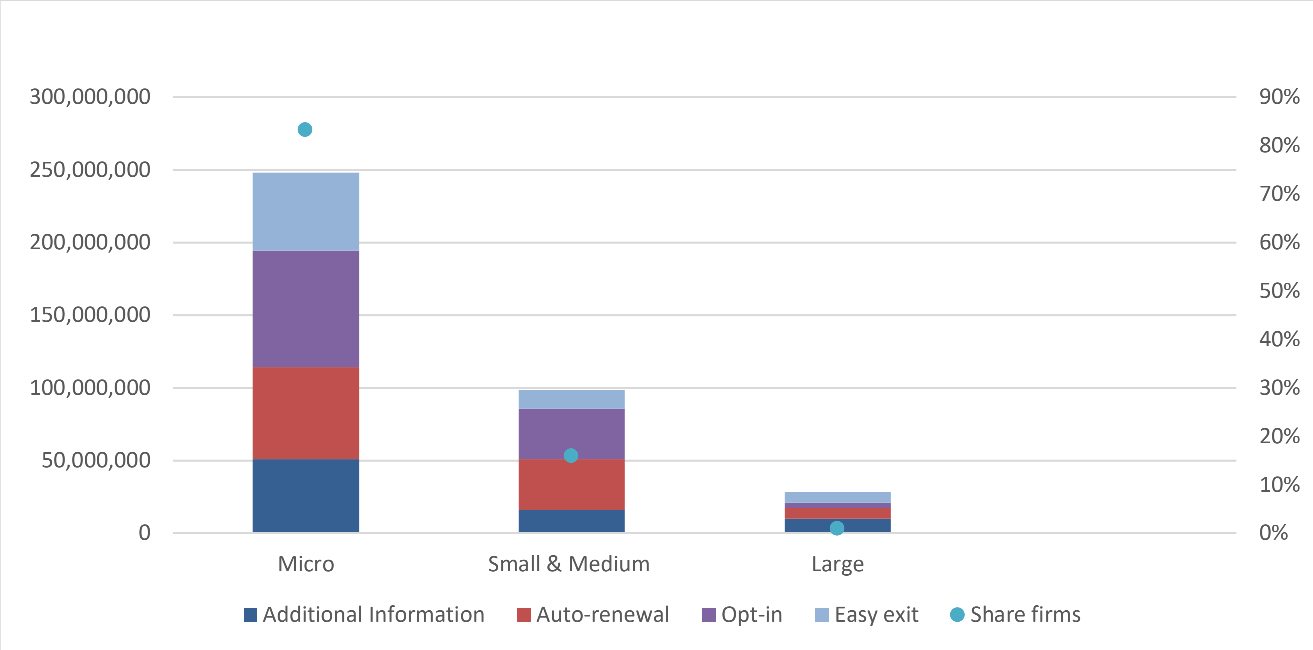


Figure 6: Costs breakdown for businesses under the Explicit choice package (LHS) and share of businesses (RHS)



14.1 Evidence on impact of a micro business exclusion

261. Due to high business implementation costs of the preferred package, the potential impacts and practicalities of a de minimis exclusion to reduce the costs while maintaining consumer benefits was examined.

262. A variety of criteria could be used for excluding micro businesses. However, most would have a detrimental impact on the consumer benefit (and thus on the policy objective) because a large share of businesses selling subscriptions are small and micro businesses. Further, exemptions would make it harder for consumers to understand their rights, as they may not typically know whether the trader is a qualifying micro business. There is also currently no de-minimis carve-out in consumer law for the smallest businesses as it applies to traders defined as a person acting for purposes relating to that person's trade, business, craft or profession. Some potential criteria for small business exemptions include:

Exclusion based on VAT registration

263. SMEs below the VAT registration turnover threshold of £85,000 could be excluded, but businesses can register voluntarily, even with a turnover below the threshold. These businesses would not be captured by the exclusion despite being below the threshold. Using the share of unregistered micro businesses in the UK, we estimate that there are 106,000 unregistered businesses selling subscriptions, or 55% of micro business. Using the range of implementation costs for the preferred package, exempting those businesses could reduce total implementation cost between £110 million and £167 million.

264. Unregistered businesses represent on average 2.5% of total business turnover across all industries[89] Due the lack of evidence on the share of unwanted spending originating from unregistered business, we assume that excluding them would reduce the consumer benefit for the preferred package of proposals by an equal share of 2.5% or £9.6 million per year.

[89] ONS Business population estimates 2021

265. These estimates make two additional assumptions. Firstly, we assume that the business and revenue structure of subscription businesses is the same as all businesses in the retail sector as they sell similar products and offer similar services. Secondly, we assume that the level of unwanted spending is proportionate to the share of turnover in the economy represented by unregistered businesses.

266. The exclusion may further encourage some business to be non-compliant with VAT rules. Additionally, it will be difficult for consumers to know if a business may be in scope of proposals. We do not think a de minimis exclusion should be adopted as businesses under the VAT threshold may choose to register and would therefore not be captured.

Exclusion based on turnover

267. Businesses could also be excluded based on turnover, e.g. those with a turnover of less than £100,000. However, we do not have data on what market share these businesses represent. Similar to the VAT threshold criteria, it would likely exclude a large number of businesses and consumers would not know whether a business is exempt. The risk of disaggregation of larger businesses to avoid the policy measures is among other issues.

Exclusion based on subscription cost

268. Businesses could also be excluded based on the cost of the subscriptions they sell.

269. Subscriptions of less than £10 per month represent around 47% of the subscriptions market, while the £11-£30 per month category represents another 29%. We do not have evidence on whether there is any correlation between the price of the subscription on offer and business costs in implementing the proposals or how much a subscription is unwanted. If we assumed an equal distribution, implementing an exclusion on subscription of less than £10 could lead to an estimated reduction in business implementation costs of the preferred package of between £132 million and £220 million, or 47% of the total implementation cost. However, businesses that can afford to make these changes would be proportionally less impacted, as costs hit micro firm's turnover far more. We do not think a de-minimis exclusion on this basis would be compatible with the policy objectives, because the benefit to consumers of the preferred package may be reduced by £180 million and £291 million respectively if an exclusion on subscriptions of less than £10 or less than £30 were applied.

