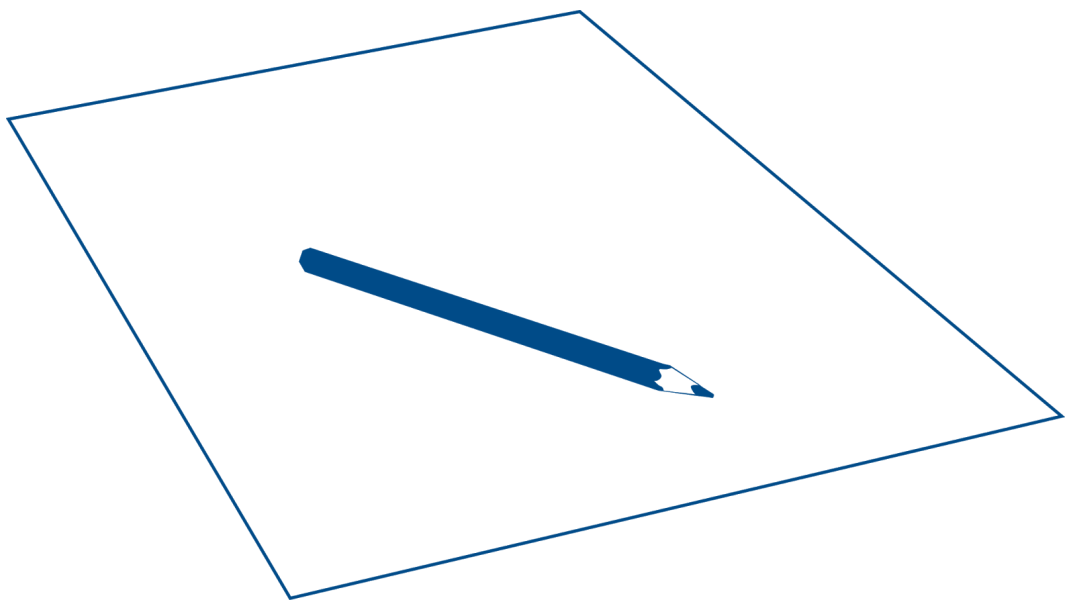


# Consumer advocacy: what we did in 2016/17

Citizens Advice annual report of  
consumer activities in 2016/17



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# Foreword

When consumer markets falter, some of the costs are obvious. People pay too much for essential services, they suffer poor customer service, and they waste precious time chasing down refunds. These frustrations are all too familiar.

But misfiring markets have hidden costs too. Rip-offs and scams don't just hit consumers, they also undercut reputable businesses, hindering promising start-ups, stymying innovation and, ultimately, harming productivity growth. These costs are less visible but their eventual impact is, if anything, bigger. They distort how our economy works, making us all poorer over time.

That's why it's good for everyone when consumers have someone to fight their corner: to balance well-funded pressure from industry with an expert consumer view, to call out and publicise poor customer service, and to highlight and share good practice on issues like the treatment of vulnerable customers.

This report describes Citizens Advice's work to this end in 2016-17, covering the role we play in energy and postal markets in England and Wales. It shows the growing case for a more integrated approach to consumer advocacy, in the third year since the government began a push for a more joined up approach.

This was a year in which our cross-sector work, sharing lessons across markets and identifying thematic problems, came into its own. We published landmark reports to count the cost of consumer detriment—a staggering £23 billion a year—and to apply behavioural economics to regulatory policy. The latter triggered a growing debate about the loyalty penalty and the exploitation of consumer inertia. And we published agenda-setting work on alternative dispute resolution, price comparison websites, and unfair debt-collection practices.

Citizens Advice also played a wider role advocating on consumer issues, helping to secure a ban on letting agent fees and crackdowns on subscription traps and misleading terms and conditions. While this work was funded separately, it benefited immensely from sitting alongside the expertise of our statutory role.

This year also saw real success in the way we leverage the Citizens Advice brand, increasing the pound for pound impact of our consumer work. When we spoke up for consumers, people listened. This helped us play a pivotal role in the national debate about energy prices, standing up for vulnerable people, and questioning certain claims from industry. The result was a price cap for people with prepayment meters and a promise of wider action to cut bills. This will save consumers at least £300 million a year and possibly far more.

It has also been pleasing to see how Citizens Advice's presence in communities, and the data this generates, roots our advocacy in real world experience. During the year, for example, we worked in communities to assess over a thousand changes to Post Offices. Where a Post Office moved, we secured changes to the plans in 88% of cases, improving access and services for disabled, elderly, and vulnerable people. This quiet work made a difference to thousands of lives.

Alongside this work, I'm pleased that our technical expertise has not been diluted; we are now even more effective at representing consumers on complex questions of policy. Our work on consumer rights in the B2C parcels market, for example, revealed risks in a market growing at 19% a year. And our analysis of embedded benefits in electricity markets shaped decisions that will ultimately save consumers £7.7bn, complementing our wider work on price settlements.

Together, this means one thing: three years on we are having more impact for consumers. Our work is more joined up and, by leveraging the strengths of Citizens Advice, each pound we spend goes further. The early steps toward a more integrated approach to consumer advocacy are working.

This all matters because the direct and indirect costs of broken markets themselves matter more than ever. In uncertain times, it's vital that consumers feel confident and secure when they spend their money. And, with household incomes stretched so thin, it's vital that this spending goes as far as possible. We look forward to working with consumers, government, regulators, and other organisations, to build on our important work in the coming year.



James Plunkett  
**Director of Policy & Advocacy**  
Citizens Advice

# Introduction

This report sets out the work Citizens Advice carried out in the energy and postal markets in England and Wales in 2016/17, as well as our work advocating for consumers on issues spanning more than one market. The report is divided into three chapters, covering our work on energy, post, and cross-sector issues. Each chapter reports against the priorities set out in the work plan published at the start of 2016/17.<sup>1</sup>

The UK has a well-established landscape for independent consumer advocacy. Most of the UK's major regulated markets have a consumer advocate enshrined in statute, funded from a small levy on industry, with a remit to represent consumer interests. This regime is important to well-functioning markets because it helps ensure the interests of consumers are balanced with the interests of producers. Consumer advocates complement other parts of the consumer policy landscape, such as enforcement bodies, ombudsmen, government policymakers and regulators. And they counterbalance pressure from industry, making sure the voice of consumers is heard.

To achieve this, we use a range of tactics:

- **Public pressure to represent consumers' interests:** For example, the high costs of standard variable energy tariffs was a major political issue in 2016/17, and our work helped to inform this debate, particularly on behalf of vulnerable consumers. In post, our research on consumer problems with parcel deliveries generated 65 news pieces, raising awareness of consumer rights and putting pressure on industry to take action.
- **In-depth work behind the scenes to inform complex negotiations:** Our involvement in the debate between energy generators over 'embedded benefits' resulted in a decision that Ofgem estimates could save consumers up to £7.7 billion over the next 18 years. In our work on post, we worked closely with the European Commission to inform the proposed cross-border parcels regulation. In addition, our complaint to

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<sup>1</sup>Citizens Advice (2016) [Citizens Advice Consumer Champion](#)

the Advertising Standards Authority led to action against pay-per-bid companies.

- **Soft pressure to drive up standards across the industry:** Our energy league table ranks energy firms on their customer service performance, challenging those at the bottom to improve. Meanwhile, we use our cross-sector expertise to identify good practice in one market and apply it in others. Our work to improve debt collection practices across government departments and the telecoms sector is one example.

To be successful, advocacy must be as effective and efficient as possible. It must also keep up with a fast-changing world. As different products and services rise or fall in importance to consumers, it is important that consumer advocacy keeps up.

The regime as it stands today is the product of a welcome, yet incomplete agenda of consolidating consumer advocacy into a single, more powerful and efficient institution. This journey started with the 2007 Consumers, Estate Agents and Redress Act and was built on after the 2010 Spending Review, when Consumer Future's role in energy and postal markets was moved to Citizens Advice in April 2014.<sup>2</sup>

This report represents the third year of a more integrated consumer landscape and reflects the growing benefits of this partial integration. Much of our advocacy is now rooted in data from local Citizens Advice and the Consumer Service, while our trusted brand boosts reach and impact. The government has a further opportunity in the forthcoming consumer green paper to build on this progress with a strong cross-sector consumer advocate.

