

Policy Group – 3C20
Office of Fair Trading
Fleetbank House
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Our ref: PD20010/576

Dear Colleagues

Re: Consumer Law and Business Practice: Drivers of compliance and non-compliance

We welcome the opportunity to respond to this report as working with businesses to raise their understanding of consumer law and improving the customer service culture of Northern Ireland is a key priority for the Consumer Council.

Please find as follows comments on the OFT's report into drivers of compliance and non-compliance:

Businesses uncertainty about consumer law

The OFT report largely reflects the picture we found in Northern Ireland. Our Consumer Knowledge Business Report¹ showed that many businesses were confused and uncertain about consumers' rights in everyday situations. One in three of the businesses surveyed were unclear about their legal position concerning returns, repairs and refunds and 35 per cent were of the incorrect opinion that it is the manufacturer's, rather than the retailer's, responsibility to respond to a problem regarding faulty goods. Around half (51 per cent) also believed they had the right to display a 'no refunds' sign.

Lack of training

This is not inconsistent with the fact that only around one in three of all businesses we surveyed provided specific training for their staff in consumer law, complaints handling and customer care. As reflected in the OFT report, larger businesses were more likely to provide such training, but even then, around two in five did not.

¹ Consumer Knowledge Business Report, Consumer Council 2004

Where training was provided, this tended to be very general with little specific focus on consumers law. Also lacking was training in relation to the provision of high standards in complaints handling, customer care and meeting the needs of vulnerable consumers.

Consumers growing in confidence

Although our research into business' understanding of consumer law has not been updated recently, we have seen little to suggest a substantive change to levels of awareness. However, set against this context, our consumer proficiency research² has shown significant improvements in consumers' awareness of their rights (up 54 per cent) and in their confidence to express these rights (up 97 per cent). Disappointingly however, we also saw a fall in the number of consumers who were satisfied with the way their complaint was handled (59 per cent in 2007 compared with 66 per cent in 2003).

Further research would be needed to establish why consumers were dissatisfied, it may for example be due to unrealistic expectations they had about how their complaint should be resolved, but clearly, customer dissatisfaction is damaging towards businesses and steps can be taken to mitigate against this potential risk to reputation.

We feel that if businesses are equipped to deal confidently with issues such as returned goods, by having a sound understanding of consumer law, coupled with a commitment to providing top quality customer care, this benefits business, consumers and the economy as a whole.

Boosting customer loyalty

Given the current economic climate, we would expect businesses to be particularly receptive to anything that will help differentiate them from their competitors and boost customer loyalty. Raising your businesses awareness of consumer law and, in doing so, improving your ability to deal with everyday customer situations can and should be a relatively low-cost exercise.

It is relevant to note that Ipsos MORI research conducted recently in Northern Ireland³ revealed that customer service (at 76 per cent) is the most frequently cited criterion used to judge organisations, as it was in 2009. Honesty and integrity (at 74 per cent) occupies second place and, despite financial pressures, competitive prices only ranks third (65 per cent).

Action taken by the Consumer Council

Recognising that informed and demanding consumers need to be met by equally informed and confident businesses, the Consumer Council developed

² Well, what do consumers know now? A Consumer Council Progress Report on Consumer Proficiency 2003 – 2007, published March 2008

³ Business in the Community/Ipsos MORI (2010) Corporate Image and Corporate Responsibility in Northern Ireland

a Consumer Law and Customer Care seminar, under the banner 'Consumers Mean Business', which we deliver in partnership with colleagues from Trading Standards Service and Consumerline.

The one-day seminars include presentations regarding the importance of knowing about consumer rights and key pieces of consumer legislation i.e. Sale of Goods Act 1979, Supply of Goods and Services Act 1982; Consumer Protection (Distance Selling) Regulations 2000; Consumer Protection from Unfair Trading Regulations 2008 (CPRs).

We use scenario exercises and quizzes throughout the day to test knowledge and to give employees something meaningful to look back on as a point of reference in the future.

In addition, the seminars also highlight key principles for the delivery of best practice in customer care which use the seven consumer principles (or tests) i.e. information; access; redress; representation; fairness; choice and safety.

Sources of expert help

The Consumer Knowledge Business Report highlighted another issue found also in the OFT report, which is that many businesses are either unaware of, or under-utilise sources of expert help. Consequently, just over half (53 per cent) of all businesses surveyed did not automatically refer consumers to the appropriate body as a means of potentially dealing with unresolved complaints and disputes.

An added benefit of the 'Consumer Mean Business' seminars is that by involving TSS and Consumerline, this addresses perceptions of bias and makes clear that they are there to support business as well as consumers and to work proactively. Feedback from participating businesses has been extremely positive, with many reporting they feel more supported and would not hesitate to use the Consumerline website and telephone helpline, or approach TSS as a source of help.

We are fortunate that to date our colleagues from TSS/Consumerline assign staff to help us deliver these seminars, despite not having their full quota of staff.

Resourcing will inevitably impact on the facilitation of positive relationships between businesses and TSS elsewhere in the UK.

Problems faced by SMEs

As OFT have recognised in this report, larger businesses in general find it easier to allocate specific staff to be informed about consumer law and, in our experience, are better placed to release staff to attend training.

In light of this, the Consumer Council has made commitment in our work programme to develop a training resource specifically targeted at SMEs. The

resource would use many of the materials developed for the Consumers Mean Business seminars, but would be presented in such a way as to facilitate distance learning.

Training inefficiencies amongst larger businesses

Whilst concurring that larger businesses, in general, have a better understanding of consumer law and allocate more resources towards ensuring compliance and effective complaint-handling, we have noticed that even large retailers (e.g. Debenhams, Marks and Spencer, IKEA) have come to the Consumer Council requesting the Consumers Mean Business Seminars. This is because their HR and Duty Managers do not feel sufficiently confident in their own understanding of the law to deliver training for staff.

For this reason, the SME training resource will also be developed as a tool for larger businesses, wanting to augment their training and use it as part of induction or refresher training.

Proliferation of online resources

We would echo the findings from the OFT report that there is an abundance of potentially confusing online information regarding consumer law. Any progress made in providing and promoting one widely recognised, user-friendly and trustworthy source of information would, we believe, advance businesses ability and willingness to become better informed about their obligations under consumer law.

We hope that this feedback is helpful in providing insight as to the situation here in Northern Ireland and what the Consumer Council is doing to try to improve businesses awareness of and compliance with consumer law.

Yours faithfully



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