SaMBA mitigations considered for proposals

270. The reminder requirement has been designed to mitigate the impact on micro and small businesses. The general requirement to give the reminder specifically by email or SMS only applies to businesses that have an online facility to send email or SMS reminders (subject to the requirement that the trader sends reminders in any preferred means of communication notified by the consumer, which could include email or SMS). Therefore, traders without such a facility will not incur the associated IT implementation cost from sending the reminder by email or SMS, although they will need to give the reminder by another means of communication (such as by letter or telephone call). Research suggests these traders are more likely to be micro and small businesses. Research by the ONS[90], presented in Table 24, found that small and micro businesses are less likely to have an online presence compared to medium and large business. Where businesses had websites, their functionality tended to be more limited for smaller businesses such as being able to receive orders – suggesting a lower prevalence of facilities to send emails or SMS reminders. Additionally, despite lockdown measures causing many businesses to move their business to digital platforms, a Lloyds Bank

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[90] E- Commerce and ICT activity 2019, ONS https://www.ons.gov.uk/businessindustryandtrade/itandinternetindustry/bulletins/ecommerceandictactivity/2019#:~:text=In%202019%2C%2025.2%25%20of%20businesses,valued%20at%20%C2%A346.4%20billion.

study in 2022[91] showed that around half of smaller businesses have not yet made the move to digital. Overall, the findings suggest that small and micro businesses have a lower use of websites and advanced website functionalities. This lead us to assume that they may be more likely to benefit from this mitigation as they are less likely to send emails and SMS reminders. This would reduce their one-off implementation cost. However, we have no evidence on what share of subscription-selling micro and small businesses do not have an online presence (and this share may differ from the average business) and so have not considered this mitigation for the impact calculations.

Table 24: E- Commerce and ICT activity 2019, ONS

	Micro	Small	Medium	Large
Proportion of UK businesses with a website	41%	81%	92%	95%
Proportion of UK businesses receiving orders for goods or services via a website or 'app'	7%	22%	24%	37%
Proportion of UK businesses issuing/sending invoices in an electronic format not suitable for automated processing	51%	54%	71%	75%

271. The easy exiting proposal requires traders to provide a timely and easy to use process to exit the subscription. One aspect of the proposed requirement is that the trader must enable a consumer to bring a subscription contract to an end by way of a single communication made using the same method of communication that the consumer used to enter into the contract. The aim is that, broadly, it should be as easy to exit a contract as it is to sign up with the result that businesses are not required to offer a prescribed process to exit that they do not already use for contract sign-up purposes. This has been designed to mitigate the effect on small and micro businesses that do not offer a timely and easy process to sign up and in which case would not need to provide a similar one to exit. If we assume that business use of websites (with advanced functionalities) is a reasonable proxy for having effective, timely, and easy sign-up processes, then Table 24: E- Commerce and ICT activity 2019, ONS suggests that similar implications apply for the easy exiting design as for reminders: small and micro businesses may be more likely to benefit from this mitigation as they are less likely to provide a timely and easy to use process to sign-up, due to their lower use of websites and advanced website functionalities. This would reduce their one-off implementation cost. As mentioned in the previous paragraph, we have insufficient evidence on the share of micro and small

[91] Pandemic accelerated the shift to online but only 1 in 10 businesses made the move https://www.lloydsbankinggroup.com/media/press-releases/2022/lloyds-bank/pandemic-accelerated-the-shift-to-online-but-only-1-in-10-smes-made-the-move.html

businesses selling subscriptions without an online presence to estimate the impacts of this mitigation on these businesses.

272. We have considered exempting small and micro businesses from the requirement to provide additional information at the pre-contract stage. However, the Consumer Contracts Regulations and Consumer Protection Regulations already require prescribed information to be given to consumers in advance of entering contracts. This existing legislation makes no exemptions for smaller businesses but, in the case of Part 2 of the Consumer Rights Act which regulates unfair terms, instead the Competition and Markets Authority has provided complementary publications aimed at smaller businesses and others who want a short introduction to unfair terms law and enforcement[92]. We do not consider the terms of the additional information requirement to be substantially more work than what is already expected from businesses. Further, according to the Department for Business and Skills study on terms & conditions , the majority of businesses already have pre-drafted Ts & Cs and we would expect most businesses to have some form of communicating their offer to prospective customers (e.g. a website, social media presence/channel, newsletters, flyers or advertisement).[93] We therefore we do not consider the costs to modify Ts & Cs and communication materials to comply with the additional requirement under this proposal to disproportionately affect small and micro businesses.

273. Finally, we have also considered exempting small and micro businesses from offering further cooling-off rights. We sought stakeholders' opinions on whether small and micro businesses would find it disproportionately difficult to implement an additional cooling-off period or would be disproportionately impacted as a result of offering additional cancellation rights.

274. Several respondents thought that small and micro businesses would find it harder to implement the cooling-off proposal than larger business because of economies of scale. One aspect of this that they mentioned was that small and micro businesses are less likely to have in-house IT services or legally trained staff than larger businesses. This may require them to outsource these services at a higher cost compared to larger businesses in-house specialists. Relatedly, though not mentioned by stakeholder respondents, smaller scale and marketing budgets may also limit the extent to which smaller businesses can use voluntary cooling-off periods as a promotional tool to drive sales. For instance, larger businesses are more likely to be able to market the fact that they offer a form of cooling-off period, which is something small and micro businesses have less capacity to do.

275. Additionally, several stakeholders noted that the costs and impacts would be dependent on the types of products the businesses sell. Those providing digital subscriptions are likely to have lower cost and impact implications than those providing physical products or services. Businesses selling physical goods may find that forward planning is harder and that their revenue is more uncertain if consumers are provided with another opportunity to cancel or if the business is required to provide a refund for the cancelled subscriptions.

276. While the majority of the 24 responses were unsure whether small and micro businesses would find it more difficult than larger businesses to implement the proposal, three explicitly said that this should not be the case, some of which work directly with small and micro businesses. These responses outlined that the staff training and familiarisation costs for these businesses should be minimal due to the low number of staff and in many cases their small customer base. Regarding the impact on business models and cash flows, the details of the proposal take into consideration the impact on businesses selling physical products, allowing them to offer partial refunds if, for the time that the consumer had the subscription, the value of the product has been reduced. For example, if the consumer, within the first 14 days, received

[92] Unfair contract terms https://www.gov.uk/government/publications/unfair-contract-terms-cma37

[93] IFF Research Consumer Rights and Business Practices

a personalised product, the business would not be required to refund the full cost of the subscription. Given that small and micro businesses would likely have been more negatively affected by less predictable short-term cash flows than large businesses, the differentiation of policy application by product type is effectively a form of mitigation. Analysis of the Business Omnibus survey's underlying data suggests that small and micro businesses may be less likely to sell subscriptions that involve the delivery of physical goods (around 29% of all subscriptions sold by small and micro businesses), compared to medium (44%) and large businesses (37%). However, the sub-sample sizes are small, so these variations may also be due to random sampling.[94]

277. Due to these mixed responses from stakeholders and differing arguments, we cannot exclude the possibility that small and micro businesses may be disproportionately impacted, though this remains uncertain. Despite concerns around costs, several respondents also acknowledged that a sector-wide approach is still necessary and that exemptions for small and micro businesses can end up harming those businesses, because different tiers to consumer protection may lead to consumers losing trust in smaller businesses. A sector-wide policy application may maintain and reinforce consumers' confidence with small and micro businesses and present an opportunity for them to increase sales based on a "low-risk" proposition to consumers. In order to achieve the policy objectives and reduce unwanted spending on subscriptions that are the direct result of free trials or previous commitment periods and avoid confusion, we need to extend the requirements to provide additional cooling-off rights to small and micro businesses.