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<sup>2</sup> Consumer Focus, the brand under which the NCC operated, had by now been renamed Consumer Futures.

# Chapter 1: Energy



## Our work

Citizens Advice helps hundreds of thousands of people each year with energy problems, giving us an unparalleled understanding of how the market can fail consumers. As the consumer advocate we use this insight, combined with deep technical understanding and externally commissioned research, to improve consumer outcomes in Britain's complex energy market.

As the consumer voice in energy policy, regulation and implementation, we work closely with colleagues in Ofgem, the Competition and Markets Authority (CMA) and government to develop policy ideas that bring improvements right across the energy market, from infrastructure to retail. We scrutinise the energy industry to ensure every pound of consumer money is well spent and hold energy suppliers to account by publishing league tables which rank firms on their customer service performance.

The CMA investigation of the energy sector dominated the year in energy. The investigation led to the implementation of policies we supported, including a price cap for prepayment meter users and a whole of market price comparison website delivered by Citizens Advice. The investigation has also paved the way for the potential introduction of a wider cap on standard variable tariffs. We have played a central role in shaping the form that this cap should take.

Against the backdrop of the CMA investigation, Citizens Advice has continued to promote reform of the energy sector, working with companies to improve their customer service, working with regulators to improve the value to consumers from network and policy charges, and working with the public to improve their understanding of the energy market.

At the start of the year, our work plan identified 5 priorities and 3 research themes.<sup>3</sup> Our priorities were: improving customer service in the retail market, representing consumers in regulatory negotiations, monitoring the smart meter rollout, helping consumers make informed choices, and reducing the number of cold homes. In some cases, Citizens Advice and Citizens Advice Scotland worked together to advocate for consumers across Great Britain. Citizens Advice Scotland will publish a separate annual report describing their work.

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<sup>3</sup> Citizens Advice (2016) [Citizens Advice Consumer Champion](#)



## The key priorities and their outcomes

### Priority 1: Pushing for improved customer service in the energy retail market

Poor customer service and high prices continue to afflict the UK retail energy market. We made tackling these our top priority for the year. Our work on these topics shows the range of tactics we can use, pushing on at least 6 different fronts on behalf of consumers.

First, we used high-profile research to challenge industry on exploiting loyal and vulnerable consumers. We focused on how much energy companies charge consumers on standard variable tariffs. These tariffs mean that the most loyal customers pay hundreds of pounds more than for the most competitive deals.

In June 2016, the CMA investigation into the energy market found that failures in the market cost consumers up to £1.4 billion a year. In the face of significant industry lobbying, we highlighted the impact on vulnerable, low income groups and set out our proposed solution to suppliers, politicians and the media.<sup>4</sup> This became a key election issue and all major parties committed to some form of price intervention. We will continue to provide an independent voice on behalf of consumers to shape the form and implementation of any cap.

Earlier work had already drawn attention to the high price, poor choice and poor service experienced by households using prepayment meters.<sup>5</sup> This work led to the introduction of the safeguard tariff, expected to reduce prepayment meter customers' bills by £300 million per year.<sup>6</sup> We worked with Energy UK on revised prepayment meter principles, with 13 energy suppliers committing to a 10 point plan to improve the service and support for their prepayment customers.<sup>7</sup>

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<sup>4</sup> Business Energy and Industrial Strategy Committee (2017) [The CMA's investigation of the UK energy market - publications](#)

<sup>5</sup> Citizens Advice (2014) [Fair Play for Prepay](#)

<sup>6</sup> Competition and Markets Authority (2016) [The Energy Market Investigation \(Prepayment Charge Restriction\) Order 2016](#)

<sup>7</sup> Energy UK (2016) [Energy UK PPM Principles](#)

Second, we took on the issue of surprise back bills. Many consumers contact Citizens Advice after receiving a large catch up bill, caused by their supplier's failure to bill them accurately. We provided Ofgem with evidence from the Consumer Service and Extra Help Unit showing that voluntary processes were not working, with some suppliers continuing to bill for more than a year's arrears. This led to Ofgem launching a review into the regulatory framework around energy back billing. Ofgem is now minded to strengthen protections for consumers against back bills by bringing a voluntary industry code into the supply licence. This should ensure that all consumers receive the same protection, whoever their supplier. In the coming year we will use our evidence to push for the new rules to reflect changes to billing arising from the smart meter rollout, and to protect micro businesses as well as domestic consumers.

Third, we worked directly with suppliers to fix poor practices. There are now 58 domestic and 77 non-domestic energy suppliers in the GB market. With several new energy suppliers entering the market every month, the job of monitoring company performance has taken on greater significance. New entrants often need help understanding and meeting expected standards, while more established suppliers can also experience difficulties meeting their customers' needs, particularly more vulnerable households.

Meanwhile, the gap between suppliers' performance on complaints continues to grow. In the past year, we have seen both the worst and best performers on record. We therefore worked directly with suppliers to improve their performance, avoiding the need for more formal or punitive measures. For example:

- We made one supplier aware that many of their prepayment customers had no gas or electricity because they lacked funds to top up their meters. After pressure from our work and the Extra Help Unit, the supplier set up processes for issuing discretionary top ups and offering support to these customers.
- Another supplier confirmed that they would stop disconnecting domestic customers following our pressure.
- We worked with a business supplier to understand why they received so many contacts regarding their use of brokers. This encouraged them to work with better brokers to reduce the level of misselling.

- We worked with several suppliers to ensure they met their commitment to limit back billing to 12 months, and to improve how they communicated decisions to their customers.

Fourth, we raised customer service standards in key areas by sharing best practice with suppliers. We produced two good practice guides setting out how companies can identify and support vulnerable consumers. “Responding to prepayment customers who self-disconnect” led to a commitment from Energy UK members to improve their support for these customers.<sup>8</sup> It has also been used by individual suppliers to develop or update their policies on self-disconnection. “How energy suppliers can signpost and refer vulnerable consumers to the right source of help” led to a number of smaller suppliers implementing new referral processes with third sector partners.<sup>9</sup> Our engagement with industry also led domestic suppliers to form a new vulnerability forum, for sharing further good practice.

Fifth, when suppliers didn’t listen, we secured enforcement action from Ofgem. Cases involving Extra Energy, Economy Energy and Co-operative Energy, which indicated licence breaches, led us to refer the supplier to Ofgem’s enforcement team, or provide evidence to support existing investigations.

- Co-operative Energy paid £1.8 million to energy consumers in October 2016 after an investigation into its billing, call handling and complaints resolution performance, prompted by Consumer Service evidence.<sup>10</sup>
- An investigation was opened into Extra Energy’s billing and customer service processes in July 2016 after submissions from Citizens Advice and the Extra Help Unit. At time of writing this investigation is still open.<sup>11</sup>
- We submitted a significant amount of evidence at the opening of the investigation regarding Economy Energy’s sales practices in September 2016. This investigation is also still open.<sup>12</sup>

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<sup>8</sup> Citizens Advice (2016) [Responding to prepayment customers who self-disconnect](#). Energy UK (2016) [PPM Principles](#)

<sup>9</sup> Citizens Advice (2017) [How energy suppliers can signpost and refer vulnerable consumers to the right source of help](#)

<sup>10</sup> Ofgem (2016) [Co-operative Energy to pay £1.8 million for customer service failings](#)

<sup>11</sup> Ofgem (2016) [Ofgem opens investigation into Extra Energy's customer service and billing processes](#)

<sup>12</sup> Ofgem (2016) [Ofgem launches investigation into Economy Energy Trading Limited sales practices](#)

Sixth, we made better use of our data to achieve improvements in customer service across the industry. This has paid off in a number of ways:

- Data from the Consumer Service and external sources helped us to illustrate the cost to consumers of being on a standard variable tariff. This supported our case for stronger protection for these consumers after the CMA investigation.<sup>13</sup>
- We began producing a league table of non-domestic supplier complaints handling.<sup>14</sup> Poorer performers have already taken steps to improve their complaints handling procedures. This supplements our longstanding domestic supplier league table, which has been upgraded and integrated into the Citizens Advice price comparison web service (see also Priority 4).
- “Living Without Mains Gas” reported on consumer detriment in unregulated parts of the energy market, exploring the issues faced by consumers who use heating oil, LPG, district heating and solid fuel.<sup>15</sup> We followed this up by taking part in a steering group for a project led by the Joseph Rowntree Foundation and ChangeWorks on district heating.<sup>16</sup>
- We published a new regular report analysing Consumer Service cases related to district heating, renewable heating, microgeneration, insulation and heating controls. We shared this information with stakeholders to help them develop and enforce regulation in these areas. We also worked with the Renewable Energy Consumer Code and Ofgem's Feed-in-Tariff stakeholder panel to share information on our clients' experiences. Our advocacy has informed the development of the new Renewable Heat Incentive and the provision of third party finance for low-income consumers. Secondary legislation that needed to be passed to enact the new third-party finance rules was delayed due to parliament being suspended for the election. We will take this forward in the new parliament.

Due to external data publication delays, we will carry out our analysis of energy company performance information in relation to Quality of Service Guaranteed

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<sup>13</sup> Citizens Advice (2017) [Energy firms ripping off loyal pensioners and families on low incomes by £250m](#)

<sup>14</sup> Citizens Advice (2017) [How does your non-domestic supplier stack up?](#)

<sup>15</sup> Citizens Advice (2017) [Living without mains gas](#)

<sup>16</sup> ChangeWorks (2017) [Regulation, finance and monitoring critical to success of district heating schemes](#)

Standards of Service, and Supplier Guaranteed and Overall Standards of Performance requirements in 2017/18. The annual Advice in Detail: Energy report that analyses the energy issues Scottish consumers raise with the local Citizens Advice network, the Consumer Service and the Extra Help Unit will be published later in the summer.

### **Tripartite working**

This year we began regular tripartite meetings with colleagues from Ofgem and Ombudsman Services: Energy to share data and insights on issues affecting energy consumers. Together with Ofgem, we also hold regular meetings with suppliers to review and assess individual suppliers' social obligations reporting figures, which monitor the treatment of customers in debt. These meetings are used for sharing best practice and helping raise the standards of service provided by suppliers to their most vulnerable customers. In addition, evidence and insight from the Citizens Advice network was used in Ofgem's social obligations report.<sup>17</sup>

We participated in work led by Ofgem, following a strategic review of Ombudsman Services: Energy, to deliver improvements to their working practices and worked with both organisations to improve the experience of consumers seeking help and redress.<sup>18</sup>

## **Priority 2: Representing consumers in negotiations over regulation, policy and investment**

Decisions taken by the government and Ofgem about networks and generation determine how much consumers pay for energy. Our work in this area focuses on getting value for money from investments, as well as paving the way for new approaches as technology and markets develop. Through the year we worked with different policymakers to ensure consumers' needs were fully taken into account.

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<sup>17</sup> Ofgem (2016) [Domestic Suppliers' Social Obligations](#)

<sup>18</sup> Ofgem (2015) [Lucerna Partners: Review of Ombudsman Services: Energy for Ofgem](#)

The energy networks' RIIO price controls approached their mid-point, triggering partial reviews for electricity and gas transmission. We supported Ofgem's decision to return £185 million to energy consumers, but argued that more radical action on network costs was necessary.<sup>19</sup> We undertook further analysis of network costs to prepare the consumer case for a mid-period review of the electricity distribution price control.<sup>20</sup> We also reviewed energy networks' social obligation incentives.<sup>21</sup> This led to changes in Ofgem's guidance and better sharing of best practice across industry.

The CMA energy market investigation explored policy relating to energy infrastructure, as well as the retail market. Their final report endorsed Citizens Advice analysis of the value to consumers from allowing onshore wind and large scale solar power developments, and from subjecting all prospective generation projects to proper competition.<sup>22</sup> We continue to evaluate the proposed remedies and are working with Ofgem, BEIS and industry to ensure their effective implementation.

The rules of the energy industry are decided in a number of code panels. We analyse the consumer impacts of proposed rule changes and make sure these are taken into account. We represent consumers on the Uniform Network Code Panel, the Balancing and Settlement Code Panel, the Smart Energy Code Panel and the Connection and Use of System Code Panel. This year we provided impartial expertise on attempts to tackle embedded benefits, a complex issue of considerable consumer detriment. Ofgem's decision reflected the arguments we put forward at code panels and in consultation responses, and could reduce consumers' bills by as much as £7.7 billion.<sup>23</sup> Through our role on the Uniform Network Code Panel in the gas sector, we have worked on developing rules that enable price comparison website to access the industry database, as demanded by the CMA.<sup>24</sup> We are an effective "critical friend" of these and other remedies. We also work directly with energy networks to help improve their understanding

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<sup>19</sup> Citizens Advice (2016) [Consultation on the mid-period review of RIIO-T1](#)

<sup>20</sup> Citizens Advice (2017) [How to reduce energy bills by billions](#)

<sup>21</sup> Citizens Advice (2016) [Networks' good intentions](#)

<sup>22</sup> Competition and Markets Authority (2016) [Final Report - Energy market investigation](#) Chapter 6

<sup>23</sup> Ofgem (2017) [Impact Assessment and Decision on industry proposals \(CMP264 and CMP265\) to change electricity transmission charging arrangements for Embedded Generators](#) p. 84

<sup>24</sup> CMA (2016) [The Energy Market Investigation \(ECOES/DES\) Order 2016](#)

of customer needs. We participate in National Grid, Western Power Distribution and Northern Gas stakeholder groups.

We submitted evidence to the National Infrastructure Commission and the government to inform decisions over energy infrastructure, including scrutinising the contracts for difference and capacity market programmes.<sup>25</sup> Although there has been relatively little change in the contracts for difference programme this year, we continued to provide feedback on the way that costs for supporting renewable generation are split between domestic and industrial consumers.<sup>26</sup> We also provided evidence to the Hendry Review on the consumer impacts of subsidising tidal lagoons, and to the Energy and Climate Change Committee on renewable energy targets in heat and transport.<sup>27 28</sup>

Between the twin challenges of developing interconnections to other European markets and beginning to work on Brexit, work with the EU has grown in importance over the year. We have acted as the representative for all European consumer organisations at the ENTSO-E (European Network of Transmission System Operators for electricity) Advisory Council. This includes educating other European consumer bodies on energy codes, and representing consumer interests to European energy network owners and regulators. We defended consumer interests at the European Commission as it began developing a new market design. We also provided written and oral evidence to BEIS select committee investigations into the impact of Brexit on energy and climate change policy.<sup>29</sup>

As government power over some energy-related matters has been devolved, we share our role in these matters with Citizens Advice Scotland. We scrutinise devolved energy policy in Wales, while Citizens Advice Scotland takes on the equivalent role for Scotland. This year, we contributed to the Welsh Government's consultation events on the committee's recommendation to set up a nationally-owned energy supply company for Wales. We argued that there should be clear evidence of potential consumer benefit before the Welsh

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<sup>25</sup> Citizens Advice (2016) [Response to National Infrastructure Commission](#)

<sup>26</sup> Citizens Advice (2016) [Response to DECC consultation on exempting energy intensive industries from the costs of the Renewable Obligation and Feed-in Tariffs](#)

<sup>27</sup> Citizens Advice (2017) [Response to the Hendry Review of tidal lagoons](#)

<sup>28</sup> Energy and Climate Change Committee (2016) [2020 renewable heat and transport targets inquiry](#)

<sup>29</sup> Business Energy and Industrial Strategy Committee (2017) [Leaving the EU: negotiation priorities for energy and climate change policy inquiry](#)

Government entered the energy supply market, and that the proposal should be compared in value for money terms with other options for supporting consumers. Original research and evidence from local Citizens Advice in Wales helped influence the next stage of the Welsh Government's fuel poverty scheme.<sup>30</sup> An initial proposal to substantially change the eligibility criteria for the scheme was dropped after we argued that this change would exclude many households in the greatest need of support.<sup>31</sup> We also monitored the implementation of the Welsh government's energy efficiency strategy.