Further mitigations

278. In addition to the targeted exemptions from the reminders and easy exiting proposals, we have considered information, transition period, financial aid, and voluntary action mitigations that would particularly benefit small and micro businesses, and will implement some of them.

279. Small and micro businesses may be more likely to face a time barrier when it comes to understanding the full details of the requirements under each proposal. Therefore, the published bill will be accompanied by a summary overview of the requirements. This should alleviate the time pressures for small and micro businesses caused by reading and familiarising themselves with the full list of requirements.

280. As mentioned, we expect there to be a transition period for the new regulations between when they officially become law and when they take effect. For analytical purposes, we have assumed this to be six months. We consider this time sufficient for businesses to familiarise themselves with the requirements and implement them and therefore consider extended transition periods for micro and small businesses are not necessary. While businesses would generally welcome longer transition periods, the government carefully chose a balance between giving businesses proportionate time to prepare and delivering benefits for consumers quickly. Even without a longer transition period for small and micro businesses specifically, they may benefit more from a standardised transition period than large businesses, who will typically already be more aware of the reforms and may have engaged with the department over policy development.

281. We did not consider it appropriate or practical to provide financial aid for small and micro businesses to reduce their costs to implement the proposals. Firstly, based on the reports on the business impact from the qualitative research from small and micro businesses and the costs estimated in the Impact Assessment, we do not consider it to be a substantial burden on business that justifies the need for financial aid. Secondly, due to the number of micro and

[94] DBT analysis of underlying data from YouGov Business Omnibus survey.

small businesses in scope, any non-trivial support would be a substantial public expense that would need to be balanced against other public funding requirements.

282. Lastly, as per section 4, we did not consider voluntary options, codes of conduct or business opt-in to regulations an effective measure to achieve the policy objective overall. In accordance with the arguments earlier in this section, the same logic applies for voluntary options for small and micro businesses. We believe they would not be effective and may even harm them by potentially impacting consumer confidence.

15 Monitoring & Evaluation

283. Given these reforms will be made through primary legislation, a review is non-statutory. However, M&E is still valuable to understand the impacts of the proposals and learn lessons for future interventions in this space.

284. The proposals aim to address the cost to consumers of unwanted subscriptions by enforcing pre-contractual information, further cooling-off rights, easy exiting and reminders as part of the preferred package to reduce consumer spending on unwanted subscriptions. Figure 7 is a logic model showing how the proposals achieve the policy objectives. It illustrates how the reforms are expected to reduce the number of unwanted subscriptions and improve competition in the subscription market and contribute to productivity growth.

Figure 7: Logic model

Problems	Solutions	Consequences	Outcomes	Impacts
£1.6 billion spending per year on unwanted subscriptions	Legislation to give clarity to consumers, ensure they are aware of ongoing payments and provide additional opportunities to exit and easier route to exiting	Businesses clarifying pre-contractual information, issuing reminders, provide easy exiting and further cooling-off rights	Consumers changing their behaviour and cancelling unwanted subscriptions earlier. Reducing spending on unwanted subscriptions	Efficient allocation of consumer spending Increased competition leading to improvement in productivity

285. We aim to undertake proportionate monitoring over five years after implementation and to evaluate the policy at the end of that period. The objective of the monitoring and evaluation is to understand the extent to which the policy achieves the desired outcomes and if any further action is needed. The research questions that we seek to answer include:

- How will the share of subscriptions that are unwanted have changed after policy implementation?
- Will there have been a change in pattern as to why subscriptions are unwanted?
- What changes will have occurred in the subscriptions market more widely – No. of subscriptions held, average prices, types of subscriptions, contract length and payment period?
- How much will consumers have used the changes introduced by the proposals? How useful will they have found them and what impact will they have had?

- Which groups of consumers will have seen the largest reductions in the number/share of unwanted subscriptions?
- What will the impact on businesses in terms of implementation cost and revenue have been?

286. We anticipate undertaking regular consumer and business surveys to track the necessary variables over time. The impact of the changes could be measured by comparing the value of unwanted subscriptions before and after policy implementation. However, attributing causality to the policy intervention is challenging given other factors influencing any change and may not be feasible. This is a multifaceted complex policy area that relies on the compliance of subscription providing businesses and consumer behaviour change to be successful.

15.1 Consumer

287. We anticipate collecting data on the number, share and value of unwanted subscriptions and the value those that haven't been cancelled due to forgetting, not getting round to it, or finding it too difficult to unsubscribe. Additionally, we plan to collect data on the value of unwanted subscriptions that are the result of being rolled over from a trial period or from an auto-renewing contract of one year or longer. Data will be collected annually before and after implementation in order to monitor changes in the market over time.

288. Current estimates of the impact of unwanted subscription on consumers rely on evidence from consumer group surveys and a survey commissioned by DBT. Due to the varying sample sizes and questionnaire structures, results used to measure the impact vary statistically. A consistent survey run by DBT on a sample of 2,000 consumers following the pattern of the Opinium consumer omnibus would allow for like-for-like comparisons, mitigate variations and provide a reliable confidence interval. The survey could also fill evidence gaps on the cooling-off rights and the protected characteristics that we were not able to analyse fully in this Impact Assessment. Wherever possible, evidence will be substituted or supplemented with evidence from research performed by consumer groups to strengthen the overall evidence base. We plan to continue to work with other stakeholders to coordinate evidence gathering activities in this field.

15.2 Business

289. During the year of implementation, we expect to see an increase in businesses selling subscriptions reporting that they comply with the reforms. Annual data collection would allow us to compare the number of businesses selling subscriptions to monitor changes. We plan to compare the actual implementation costs during the year of implementation with the expected implementation cost. The review will also help us fill evidence gaps on the implementation costs of the further cooling-off rights. Additionally, an evaluation would allow us to understand the adjustments businesses may make which may weaken the effectiveness of the policies (changes to free/ reduced price trial periods, prices, contract terms etc). This information is likely to be gathered through post implementation interviews of businesses selling subscriptions across different sizes which would allow us to understand the reasons for their business changes. Quantitative surveys on the other hand would provide us with evidence to estimate the size of the market and compliance with some of the proposals. Results would allow us to evaluate the variation in costs across business size and industry and the changes in business models in response to the legislation.

15.3 Data collection

290. A set of consumer and business variables have been identified to estimate the amount of unwanted spending on subscriptions and the impact of the reforms. We aim to monitor these variables to track the changes in unwanted subscriptions over time and to enable comparability with current estimates. The tables below list both consumer and business variables used to estimate the impact of the proposals and the potential source and frequency of the data collection. Variables may be substituted with research from consumer and business groups where appropriate.

Consumer variables

List of variables used to monitor the impact of the reforms and the share attributed to each proposal.

Variables	Current estimates	Future sources	Frequency
Share of adult subscribers	73%	Quantitative consumer survey on subscriptions conducted on a representative sample of 2,000 consumers	Annual
Number of subscriptions per adult	2.9		
Average monthly price of subscriptions	£14.19		
Share of auto-renewing subscriptions that consumers would like to automatically end at the end of the fixed term	40%		
Share of subscriptions that are unwanted	5%		
Average time between wanting to cancel and cancelling	3.6 months		
Share of unwanted subscriptions that are the direct result of a free trial in the last year	37%		
Share of unwanted subscriptions that are the direct result of a contract of a year or longer auto-renewing	Unknown		
Share of unwanted trial rollover subscriptions that are cancelled within two weeks.	Unknown (Using 47% for cancelled within one month)		
Share of unwanted auto-renewal rollover subscriptions of a year or longer that are cancelled within two weeks.	Unknown (Using 47% for cancelled within one month of being rolled over from a free trial)		
Subscription contract length for those that are the direct result of a trial period and auto-renewing	1 month or one year		

contracts of a year or longer			
Subscription payment period	1 month or one year		
Share of unwanted spending due to forgetting to cancel	35%		
Share of unwanted spending due to inertia	42%		
Share of unwanted spending due to difficulties exiting	23%		
Evidence on protected characteristics	Evidence on age and gender. Where possible, missing characteristics: • disability • gender reassignment • marriage and civil partnership • pregnancy and maternity • race • religion or belief • sexual orientation		

Business variables

List of variables used to estimate the size of the subscription market and the implementation costs of the proposals.

Variables	**Current estimates**	**Methodology**	**Frequency**
Implementation costs additional information (£million)	High: 98	Qualitative research composed of 25 interviews of businesses selling subscriptions	Interviews within a year of implementati on
	Central: 80		
	Low: 63		
Implementation costs Auto-renewal (£million)	High: 110		
	Central: 102		
	Low: 94		
	High: 132		

Implementation costs reminders (£million)		Central: 99		
		Low: 66		
Implementation costs Opt-in (£million)		High: 137		
		Central: 116		
		Low: 95		
Implementation costs Easy exiting (£million)		High: 92		
		Central: 90		
		Low: 89		
Implementation costs Cooling-off rights		High: 144		
		Central: 12		
		Low: 96		
Changes to subscription model in response to reforms		• Reduction/removal of free reduced-price trials • Changes to prices • Changes to contract terms	Quantitative business survey of a representative sample of 2,000 businesses + qualitative business interviews of 25 businesses selling subscriptions	Annual surveys Interviews within a year of implementation
Number of businesses offering subscriptions		236,000	Quantitative business survey of a representative sample of 2,000 businesses	Annual surveys
Number of businesses that have had to comply with each of the proposals	Additional information & Reminders	189,000	Quantitative business survey of a representative sample of 2,000 businesses + qualitative business interviews of 25 businesses selling subscriptions	Annual surveys Interviews within a year of implementation
	Autorenewal & Opt-in	236,000		
	Easy exiting	104,000		
	Cooling-off rights	236,000		

16 Annex A: Estimating the 'size of the problem' – additional analysis

16.1 Data sources

291. Our estimate of unwanted spending relies on the combined output of multiple consumer surveys: the Forgotten Subscriptions Index (FSI), and the YouGov 'Unwanted Subscriptions' (YGUS) survey[95], both conducted in 2019. We also include a nationally representative survey conducted for the Money and Mental Health Policy Institute [96]conducted in 2017, studies from industry bodies and an Opinium Consumer Omnibus Survey commissioned by DBT in 2021 for the purpose of this Impact Assessment.

292. The FSI asked a sample of 2,105 adults about their subscription services. The respondents were selected randomly, but participation was advertised on TopCashback.com, a membership-based spending rewards website, so the sample is not representative of all UK consumers.

293. The FSI panel was 60% female and 60% of the respondents were under the age of 50, compared with just over half in the general population. We understand from other consumer studies these groups are more likely to use subscription services.[97] Moreover, membership with a spending rewards website could suggest that these respondents show different behaviours than a more representative sample. They may be more likely to purchase subscriptions in the first place and be more engaged with their subscription-providers than consumers generally. Nonetheless, FSI is a valuable resource due to the detailed questions it asks about consumer behaviour. These included questions about their satisfaction with their subscriptions, specific behaviours to manage subscription services and their experiences cancelling subscriptions.

294. The YGUS survey used a representative sample of 2,009 respondents and asked a more limited set of questions about the number of times consumers had paid for unwanted subscriptions after completing a trial period, as well as the amount of overpayment. This survey is broadly representative of the wider population, though we note that sampling is only random from YouGov's panel. The panel itself is opt-in and fully online, so may not capture the experiences of people who are less comfortable with digital technologies.

295. The Opinium Survey used a representative sample of 2,000 adults and asked questions more specific to the subscription proposals. The respondents were selected randomly, but participation was advertised through the internet and partner organisations and incentivised with a cash reward, so the sample may not include consumers that do not have access to digital technologies.

We classify the surveys using three levels of robustness:

- Highly robust: The survey was conducted with a random-probability sample, following pilot survey and cognitive interviews.
- Medium robust: Omnibus surveys whose samples are recruited to be representative of the target population (can be quota-sampling), though where relevant unobservable factors influence participation.
- Low robust: Surveys and data collection methods that rely heavily on participants knowing of the survey and being motivated to respond.

Based on these criteria, we classify the above surveys as following:

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95 See TopCashback Forgotten Subscription Index, also YouGov Unwanted subscriptions 2019

96 Money and Mental Health Subscription retail: an expensive trap 2017

97 See McKinsey Thinking Inside the Box 2018, also YouGov Unwanted subscriptions 2019

- Highly robust: None
- Medium robust: YGUS survey, Opinium survey, Money and Mental Health Survey and the YouGov Business survey.
- Low Robustness: The FSI

Barclaycard, Zuora and Attest are likely to be medium, but we do not have enough information on methodology to classify them.

16.2 Average number of subscriptions per adult

296. Respondents to FSI were asked what subscriptions they held. A limitation of this survey is respondents could only indicate, at most, one subscription in a category. For example, if a respondent was paying for multiple video streaming services these would only appear as one subscription in our analysis. This design means FSI could undercount the number of unwanted subscriptions held by consumers. It is likely to have a smaller effect on the average cost since respondents were asked to report total expenditure in the sector.