As energy markets change, new risks emerge for consumers. One of our roles is to research these risks to make sure regulations keep up. The growth of locally-generated solar power is one example. It raises big questions about how energy networks are paid for. Our report "Tackling Tariff Design" considered how this could affect rural and urban consumers and explored options for reform.<sup>32</sup> This shaped our response to Ofgem's Targeted Code Review on charging arrangements and we will do further work as Ofgem considers its options.<sup>33</sup> The growth of electric vehicles (EVs) also poses challenges. To respond to these issues, we participate in an industry working group on smart EV charging.<sup>34</sup>

The increasing volume of energy-related data has enabled structural changes to the market and many new business models. This year, we helped shape and support Ofgem's future retail regulation workstream and its move to a less prescriptive approach to regulation, by participating in working groups and industry challenge panels. We worked closely with Ofgem and drafted policy papers on how to deliver the best outcomes for consumers in vulnerable situations. This led to Ofgem drawing up principles that suppliers should enable consumers to make informed choices and have special regard for consumers in vulnerable situations.<sup>35</sup> We contributed to Ofgem and BEIS' call for evidence on the future of the smart, flexible energy system, particularly highlighting the need to limit consumer costs and provide adequate protection to early adopters of

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<sup>30</sup> Welsh Government (2017) [Consultation on a future demand-led fuel poverty scheme to succeed Welsh Government Warm Homes - Nest. Responses to Consultation](#)

<sup>31</sup> Welsh Government (2017) [Response to 'A future demand-led fuel poverty scheme to succeed Welsh Government Warm Homes - Nest' consultation](#)

<sup>32</sup> Citizens Advice (2016) [Tackling Tariff Design - managing the tariff transition](#)

<sup>33</sup> Citizens Advice (2017) [Response to Ofgem's Targeted Charging Review: a consultation](#)

<sup>34</sup> EA Technology (2017) [Smart EV](#)

<sup>35</sup> Ofgem (2017) [Standards of conduct for suppliers in the retail energy market](#)



smart tariffs.<sup>36</sup> We scrutinised the quality of the smart meter data and communications company (DCC) price control, criticising its high margins on cost.<sup>37</sup> Planned research into the impacts of half-hourly settlement of electricity and one-day switching on consumer engagement and detriment was not pursued this year following delays to the DCC.

To get a better sense of the issues energy consumers are likely to face in coming years, we published “The Disrupted Decade”.<sup>38</sup> The report draws on lessons from other parts of the economy where technology has progressed quickly and new business types have displaced incumbents, as well as other parts of the world where regulatory reform has outpaced the UK. The report has shaped our approaches to a number of key areas, including:

- the role of price comparison services and more sophisticated third party intermediaries in the energy market
- the potential advantages and risks of widespread time of use tariffs
- the need for reform to distribution network charging.

Each of these areas has been taken on for further study. We presented the findings of this report in response to the energy and climate change select committee inquiry on the “energy revolution”.<sup>39</sup>

### **Priority 3: Supporting and scrutinising the smart meter rollout to maximise consumer benefits**

By the end of 2020, every household should have been offered a smart meter as part of a nationwide modernisation of the energy system. Over the course of the year, the smart meter rollout programme has faced several challenges. Delays to critical infrastructure have resulted in an unexpectedly high number of early, lower-specification meters being installed, while problems over back billing remain. Citizens Advice continues to support progress on the rollout, and has

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<sup>36</sup> Citizens Advice (2016) [Response to Ofgem/BEIS call for evidence on a smart, flexible energy system](#)

<sup>37</sup> Citizens Advice (2016) [Citizens Advice response to Ofgem’s consultation on Data Communications Company \(DCC\) price control](#)

<sup>38</sup> Citizens Advice (2016) [The disrupted decade](#)

<sup>39</sup> Energy and Climate Change Committee (2016) [Energy revolution inquiry](#)

worked to ensure that consumers remain central to policy. We have achieved a number of changes to industry practice and regulation over the course of the year, each of which will ensure better customer service and a sharper focus on the needs of vulnerable consumers.

We undertook research to identify and share best practice in the smart meter rollout. Our report on the treatment of vulnerable consumers led three energy suppliers to offer additional support for vulnerable consumers post-installation.<sup>40</sup> We produced research on micro businesses' aspirations for smart metering and their experiences of smart meters.<sup>41</sup> We hope that recommendations from that report, including an advertising campaign targeted at micro business owners, and free access to data, will begin to be implemented this year. We shared all of our research consumer experiences of smart meters with energy firms, national and devolved governments, Ofgem, Smart Energy GB and the EU, in order to inform delivery plans.

We regularly analyse and report on concerns that consumers have raised with us about the conduct of suppliers in relation to smart meters. We send our reports to key stakeholders to help them understand how suppliers are undertaking the smart meter rollout. This year, our Consumer Service smart meter reports integrated data from the Extra Help Unit and local Citizens Advice to give them greater depth. We also successfully argued for changes to the definition of 'vulnerability' used by the Smart Meter Installation Code of Practice to avoid gaps in consumer protection. Working with Energy UK, we established principles to ensure consumers experience a smooth process when switching supplier.

Through our Consumer Service data, we identified significant problems with smart prepayment meter switching. Given the high impact of these issues on vulnerable consumers, we raised them with smart meter working groups within BEIS and industry. Our evidence and pressure led Energy UK to convene a special working group on the treatment of smart prepayment customers following a switch.

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<sup>40</sup> Citizens Advice (2017) [Smart support: Support for vulnerable consumers in the smart meter roll-out](#)

<sup>41</sup> Citizens Advice (2017) [Smart choices: Investigating micro businesses' interest in, and understanding of, smart meters](#)

Our evidence on consumer complaints also led the government to introduce principles for better communicating the limitations of early, low-specification smart meters so that consumers are not misled. We also successfully persuaded the government to work on minimum aftercare standards for consumers who have had a smart meter fitted.

We continued to work with Smart Energy GB on their part in the rollout. Our director of energy serves as a non-executive director on their board. We continued to engage with their representatives in Wales regarding Wales-specific rollout issues, including the needs of Welsh speakers. We also continued monitoring the roll-out to ensure that advice about how to use in-home displays is available in Welsh. In Europe, we participated in the EU Smart Grids Task Force, together with regulators and industry representatives, to defend consumer needs via the new EU General Data Protection Regulation and proposed broader legislative framework for energy.

As well as securing changes to other organisations' policies, we also aim to work more closely with consumers on aspects of the rollout. We are developing a 'data dashboard' that allows consumers to see who has access to their smart meter data and to manage those permissions. This year we consulted with industry and the government, and subsequently built a proof-of-concept dashboard to demonstrate how it will work in practice.

#### **Priority 4: Helping consumers make informed choices over how they buy and use energy**

Consumers struggle to understand Britain's complex energy market. We receive over 100 contacts every hour about energy issues. This year:

- 960,000 users visited the energy pages on our web site.
- The Consumer Service supported over 61,000 energy consumers.
- Local Citizens Advice offices helped consumers with more than 160,000 energy issues.
- 9,289 consumers required specialist support from the Extra Help Unit.

## The Extra Help Unit (EHU)

The EHU has a statutory duty to help vulnerable domestic and micro business consumers across GB with complaints made against regulated energy and postal service providers. The statutory responsibilities of the unit are set out in section 12 and 13 of the Consumer Estates and Redress (CEAR) Act 2007.<sup>42</sup> The EHU works closely with Citizens Advice, Ofgem and energy suppliers with the aim of improving practices and regulations that affect consumers.

The majority of consumers (90%) referred to the EHU are referred by the Citizens Advice Consumer Service. Referrals can also be received from Ombudsman Services: Energy, Ofgem, other advice agencies and elected representatives.

In 2016/17, the Extra Help Unit received 2,040 priority complaints and 6,943 complaints overall. 76% of cases were closed within 35 working days and 91% within 66 working days. In 87% of cases, a tangible outcome was achieved for the consumer. Total financial redress obtained as a result of EHU intervention was £2,033,437. 92.5% of domestic consumers and 87% of micro businesses who contacted the EHU were either satisfied or very satisfied with the quality of their service.

89% of EHU complaints came from households and 11% from micro businesses. Of domestic complaints, 25% related to debt and disconnection issues, 33% to billing errors, 18% to metering complaints, and 12% to prepayment meters. Of micro business complaints, 37% related to debt and disconnection issues, 28% to billing errors, 14% to metering complaints, and 15% to transfers.

This year, the EHU devoted more time to engaging with new market entrants, helping them develop their customer support, and addressing problems with complaints handling.

Citizens Advice provides a range of services that directly support consumer engagement in the energy market, as well as helping other organisations improve their contact with consumers.

First, we provide a price comparison service that allows consumers to view deals available across the market. This is backed up by our energy supplier star rating,

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<sup>42</sup> HM Government (2007) [Consumers, Estate Agents and Redress Act](#)

which helps consumers choose on the basis of service as well as price when switching supplier. The rating currently covers the 18 largest energy suppliers. In the coming year we intend to expand the rating, providing consumers with a fuller view of customer service across the energy market. Citizens Advice will also become the designated provider of a whole-of-market price comparison service, as recommended by the CMA, further increasing the profile of our price comparison service.<sup>43</sup>

Second, our campaigns raise awareness of how to save money in the energy market and work directly with low income and vulnerable consumers to help them lower their bills. Our Energy Best Deal public awareness campaign helps low income consumers and people at risk of fuel poverty to understand how to switch energy suppliers, use less energy and get help if they are struggling to pay bills. In 2016/17 Energy Best Deal reached more than 10,000 low income consumers at around 1,500 advice sessions. Energy Best Deal Extra provided a further 25,000 tailored one-to-one advice sessions to vulnerable consumers. We also recruited fifty “energy champions” to deliver support and development programmes in their local areas. Following negotiations last year, we will also be taking over responsibility of the ‘Be an Energy Shopper’ campaign from Ofgem. Combined with the Energy Best Deal and Energy Best Deal Extra programmes, we will provide a hub for advice on switching.

Third, Citizens Advice produces written guides for energy consumers. The Energy Consumer Checklist (also known as “Know your rights in the energy market”) gives 26 million households direct information about switching, how to complain and where to get energy advice and energy efficiency support.<sup>44</sup> We also review materials produced by suppliers and networks, providing guidance on how they could be made clearer, so that people know where to go and what to do when things go wrong. This year, we undertook a comprehensive audit of the way domestic and non-domestic energy suppliers signpost and refer customers when things go wrong. We also gave detailed instructions to individual suppliers to improve their signposting and simplify the customer redress journey.<sup>45</sup>

Fourth, we have worked to improve the switching process for consumers by helping to promote the Energy Switch Guarantee. The Guarantee provides

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<sup>43</sup> Citizens Advice (2017) [Compare gas and electricity prices](#)

<sup>44</sup> Citizens Advice (2016) [Know your rights in the energy market](#)

<sup>45</sup> Citizens Advice (2017) [Complaints signposting audit](#)

consumers with assurance that they can switch quickly and reliably. We incorporated it into our price comparison website and energy supplier rating. This has been credited with helping to drive supplier participation in the scheme, which this year grew to around 80% of the energy market.

Fifth, we want to make it easier for people to register for priority service programmes across essential services. We consulted with the water and energy industries on a new service to help people sign up for both sectors' priority service registers in one place, working with the industry-led 'safeguarding customer' working group. This registration form will be added to the Citizens Advice website in the coming year.

Finally, this year we increased our focus on helping publicise the rights of consumers using heating oil, LPG, solid fuel and district heating, who have different supplier relationships from gas and electricity consumers. Citizens Advice and Citizens Advice Scotland are seeking to work with off-gas suppliers to see how they can better help their customers and provide them with clearer information on customer charters and options for advice and redress. Meanwhile, in Wales, we encouraged dissemination of the Federation of Petroleum Suppliers' customer charter and called on other off-gas trade associations to develop similar charters.<sup>46</sup> In Wales and England, we supported the development of the Cold Weather Priority Initiative. We commissioned fieldwork for a significant new report on the consumer impact of community energy schemes. The final research and report will be published later in summer 2017. The role of devolved governments and local authorities will be considered in depth. We also tackled engagement on Welsh language standards relating to energy companies alongside issues with other utilities, postal and telecoms firms (see also Chapter 3 Priority 1).

## **Priority 5: Pushing for steps to reduce the number of cold homes**

Over 2 million families live in fuel poverty. One in five households find it difficult to meet their fuel costs, often as a result of energy inefficient housing. For

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<sup>46</sup> Federation of Petroleum Suppliers (2016) [Customer charter](#)

families living in energy inefficient, cold homes, the winter months can lead to problems with physical and mental health.

Key to making homes warmer is making sure that the right energy saving measures are installed to a good standard. Through our Consumer Service, we see the serious problems people face as a result of poor quality work on measures like cavity wall insulation. This year, we played a central role in the Each Home Counts Review of consumer advice, protection, standards and enforcement for energy efficiency and renewable energy.<sup>47</sup> The scope of the review reflected findings from our 2015 research into consumer protection for energy efficiency and renewables schemes.<sup>48</sup> We were also asked to lead the Review's Consumer Protection workstream. The Review's final recommendations reflected many of our proposals are we are now working through the Each Home Counts Implementation Board to make sure the recommendations are effectively delivered in practice.

We have continued our work to support minimum energy efficiency standards to tackle cold homes. We published figures highlighting the energy efficiency gap faced by tenants in private rented homes and the need for tighter efficiency standards in this sector. We will published economic research later in the summer to inform the development of standards. We also helped to shape BEIS' new energy efficiency supplier obligation by showing how local involvement in delivery can be an effective way of targeting fuel poor households. We have carried out research looking at what works and what doesn't in projects targeting health and fuel poverty alleviation. This has provided lessons for our advocacy on the energy efficiency obligation and will be published this summer.

A lack of heating controls, and ineffective use of existing controls, exacerbates the problem of cold homes. This year we carried out research on the installation of heating controls and advice given to consumers on use of controls. This shaped our response to BEIS's Boiler Plus consultation, where we argued for better regulation in this area and central provision of advice. We will be publishing our full research findings over the summer.

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<sup>47</sup> Dr Peter Bonfield (2016) [Each Home Counts An Independent Review of Consumer Advice, Protection, Standards and Enforcement for Energy Efficiency and Renewable Energy](#)

<sup>48</sup> Pye Tait Research for Citizens Advice (2015) [Research into quality assurance in energy efficiency and low carbon schemes in the domestic market](#)

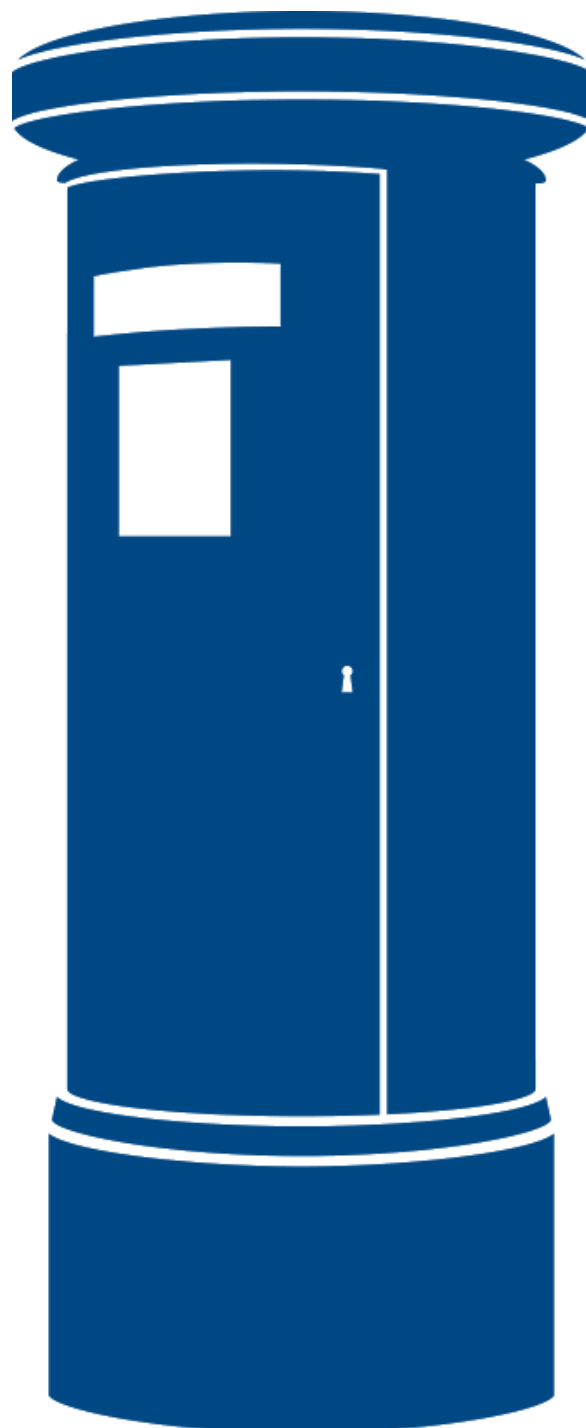
We had originally planned research into the consumer experience of heat networks in the private sector in England and Wales, seeking better statutory protections, improved customer service standards and easier advice and redress. This would have duplicated some work carried out by BEIS and therefore was not an effective use of resources.