297. The 2,105 respondents to the FSI reported 6,028 subscriptions in total, furthermore, 74% of respondents indicated they held at least one subscription.

298. Unlike the FSI, respondents to the Opinium survey were asked how many subscriptions they held in each category. This improved design means the number of subscriptions held by consumers is less likely to be undercounted. However, for the follow up questions used to estimate the number of unwanted subscriptions, respondents were asked to think about the latest subscription in each category meaning that the number of unwanted subscriptions may be undercounted.

299. The Opinium survey reported 5,860 subscriptions across 12 types of subscriptions and 73% of respondents indicated they held at least one subscription. These estimates align closely with those of the FSI.

300. Zuora's research suggested 82% of UK adults had at least one subscription service in 2018.[98] Attest surveyed only subscription holders and found they had 3.4 subscriptions each, on average.[99] Meanwhile Barclaycard reports around 3 subscriptions for each adult in the UK.[100] We use the estimates in each of these studies to derive an implied estimate for the number of subscriptions per person. These are presented in Table 25 below.

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[98] Zuora, A Nation Subscribed, 2018.

[99] Attest, The UK Direct to Consumer Economy Report, 2020.

[100] Barclaycard, Subscription Society, 2020

Table 25: Implied number of subscriptions per adult obtained through combining survey results

Estimated share of adults with subscriptions		Estimated number of subscriptions per subscriber		Implied subscriptions per adult
Source	**Estimate**	**Source**	**Estimate**	
FSI	74%	FSI	3.87	2.86
FSI	74%	Attest	3.38	2.50
Zuora	82%	FSI	3.87	3.17
Zuora	82%	Attest	3.38	2.78
Opinium	73%	Opinium	3.96	2.90
Barclaycard (direct estimate of subscriptions per adult)				3.00

301. The estimates in each study are similar, and so the implied ranges for the summary statistics are fairly narrow. These imply around four in five adults in the UK have at least one subscription, and those with a subscription have between 3.4 and 4 each, on average. We use the results from the Opinium survey to estimate the total number of subscriptions held in GB which have been sense checked with the other surveys. That gives an average of 2.9 subscriptions per adult in GB, or around 155 million subscriptions between the 53 million UK adults. As survey results exclude respondents under the age of 18, subscriptions held by those individuals will not be included in our estimates but will be subject to the new rules.

302. We emphasise that this is an estimate of the number of subscriptions held at a single point in time. The total number of subscriptions consumers pay for throughout the year will be larger.

16.3 Average monthly cost of subscriptions

303. First, Barclaycard report that the average subscriber pays £46 per month across all their subscriptions. Barclaycard report the number of subscriptions per person (3), not the number of subscriptions per subscriber, so we use the figure from FSI, 3.9, indicating these subscriptions cost £11.62 on average.

304. Second, we use responses from the FSI and YouGov surveys. Each survey asks for the respondent's monthly expenditure on subscriptions. FSI asks consumers to report the total spending on subscriptions in each of the 18 given categories, while YouGov asks about spending on the most recent unwanted subscription the consumer had.

305. The results from FSI are in Table 26 below. We show each of the price bands presented in the survey as well as the midpoint estimate for each band we used during the calculations. We estimate the average monthly cost of a subscription is £14.19. As shown in the table below, we assume the mean monthly price for the over £200 band is £250. Because only 20 of 6,028 subscriptions fall into this band, the overall weighted average price is fairly insensitive to this estimate. Lowering the estimated cost of that band to £200 lowers the weighted average to £14.03, a fall of 1.1%, while increasing it to £300 raises the weighted average to £14.39, an increase of 1.4%.

Table 26: Cost bands and computed average cost per subscription per month from FSI

Price band	Assumed mean price	Number of subscriptions
Less than £5	£2.50	1763
£6–£10	£7.50	2329
£11–£20	£15.00	964

£21–£30	£25.00	394
£30–£50	£40.00	302
£51–£100	£75.00	202
£101–£150	£125.00	40
£151–£200	£175.00	12
More than £200	£250.00	20
Weighted average monthly price		**£14.19**

306. Table 27 reports the results from a similar exercise on the results of the YouGov survey. The YouGov survey asked a weighted nationally representative sample of 938 respondents to report the monthly price of the last unwanted subscription they had cancelled—contrasted to FSI which asked for expenditure on all subscriptions whether wanted or not. These responses suggest the average monthly cost of an unwanted subscription is £18.88, higher than FSI, perhaps because more costly subscriptions are more likely to be viewed as poor value for money.

307. There are more reported subscriptions costing over £200 per month in this survey, and the final price falls by a relatively larger 8% if they are excluded.

Table 27: Cost bands and compute average cost per subscription per month from YouGov

Price band	**Assumed mean price**	**Weighted number of responses**
Less than £4.99	£2.50	98
£5.00 to £9.99	£7.50	367
£10.00 to £14.99	£12.50	144
£15.00 to £19.99	£17.50	47
£20.00 to £29.99	£25.00	46
£30.00 to £39.99	£35.00	26
£40.00 to £49.99	£45.00	25
£50.00 to £99.99	£75.00	45
£100.00 to £199.99	£150.00	13
£200.00 or more	£250.00	5
Weighted average monthly price		**£18.88**

308. The fourth data set we consider are the responses to the Attest market survey. Performing a similar exercise as above across the eight price bands in that survey suggests the average total spending on subscriptions is £9.88, which could equate to less than £4 per subscription. This survey asks consumers to estimate their expenditure on all subscriptions at once, which is likely to lead to undercounting, as mentioned above.[101] For these reasons we discount these results and proceed with three estimates of the monthly cost of a subscription:

- £11.89 is the lower bound,
- £14.19 is the central estimate, and

[101] West Monroe, see section Rationale for intervention

- £18.88 is the upper bound.

309. The fact that different surveys using different approaches to measure the price of subscriptions come to (somewhat) similar conclusions increases confidence on the evidence's robustness. Also, the information collected is relatively simple and approximate (price bands), which reduces the likelihood of measurement error in surveys. While it would be technically possible to add further uncertainty to either end of the range, we consider it to not add much to the conclusions beyond further widening the range of potential outcomes.

16.4 Share of subscriptions which are unwanted

310. Respondents to the FSI, Opinium survey and the Money and Mental Health (MMH) surveys were asked if they were spending money on subscriptions they would rather cancel. The surveys used the same sector-based survey design as FSI, discussed above, though the sectors differed. While FSI presented 18 sectors for respondents to select from, Opinium presented 12 and MMH presented only 8. This would have a distorting effect in estimating the absolute number of unwanted subscriptions, but we mitigate this by taking the share of total subscriptions reported in each survey that respondents said were unwanted.

311. Respondents to FSI could select from five options about perceived value for money of their subscriptions in each category. Assuming respondents have only one subscription in each indicated category, FSI respondents reported they had a total of 6,028 subscriptions between them, of which 264 were rated 'No [I am not getting value for money], I should cancel'.[102] This is roughly 4% of subscriptions reported in the survey.

312. Respondents to the Opinium survey were asked whether they felt they were getting good or poor value for money for each subscription and were then given the option to select the likelihood of a small price rise on them cancelling their subscription. Opinium survey responses referred to the latest subscription held in each category or 3,328 subscriptions between them, of which 264 were rated as "Poor/very poor value for money". This represents 8% of subscriptions covered in the question. When asked about the effect a small price change would have on the likelihood of cancelling their subscription, 135 were rated as 'I would like to cancel this subscription anyway'. This represents about 4% of subscriptions reported in the survey. Those respondents were later asked the reason for not having cancelled their subscription yet. Respondents having not cancelled because other people in their household are using it or don't want to cancel it or the respondent is planning to use it until the next renewal date are not considered as having an unwanted subscription. This leaves 69 unwanted subscriptions and represents 2% of subscriptions in the survey. In the later questions respondents were asked to think about the latest subscription in each sector. This may mean the number of unwanted subscriptions is an underestimate of the actual number of unwanted subscriptions when consumers cited having multiple subscriptions in each category.

313. Respondents to MMH were asked if they wanted to continue or cancel their subscriptions in each category, and, if they wanted to cancel, for how long they had wanted to do so. Again, assuming only one subscription per category in the survey, respondents indicated they held 1,355 subscriptions. Of these, 135, or 10%, were unwanted subscriptions.

314. In general, respondents to MMH report far fewer subscriptions per person (around 0.7, as opposed to 2.9 in FSI and the Opinium survey), this could be affected by the survey design allowing for only one response per category where MMH had fewer categories. Also, MMH was in the field in 2016, so an expanding subscription market since then may also contribute

[102] FSI, 2019. The five possible responses were: 'Yes, definitely', 'Yes, but I should use it more', 'I'm not sure', 'No, I should use it more', 'No, I should cancel'.

to the change. However, by taking only the share of reported subscriptions that were unwanted, we hope to mitigate this factor in our analysis.

315. We take the mean of these results for our central estimate implying **5% of current subscriptions are unwanted by the customer**.

16.5 Impact on businesses

316. The Regulatory Policy Committee guidance specifies that impacts on businesses should be expressed in terms of lost profits rather than lost revenue.[103] This requires an assumption on how much production cost varies with output (here, in this case: the number of consumers receiving subscriptions). For this impact assessment, we distinguish two broad cases, based on their differing cost structures – businesses with no/negligible marginal costs and those with high marginal costs.[104]

317. We assume in our analysis that all businesses selling digital and gym subscriptions face negligible marginal costs because serving a small number of fewer customers does not incur lower cost (and vice versa). Thus, consumers cancelling an unwanted digital/gym subscription will result in an impact on businesses' profits equal to the lost revenue. Based on the surveys of consumer subscriptions used throughout this assessment, we estimate that half of unwanted spending is caused by unwanted digital or gym subscriptions.

318. In contrast, we assume that the other half of unwanted spending involves subscriptions with positive marginal cost (typically the delivery of physical goods). Thus, a consumer ending an unwanted subscription of a deliverable good will lead to a loss of profit lower than the lost revenue (assuming that the affected business will adjust its variable cost accordingly). Using data compiled from financial data services, we estimate that the average consumer-facing business receives an 8% profit margin on their sales[105.] Therefore, 8% of the remaining 50% of reduced unwanted spending will be a direct impact on businesses' profits. The rest is regarded as out of scope for the EANDCB.

319. All costs to business – direct or indirect, revenue or profit impact – are accounted for in the Net Present Social Value (NPSV) to reflect that, irrespective of classification, these impacts are a transfer from businesses to consumers from an economy-wide perspective.

16.6 Existing voluntary action from businesses (quoted directly from the trader's website):

- "*Please reach out to our customer care team to see if they can help, and if not they will be able to arrange a refund of your first payment that you made, providing the box has not been processed (which will happen at 12 noon, 3 days before your delivery date)*." Gousto, 900 employees.

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[103] https://www.gov.uk/government/publications/rpc-case-histories-other-bit-methodology-issues-march-2019

[104] For the purpose of this assessment we treat variable costs and marginal costs as the same. While the two concepts can yield different results for large changes of output, we consider the changes caused by the proposed regulation to be small enough for the marginal cost concept to apply.

[105] Damodaran, A. – New York University – Stern School of Business (2022): US Profit margins by Sector 2022 (https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/margin.html). This data set compiles data from many sources, including Morningstar, Capital IQ and Compustat.

Unfortunately, no systematic profit margins data exists for the UK, so we assumed that margins in the UK are similar to US businesses. The only related UK statistic is ONS data on profitability in terms of returns to capital. However, we hold no information on subscription businesses' capitalisation so did not deem such data usable here.

- "*Refund policy: Within 48 hours: You may be able to get a refund depending on the details of the purchase. After 48 hours: Contact the developer to troubleshoot and find out if you can get a refund. Developers have their own policies and legal requirements and may be able to give you a refund.*" Google, more than 100,000 employees.
- "*If your use of the Site or any Subscription is terminated by The Economist Group, you will be entitled to receive a refund of any credits or pre-payments which remain unused at the time of termination unless such use is terminated because you are in breach of these Terms (which will be determined solely by The Economist Group). You will continue to be responsible for any fees or other charges you have incurred prior to such termination*." The Economist, More than 1,000 employees.
- "*Paid members who haven't placed an order using the benefits of Amazon Prime are eligible for a full refund. Paying members who have only used Amazon Prime delivery benefits may be eligible for a partial refund. If the other benefits (Prime Video, Prime Music, or Prime Gaming) have been used, members aren't eligible for a refund*" Amazon, 30,000 employees.

16.7 Assumptions log

320. A series of assumptions have been made to enable the quantification of the expected implementation costs to businesses of the proposed subscription reforms. Government appreciates that costs are most likely not uniform across business size, and thus the implementation costs will vary across individual businesses. The analysis therefore uses ranges for any implementation costs to highlight this uncertainty. Despite this uncertainty, government is confident that this assessment has been conducted with the best available evidence following assumption testing conducted during the consultation period. The responses stated that the consultation-stage assumptions made on the costs were too low. In the interest of strengthening these cost assumptions, the government conducted additional research with businesses selling subscriptions to further understand the scale of costs the subscription traps reforms may impose on businesses. The government t then used this evidence to re-estimate the costs to businesses selling subscriptions and found estimates which were broadly in line with the costs estimated at consultation-stage.