We continued to liaise with the UK Permanent Representation to the EU and with BEIS as the EU negotiated the final details of the recalibration of the A-G energy label. We supported BEUC's contributions to the European Commission during the final drafting stages of the new EU legislative proposals on energy efficiency and on the energy efficiency of buildings.

In addition to our policy work, we continued developing our outreach programmes to help consumers directly. Our energy champions piloted several new ways of supporting energy efficiency in England and Wales. This included an in-home advice service and a housing and health referral service, taking forward NICE guidelines on excess winter deaths.



# Chapter 2: Post



## Our work

Consumers and businesses still rely on letters and parcels. While letter volumes continue to fall, parcel deliveries are booming as people in the UK turn to online shopping with increasing regularity. Today, nearly two-thirds of online shoppers buy something online at least once a month.<sup>49</sup> Overall satisfaction with postal services is generally high,<sup>50</sup> but there are areas that warrant attention, such as quality of service in the highly competitive parcel delivery sector. Meanwhile the post office network, nearing the end of its biggest transformation ever, is still seen as an important service in local communities, but continues to rely on government subsidies to maintain its current footprint.

In the last year, two landmark reviews have determined the shape and direction of postal services for years to come. Ofcom concluded its review of the regulation of Royal Mail, while the government consulted on the future of funding for the post office network.

Against this backdrop, we've been working hard to ensure that the needs of consumers are understood and their voices are heard. For example, our research indicates 2 in 3 consumers have experienced at least 1 parcel delivery problem in the last year.<sup>51</sup> As the postal market continues its rapid evolution, the consumer advocate's role is to ensure that consumers get a fair deal, products meet their needs, and all consumers can access the right services.

This year we undertook significant foundational research, which will inform policy and our understanding of consumers in the sector for subsequent years. We carried out an in-depth investigation into the parcels market. We used geospatial analysis to assess how the 11,600 post office outlets perform against the government's access criteria. We have ensured that communities are not disadvantaged by changes to their local post office, reviewing more than 1,000 cases and securing improvements to 88% of off-site conversions. We also delivered high-profile consumer education campaigns on a range of topics, including scams and parcel delivery, empowering consumers to avoid common pitfalls and exercise their rights. As a result of this year's investment in research, we are in a position to reduce future expenditure on commissioned studies.

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<sup>49</sup> Citizens Advice (2017) Parcel Delivery: [Delivery services in the online shopping market](#)

<sup>50</sup> Ofcom (2017) [Residential Postal Tracker 2016](#)

<sup>51</sup> Citizens Advice (2017) Parcel Delivery: [Delivery services in the online shopping market](#)

In our work plan for 2016/17 we set out 8 priorities for the year. Below we report on each of these priorities in turn. Where appropriate, we have reported on more than one priority in the same section in order to increase clarity.

## **The key priorities and their outcomes**

### **Priority 1: Push for better customer service for people sending and receiving mail**

Customer service standards and routes to redress are not consistent across postal services. Royal Mail is subject to more detailed regulation than other service providers operating in more competitive parts of the market. For example, Royal Mail is required to offer customers access to independent alternative dispute resolution services and publish complaints data, while other providers are not. This inconsistency can make it difficult for consumers to know and exercise their rights. Meanwhile, gaps in complaints data make it difficult for consumer representatives to assess and benchmark the performance of operators across the market, and put pressure on poor performers. Our work in this area can be divided into 2 work streams.

First, in order to represent the interests of consumers in debates about the quality of customer service and the future of postal services, it is essential to have a strong understanding of what consumers need from postal services today, and how this might change in the future. In a major study we found that consumers still view postal services as an essential means of communication, particularly when it comes to receiving important information.<sup>52</sup> We presented this research to stakeholders, including industry, Ofcom, the Mail Users Association and the Post Office Advisory Group. This work also formed the foundation of more detailed research into the experience of consumers who administer their benefits through the post and mobile-only consumers (see Priority 4). We will continue to draw on the insights from this research to inform our priorities and ensure that the needs of consumers are heard in debates about the future of postal services.

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<sup>52</sup> Breaking Blue (2016) [The future of consumer needs for postal services](#)

Second, we explored ways to combine our own data with external data to drive improvements in customer service across the industry. This work can be broken down into 3 areas:

- We tested the feasibility of combining data from the Consumer Service with external data to enable us to spot emerging areas of detriment quickly. Detailed scoping revealed significant gaps in complaints data across the industry, hindering progress. However, we have started testing Method 52, a natural language processing tool which allows us to analyse complaints made by consumers through social media. We will continue to refine our use of this tool in the coming months, and present the findings at the next Postal Operators Liaison Group meeting in October.
- This year we tested the viability of developing a league table which ranks the customer service of parcels companies, comparable to our energy supplier star rating. Further scoping revealed a lack of publicly available comparable data to allow us to do this robustly. In 2017/18 we will refine our use of online data monitoring tools to enable us to gather and analyse complaints made on social media.
- We set up the Postal Operators Liaison Group, which is described in detail in Priority 2.

## **Priority 2: Representing consumers in negotiations over regulations and policy governing postal services**

The postal services market is governed by a complex range of regulations at UK and European level which set universal service requirements, cap prices on basic services and ensure that consumers can access redress. These rules are developed through a series of negotiations and consultations involving industry, the regulator and government. At times, the interests of industry and consumers can conflict. Ensuring the consumer voice is heard in these debates is an important part of our role.

Our work in this area over the last year can be divided into 3 strands: reactive work to ensure the consumer voice is heard in policy debates, shaping the postal agenda through spotting and drawing attention to emerging issues, and

facilitating intelligence sharing and collaboration by bringing together key stakeholders. These are described in more detail in the sections below.

## **Ensuring the consumer voice is heard in policy debates**

In May 2016, Ofcom consulted on its proposals for the future regulatory framework for postal services.<sup>53</sup> Ofcom intended to maintain its overall regulatory approach for a further 5 years, but proposed some changes, including new measures to support competition and innovation in the parcels sector. Citizens Advice submitted a detailed response to this consultation, drawing on our consumer research and sector expertise.<sup>54</sup> While we supported Ofcom's proposal to maintain its overall approach, and the majority of its more detailed proposals, we disagreed with their proposal to remove the advance notice period for latest delivery times and the Postal Common Operators Procedures (PCOP) Condition and Code of Practice. Ofcom published its final decision document in March 2017, opting not to remove PCOP following feedback received during the consultation process, including from consumer advocates.<sup>55</sup>

In November 2016, the government published a consultation on the future funding of the post office network.<sup>56</sup> In 2016, the government subsidised the Post Office with £130 million to maintain service provision in rural areas. We met with the government to discuss the review in more detail. Our response to the consultation argued that funding should be preserved, and highlighted the risk that Post Office Ltd could shut some branches without failing its access criteria. To protect consumers, we recommended that an emergency brake should be introduced if 5% of current branches are closed or fundamentally changed in the next funding period (2018-21). The government's response to the consultation has been delayed. However, our conversations with the consultation team continue and later in the year we will brief the team on the results of a review of what consumers need from post offices and the role of community branches.

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<sup>53</sup> Citizens Advice (2016) [Response to Ofcom consultation on its Review of the regulation of Royal Mail](#).

<sup>54</sup> Citizens Advice (2016) [Citizens Advice response to the Ofcom Review of the Regulation of Royal Mail](#)

<sup>55</sup> Ofcom (2017) [Review of the Regulation of Royal Mail: Statement](#)

<sup>56</sup> Department for Business, Energy & Industrial Strategy (2016) [Post Office network consultation](#)

We have also actively engaged with policy debates at EU level, particularly around cross border parcel delivery services. We followed up our earlier response to the initial consultation on the draft cross border parcel regulation and continued to press for consumer interests throughout the EU Co-Decision procedure. We argued that the Regulation could benefit consumers by improving market transparency and increasing regulatory oversight of the parcels market. We worked closely with the European Commission services as the debate developed and participated in events at the European Parliament. Over the next year we will continue to engage with stakeholders on the cross border parcel Regulation.