321. Overall, the feedback during the consultation-stage and the outputs from the research showed there to be a low likelihood of unintended consequences arising from the preferred package of measures. Table 28: Assumptions log details the key assumptions made in the Impact Assessment, the associated evidence source, quality and impact ratings.

Table 28: Assumptions log

Assumption	Quality	Impact	Source
Size of the problem			
In the survey responses, we assume that the subscription a respondent is referring to in each specific type is representative of the other subscriptions	Medium	High	DBT expert assumption. This assumption is consistent with research by the department and partner organisations, for instance the 2022 Consumer Protection Study.

of that type which they may hold. This assumption means that, for example, a subscription to 'The Economist' is representative of all newspaper and magazine subscriptions on average if it happened to be the latest product a consumer signed up to.			
No seasonality to the number of unwanted subscriptions held by consumers throughout the year	Medium	High	DBT expert assumption. There is no evidence that suggests the number of unwanted subscriptions varies across the year.
Consumer surveys asked about the price of subscriptions via price bands. To turn prices into central estimates, the analysis assumes that within each price band subscriptions are roughly evenly distributed. That is, the average of the price band points is close to the average cost of subscriptions in that band.	Medium	Medium	DBT expert assumption. This assumption is consistent with research by the department and partner organisations.
Where surveys only give a price band option of "£200 or more per month" we assume the average monthly price is £250	Medium	Low	DBT expert assumption. Section 16.3 tests moderate variations of this assumption and finds only small impacts on the total level of unwanted subscriptions spending.
No differences in average costs between unwanted	Medium	High	DBT expert assumption. We have no evidence to assume that there is a difference between

subscriptions resulting from trial period rollovers and from unwanted subscriptions for which the customer was paying full price			subscriptions that started as a free trial and those that started at full price.
Impact			
Where the available evidence is incomplete, we assume that consumers will not change their behaviour	Low	High	DBT expert assumption based on evidence on reasons for not cancelling (size of the problem) and the effectiveness of proposals (switching trials, exit barriers encountered).
All businesses selling digital and gym subscriptions face negligible marginal costs because serving a small number of fewer customers does not incur lower cost	Medium	High	The Brilliance of Netflix's Business Model https://medium.com/impact-economics/the-brillance-of-netflixs-business-model-ab432a27dd96 If this assumption does not hold, costs to businesses will be lower because they will be better able to reduce costs and absorb revenue loss than anticipated.
On their own, reminders cause 8% of consumers who wanted to cancel a subscription but forgot, to cancel it.	Medium	Medium	Ofgem Collective Switch trials, 2019. Three sets of communications led to a 24-percentage point increase in the rate of switching. We assume that one reminder communication would have a third of the impact, such that 8% of people who receive it will successfully cancel their unwanted subscription.
Mandated easier exiting options will allow between 17% and 75% of subscriptions to be cancelled where people tried but found them too difficult to cancel.	Medium	Medium	As per section 9.3, this is derived from consumers surveys about barriers encountered when attempting to cancel. The range reflects the uncertainty of associated assumptions.
Consumers that have an unwanted subscription that is the direct result of a trial period pay on a monthly basis	Low	Medium	DBT expert assumption based on a simplified scenario of the cooling-off proposal and the share of monthly rolling contracts

Consumers that have an unwanted subscription that is the direct result of a contract auto-renewing onto a new commitment period have paid for 12 months	Low	Medium	DBT expert assumption based on a simplified scenario of the cooling-off proposal
48% of consumers that reported paying for an unwanted subscription for a month or less after being rolled over from a free trial will cancel their subscription within 14 days	Medium	Medium	DBT expert assumption based on a simplified scenario of the cooling-off proposal
The share of unwanted subscriptions that are the direct result of a contract auto-renewing onto a new commitment period and that the consumer has paid for a month or less before cancelling mirrors the share that pay for a month or less after being rolled over from a free trial	Medium	Medium	DBT expert assumption based on a simplified scenario of the cooling-off proposal
Share of unwanted auto-renewing contracts over a year mirror the share of auto-renewing contracts that are over a year (52%)	Medium	Medium	DBT expert assumption based on a simplified scenario of the cooling-off proposal
Assume no behavioural change from cooling-off	Medium	Medium	DBT expert assumption based on a simplified scenario of the cooling-off proposal
Assume all product types qualify for a full refund	Medium	Medium	DBT expert assumption based on a simplified scenario of the cooling-off proposal

No impact from large businesses as they already offer a similar policy to the cooling-off proposal and assume that no smaller businesses do	Medium	Medium	DBT expert assumption based on desk-based research of the terms and conditions of some of the most popular subscriptions.
One-off implementation cost			
Where evidence on compliance is available, that proportion of businesses will not have to implement the changes (and therefore will not incur implementation costs)	Medium	Medium	Assumption based on business research
Upper bound estimate that 20% of businesses are already compliant with information sharing, reminders, and easy exiting proposals.	Medium	Medium	YouGov qualitative business survey. For each proposal, around half of businesses regarded themselves as already compliant. However, given the limited sample size (25 interviews) and the fact that the exact requirements were still being defined, we felt that a lower share more realistically reflected actual compliance.
Managers', directors' and senior officials' wages of £24.75 hour	High	Medium	ONS Annual Survey of Hours and Earnings + 17% non-wage labour cost uplift
Customer service wages of £12.47 hour	High	Medium	ONS Annual Survey of Hours and Earnings + 17% non-wage labour cost uplift
IT professional wages of £19.23 an hour	High	Medium	ONS Annual Survey of Hours and Earnings + 17% wage uplift
Non-wage labour cost uplift of 17%	High	Low	ONS The Index of Labour Costs per Hour (ILCH). Table 8. Sector costs SA, 2011 – 2020 private sector average.