## **Setting the agenda**

The boom in online shopping has driven a surge in parcel delivery. The consumer parcels sector generated revenue of £5.7 billion in 2016, and has grown by an average of 19% (parcels sent from businesses to consumers) and 5% (parcels sent by consumers and small businesses) per year over the last 5 years.<sup>57</sup> As parcel delivery becomes increasingly intertwined with modern life and the economy, these services must meet the needs of consumers and consumers must be adequately protected.

This year we carried out 2 studies to understand the consumer experience of parcel delivery. The first sought to understand whether the current consumer protection regime is working.<sup>58</sup> We found that 2 in 3 online shoppers have experienced a problem with parcel delivery in the last year. Existing consumer rights are broadly sufficient to address these problems, but consumer knowledge of their rights is low and many do not take any action to resolve a problem. The second investigated whether e-retailers meet their legal obligations and/or follow best practice guidelines in relation to the information they provide to consumers about delivery.<sup>59</sup> We found that although most e-retailers do provide regulated information somewhere on their websites, it is not always easy to find or understand. These studies generated 65 news pieces, raising awareness of consumer rights and putting pressure on the industry to take action.<sup>60</sup> We will present our findings to key stakeholders, including

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<sup>57</sup> Apex Insight (2017) UK Parcels: Market Insight Report 2017

<sup>58</sup> Europe Economics (2017) [A Study of consumer rights for parcels delivery](#)".

<sup>59</sup> Verve (2017) [Transparency and ease of online delivery: A report for Citizens Advice](#)

<sup>60</sup> Citizens Advice (2017) [Parcel Delivery: Delivery services in the online shopping market](#)

industry, the regulator and government, and work with them to further develop our recommendations and implement solutions.

We also contributed to forthcoming research from Citizens Advice Scotland on parcel surcharging, and are working with the CMA, Ofcom and the other consumer advocacy bodies to develop solutions through a Consumer Protection Partnership (CPP) working group.

### **Facilitating intelligence sharing and collaboration**

In 2016/17 we convened 3 meetings of the Post Office Advisory Group (POAG). POAG brings together stakeholders from across the sector to share intelligence and discuss ways to improve consumer access and experience. The group has a broad membership which includes consumer advocates, national charities, rural agencies, government departments, representatives of post office operators and Post Office Ltd. The discussions at these meetings were varied, with presentations on a range of topics including the post office Network Transformation Programme, use of Post Office services and trends in the local shop and convenience sector. We will continue to hold these meetings in 2017/18.

We also set up the Postal Operators Liaison Group. Membership includes postal operators, the regulator, consumer advocacy bodies and BEIS. At the quarterly meetings we present data on the number and nature of calls to the Consumer Service in relation to postal services and highlight examples of best practice. These meetings also provide an open forum for stakeholders to discuss market developments such as Ofcom's review of regulation. The next meeting will take place in October.

### **Priorities 3 and 8: Mapping access to postal services and tracking how this is changing over time**

Physical access to postal services is changing in two important ways. First, as a result of the Network Transformation Programme (NTP), around 2 in 3 post offices are adopting a new operating model which in many cases will mean longer opening hours but fewer dedicated staff and reduced service availability.

Second, competition to the network has grown in the form of parcels shops, locker services, and click and collect services. Both of these developments have the potential to benefit consumers. However, change also presents risks, particularly for consumers who rely on easy access to universal services. An important part of our role as consumer advocate is to monitor the impact of these developments, and use our influence to drive positive change where communities and consumers could be negatively affected.

We have a formal role in scrutinising post office branch changes, as set out in the Post Office's code of practice for public consultation and communication.<sup>61</sup> We work to ensure that proposed changes meet the needs of local communities, considering a wide range of factors, from whether the proposed branch is well served by local transport, and its capacity to offer banking services.

In 2016/17 we reviewed 1,021 cases. We negotiated improvements to 88% of the 297 cases that involved the post office moving to a new location.<sup>62</sup> A third of these improvements related to the accessibility of the new location, such as adding a wheelchair ramp or improving layout where the proposed design of the new outlet would make physical access difficult for mobility impaired people. Later this year we will publish analysis of the cases we have reviewed since 2012, highlighting the concerns we have raised most frequently, with a view to helping Post Office Ltd to proactively identify risks before opening public consultations.

In addition to scrutinising individual post office changes, we carried out 3 studies to help us understand how the post office network is performing as a whole.

First, research conducted in 2015 identified a number of teething problems with post offices operating under the new model.<sup>63</sup> We conducted mystery shopping at 1,800 branches to review conditions and service standards. The evidence shows the network is performing in line with, or better than, the older model post offices they have replaced.<sup>64</sup> However, there are areas that require improvement. For example, hearing loops and portable PIN pads are not well advertised, and waiting times at Crown and former Crown branches should be reduced.

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<sup>61</sup> Post Office Ltd (2014) [Code of Practice on Public Consultation and Communication with respect to change in the Post Office network](#)

<sup>62</sup> We raised major concerns in 123 cases, 3 proposals were withdrawn as a result of our concerns.

<sup>63</sup> Citizens Advice (2015) [Fixing the foundations: Branch and service standards in Post Office Locals](#)

<sup>64</sup> Citizens Advice (2017) [The state of the post office network](#)



### Case study: Victoria Park, Dorchester

The proposed relocation of the post office was 0.6 miles away from the existing branch, at the edge of the community and with no direct bus service. The public consultation received over 300 responses and a 570 signature petition. Citizens Advice visited the site and raised significant concerns with Post Office Ltd about the the negative impact on older and disabled customers. In September 2016, Post Office Ltd announced their decision not to proceed with the relocation. The post office would remain at its current location.

We presented our findings to the Post Office Advisory Group and held detailed discussions with Post Office Ltd. We also briefed MPs, who cited our evidence during a Westminster Hall Debate.<sup>65</sup> The findings will also be used in the coming year to inform more targeted work into areas of underperformance.

Second, physical access to a post office branch is often as important as the range and quality of services offered. We used geospatial analysis to assess how network transformation has affected the average distance from a consumer's home to their nearest post office. This was the first independent assessment of its kind since the Network Transformation Program (NTP) began. We found that the NTP has succeeded in revolutionising the network while continuing to meet the access criteria set by the government. We used a 'distance by road' measure, which more accurately reflects a consumer's' journey than the 'crow flies' measurement traditionally used. Under this measure, we found that 15 million people live at least twice as far away from the post office by road as they do by the crow flies measure.

In advance of publication later in the summer, we presented our findings to POAG and discussed them in more detail with Post Office Ltd. We will build on this research over the next year with a geospatial analysis of the physical distribution of competition from alternative postal services providers, which will inform our understanding of the potential longer term changes to post access.

Finally, we conducted a landmark study of how consumers and small businesses use post offices and Post Office services, surveying 2,000 consumers and 1,000 small businesses in the first study of its kind in a decade. We found that post

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<sup>65</sup> Hansard (2017) [Post Office Closures](#)

offices are still used for mail services by almost all consumers and small businesses. Proximity of service provision is the key reason why consumers and small businesses use post offices. Insights from this work have already been used to add depth and context to a number of our Post Office outputs. We will continue to draw on this rich data source to inform our work in the coming year.

## **Priorities 4 and 7: Working with organisations outside post to stand up for vulnerable postal users**

Our research shows that some groups of consumers are more reliant on postal services than others.<sup>66</sup> These groups are also more vulnerable to some forms of detriment, such as being targeted by a mail scam.<sup>67</sup> In order to effectively represent all consumers, it is vital that we have a strong understanding of the needs and experience of these groups, and the extent to which their experience differs from that of others. Our consumer research and experience delivering services directly to people across the country means that we are well placed to speak up for vulnerable consumers. But to best stand up for these people, we need to share our evidence and collaborate with other organisations. Therefore, wherever possible we share the findings of our research with regulators, consumer advocates, industry and others and work with them to develop and implement effective solutions.