4 hours for an employee to familiarise themselves with the proposal	Low	Medium	DBT expert assumption based on an average person's reading speed for technical material and the requirement to read and understand a few dozen pages of regulation
Number of staff that need to familiarise themselves - Micro: 1 Management - Small: 2 management - Medium: 2 management and 10 customer service Large businesses: 4 management and 20 customer service	Low	Medium	DBT expert assumptions based on only some of a business' staff needing to be aware of the changes, i.e. those dealing directly with customers (to advise of cancellation rights) and responsible senior managers to oversee implementation and compliance.
8 hours to make changes to website and prepare additional communications i.e. IT time.	Low	Medium	DBT expert assumptions based on the changes being minor e.g. updating the pages dealing with upfront information and the exiting process. Crucially, this was not meant to cover the cost to integrate an automated cancellation functionality on the website. That addition was covered separately under the webform cost and applied to the easy exiting proposal only.
IT costs uncorrelated with size of business	Low	Medium	Consultation found that costs needed to reflect variation in size of business However, research with businesses suggested that costs vary more according to how long businesses have been selling subscriptions for and their importance in their business model, rather than with size.
Webform costs $500 * 0.78(USD to GBP conversion) = £391.6	Medium	Medium	eCommerce Website Pricing, Outbox 202 (https://www.outerboxdesign.com/web-design-articles/ecommerce_website_pricing) Due to limited scale of expected requirements at consultation, we considered the low estimate appropriate for businesses of all sizes. Similar to IT costs generally, the consultation

			feedback could apply here that costs may be higher for larger businesses. Subsequent business interview research produced alternative estimates to mitigate the impact of this assumption.
No cost difference between updating terms and conditions and developing a new version of terms and conditions	Low	Low	Simplifying assumption based on evidence from a BIS Study on consumer rights and business practices[106].
Businesses who update their Ts &Cs at least once every 6 months would not face any additional costs to update them because they would have enough lead time between regular updates to reflect changes.	High	Low	No. of businesses updating terms and conditions every 6 months are from IFF Research (2013) 'Consumer Rights and Business Practices' report combined with DBT expert assumption. Further assumption on implications based on DBT expert discussions and previous IAs e.g. BIS CCP004.
50% of businesses who update Ts &Cs every 7 to 12 months would need to bring the planned updates forward	Medium	Low	No. of businesses updating Ts & Cs every 6 months are from IFF Research (2013) 'Consumer Rights and Business Practices' The 50% assumption is equivalent to assuming that the dates within the year that businesses regularly update their Ts & Cs are evenly distributed over a calendar year. This means that for any given commencement date (e.g. 1 January), half of businesses would have already had a chance to reflect changes in their Ts & Cs in the preceding months (i.e. those with regular review dates between 1 July and 31 December in the above example).
75% of businesses who update their Ts &Cs every 1 to 2 years would need to bring the planned updates forward	Medium	Low	No. of businesses updating terms and conditions every 6 months are from IFF Research (2013) 'Consumer Rights and Business Practices' The 25% assumption is equivalent to assuming that the dates that businesses regularly update their Ts & Cs are evenly

[106] IFF Research Consumer Rights and Business Practices

			distributed over and across two calendar years.
All businesses updating their Ts & Cs less often than every 2 years would need to make revisions outside of any planned update	Medium	Low	No. of businesses updating terms and conditions every 6 months are from IFF Research (2013) 'Consumer Rights and Business Practices'
The types and magnitude of the costs to implement the cooling-off period proposal will be similar to those to implement the other proposals	Medium	Medium	DBT expert assumptions based on the types of costs required to extend the cancellation period for the cooling-off rights in the Consumer Contracts Regulations.
Most large businesses will not need to make any additional changes as they already offer similar policies	Medium	Medium	DBT expert assumption based on desk-based research of the terms and conditions of some of the most popular subscriptions.
SaMBA			
The distribution by size of businesses that sell subscriptions is the same as the size distribution of all businesses	Low	Low	DBT expert assumption given lack of more granular information on the profile of micro businesses.
The level of unwanted spending by consumers is proportionate to the businesses' turnover.	Low	Low	No alternative information as it would require linking consumer and business surveys, which would be extremely difficult.

16.8 Equalities assessment

Table 29: Implied number of subscriptions per adult obtained through Opinium consumer omnibus

Group	Weighted sample size	Subscriptions per subscriber	Subscriptions per adult
Men	977	3.9	2.9
Women	1,021	4.1	2.9

Ages 18–30	374	4.6	4.0
Ages 31–50	709	4.3	3.5
Ages 51+	918	3.3	2.0

Table 30: Responses to Opinium question, you said you wanted to cancel this subscription. Which comes closest to describing why you haven't cancelled the subscription yet?

Group	Weighted sample size	Share of subscriptions that are unwanted	Unwanted spending allocated to barriers to exiting		
			Forget	Inertia	Difficulties exiting
Men	74	2%	43%	39%	18%
Women	63	2%	24%	48%	28%
Ages 18–30	374	3%	25%	42%	33%
Ages 31–50	709	3%	43%	36%	21%
Ages 51+	918	1%	37%	55%	7%

322. Citizens Advice conducted an online survey of around 500 people who had been affected by so-called subscription traps[107], where consumers are tricked by unscrupulous businesses into registering for costly subscriptions. While the survey was self-selected, 71% of respondents were women, and 55% of the responded were over the age of 55 (compared to 40% in the general population), suggesting subscriptions traps are primarily affecting older women.

323. YouGov survey[108] disaggregates responses by age and gender, as presented in Table 31. These results suggest men spend slightly more on unwanted subscriptions than women do, and those under the age of 25 spend considerably less per subscription than those over 25. While sample sizes are small, the survey did not find large differences in the number of unwanted subscriptions respondents had during the last 12 months. Similarly, there were no large differences in the length of time respondents paid for subscriptions before cancelling. This survey is limited in that it only asks about unwanted subscriptions respondents joined through a free trial, which may not be representative of all subscriptions.

Table 31: Responses to YouGov question, Approximately what was the monthly cost of the last unwanted subscription you cancelled?

Group	Weighted sample size	Average monthly price
Men	451	£19.71
Women	487	£17.56
Ages 18–24	102	£11.72
Ages 25–34	164	£20.92
Ages 35–44	189	£19.64
Ages 45–54	196	£20.90
Ages 55+	287	£19.45

[107] Citizens Advice, *Locked in: Consumer issues with subscription traps*, 2016.

[108] YouGov Unwanted subscriptions 2019

324. Differential participation in subscriptions markets by gender is supported by Barclaycard research suggesting men spend on average £680 per year across all their subscriptions (including wanted and unwanted subscriptions), while women spent £420 per year, on average. Evidence on differential baseline unwanted spending by age is more mixed. In addition to the varying prices implied by the YouGov survey, responses to the Money and Mental Health (MMH) survey suggest young consumers are more likely to have unwanted subscriptions, and are likelier to delay longer before cancelling, see Table 32. Moreover people at younger ages are likely to have lower incomes, meaning lower-priced subscriptions are not necessarily more affordable.

Table 32: Summary of MMH responses. Number of unwanted subscriptions per respondent and share of subscriptions unwanted for over 4 months.

Group	Weighted sample size	Average number of unwanted subscriptions per person	Share of unwanted subscriptions older than 4 months
Ages 18–24	130	0.15	15%
Ages 25–34	178	0.12	26%
Ages 35–44	151	0.11	20%
Ages 45–54	145	0.08	14%
Ages 55–64	96	0.07	13%
Ages 65+	123	<0.01	11%