Through our network of local Citizens Advice, we identified a number of cases in which clients seeking advice about a benefit claim had experienced a problem when communicating with the government about their benefits through the post. As a result, we carried out a review of evidence from across the network and surveyed benefit claimants to more fully understand their experience. We found that, overall, postal services are meeting the needs of most benefit claimants. However, when problems do arise the impact can be severe. We will publish a short briefing setting out the findings of this research later in the summer. We will also meet with the government and organisations that deliver frontline benefit services to discuss our findings and push for improvements to policies and processes.

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<sup>66</sup> Breaking Blue (2016) [The future of consumer needs for postal services](#)

<sup>67</sup> RAND (2016) [National Trading Standards - Scams Team Review](#)

This year, we also undertook research to understand the needs of consumers with physical and cognitive impairments when accessing postal services at the post office. We spoke to disabled consumers and the organisations representing them about their experiences and what could be done to improve access. We found that in some respects post office services are easier to access than other services, but there are some areas for improvement concerning the needs of people with specific impairments or conditions. We published a video that sets out the experience of disabled people in their own words.<sup>68</sup> Post Office Ltd have agreed to work with us to look at accessibility across their network. We will publish a report with the full findings of the research later this year, and work with the Post Office, disabled groups and other stakeholders to reduce any identifiable barriers to access as well as highlight areas of best practice.

In the context of Citizens Advice's broader programme of work to improve the experience of people in the private rented sector, we undertook preliminary research to identify why some consumers do not use mail redirection services. We will publish the findings later this year. Where the research points to systemic barriers to take-up, we will look more closely at the nature of these barriers in order to develop solutions with industry and policy-makers.

Finally, we considered the unintended consequences of digitisation. Our review of consumer needs (set out under Priority 1) investigated consumers' future use of postal services, including how they prefer to receive important information. We found that there is still an overwhelming preference for post among both those who are and are not online. This is not just based on a lack of access to or familiarity with online services, but also concerns about privacy, the ability to keep permanent records and the reliability of postal services.

A separate study focussed on people living in mobile-only households.<sup>69</sup> We found that this group of consumers use online services far less than consumers with broadband connections installed in their home, even though they were able to access the internet through their phone. Consequently, although this group would not traditionally be considered to be digitally excluded, they are far more reliant on postal services than we might expect. We will publish a report bringing together the findings of these studies later in the summer.

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<sup>68</sup>Citizens Advice (2017) [New model post office access for disabled consumers](#)

<sup>69</sup> For the purposes of this study a 'Mobile-only' household was defined as household whose only way of accessing the internet is via a smartphone.

## Priority 5: Help people make informed choices about postal services

Our research shows that consumers can struggle to make informed choices about postal services. For example, there is low awareness of the cost of postal products, and which product to use. People can also struggle to navigate routes to redress.

Citizens Advice has a strong track record in helping people to resolve their problems. In 2016/17, our post advice pages were viewed 566,508 times. Our digital teams used the latest in eye-tracking software and user research design to improve the advice we give postal consumers. We streamlined the number of advice pages on post on our website from 39 to 7, and optimised the clarity and presentation of the information. We developed a new tool to sit alongside these pages, which makes it easier for consumers to understand how to claim compensation if their post has been damaged, lost or delayed, and how much compensation they might be entitled to.<sup>70</sup> In 2016/17, the tool was used nearly 10,000 times.

We also ran a number of high profile consumer education campaigns, targeting issues where consumer awareness was known to be low. For example:

- In the run-up to Christmas we raised consumer awareness of rights relating to parcel delivery problems. We made an appearance on BBC Breakfast and send leaflets and posters to all local Citizens Advice across England and Wales containing tips on how to save money on postage and ensure Christmas post arrived on time. Our 5 Christmas Post campaign videos reached over 12,000 people.
- We worked to ensure consumers were aware of changes in stamp prices through social media. We developed YouTube videos and tips for use on social media, which each reached 10,000 people.
- We led the design and delivery of Scams Awareness Month 2016. This annual campaign aims to improve consumer awareness of scams, including how to spot them, how to protect themselves and their loved ones, and how to report a scam. We sent 10,000 leaflets with tips to spot

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<sup>70</sup> For example, Citizens Advice, [Claim for lost, damaged or delayed post](#).

and report scams, targeting areas in which our clients had reported significant losses as a result of mail scams. We also posted 40,000 Facebook adverts, targeted the same areas.

- We were invited to attend a task force convened by the Consumer Minister Margot James to tackle the growing problem of scam mail. Over the next year we will strengthen our engagement in this area, building stronger relationships with other stakeholders and undertaking research to explore how to maximise the impact of consumer education campaigns.

## **Priority 6: A regulatory regime fit for tomorrow's postal user**

As a consumer advocate, part of our role is to anticipate how economic and market developments could impact on postal consumers. Over the last two years we have published two reports on the future direction of postal services. The first considered the impact of technological change<sup>71</sup> The second looked at the changing nature of consumer needs for postal services (outlined in Priority 1).<sup>72</sup> We also conducted analysis of the potential impact of different future scenarios on postal consumers. In 2017/18 we will bring together this body of evidence, drawing out key themes, highlighting risks for consumers and potential strategies for addressing these risks. We will also consider the potential impact of the UK's decision to leave the European Union on postal consumers. Building on our preliminary analysis, we will identify potential areas of detriment and work with others to develop ways to mitigate this detriment.

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<sup>71</sup> WIK(2016) [Technology and change in postal services - impacts on consumers.](#)

<sup>72</sup> Breaking Blue (2017) [The future of consumer needs for postal services](#)

# Chapter 3: Cross-sector



## Our Work

Every year, Citizens Advice helps millions of consumers to resolve their problems online, face-to-face and by phone.<sup>73</sup> The data we collect gives us a unique cross-sector insight into the problems people face. Across markets, people often experience the same challenges: misleading advertising, confusing terms and conditions, difficult switching and complaint handling processes, varied debt collection practices and difficulty accessing redress. Where we identify shared issues, one industry falling behind another, or problems that interconnect, we draw good practice from one sector to another and hold those delivering poor services to account. We will be taking forward much of the work described in this section throughout 2017 with the government's promised consumer green paper.

In 2016/17 we developed our previous work on consumer behaviour and personal data, estimating the full scale of consumer detriment - £23 billion - and exploring how far people are able to get a good deal in markets.<sup>74</sup> We worked in close partnership with government, which led them to announce a crack-down on subscription traps in the 2017 Spring Budget speech.<sup>75</sup> Sharing our data with the Advertising Standards Authority influenced their introduction of advertising reforms and action being taken against a problematic leading online bidding site.<sup>76</sup> Our network of local Citizens Advice offices provided a wealth of data and allowed us to stress-test recommendations with local pilots.

## The key priorities and their outcomes

### Priority 1: Help and push regulators to learn from other markets

To help regulators, business and government to apply solutions across markets, it was important to establish a clear picture of consumer detriment across markets. To do this, we commissioned primary research to measure the

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<sup>73</sup> In 2015-16 we had 13.4 million visits to our consumer pages online, 1.05 million contacts to our Consumer Service and delivered 31.2 million minutes (531,000 hours) of online digital consumer advice.

<sup>74</sup> Citizens Advice (2016) [Consumer detriment: counting the cost of consumer problems](#)

<sup>75</sup> HM Treasury (2017) [Spring Budget 2017: Philip Hammond's speech](#)

<sup>76</sup> Advertising Standards Authority (2017) [Proactive action on pay-per-bid auction websites](#).

financial costs, lost earnings and time costs of complaint handling.<sup>77</sup> We looked across a range of consumer markets<sup>78</sup> and found that consumer detriment costs UK consumers in excess of £23 billion each year.<sup>79</sup> Quantifying this detriment allowed us to turn the spotlight on the vital importance of reducing consumer harm. We have also shared this insight with partners in the consumer protection landscape and it now forms an important part of the evidence base for the Consumer Protection Partnership. Further, it has allowed us to most effectively target our further research and influencing in 2017/18.

Our work in 2016/17 asked how we might improve consumer outcomes in a world of rapid technological change. We know from previous research that increasingly sophisticated uses of personal data bring opportunities for empowered consumers but risk power imbalances between companies and consumers.<sup>80</sup> We identified practical solutions for developing fairer and more responsive data systems.<sup>81</sup> We found that consumers want more control and greater transparency over their data, so we made recommendations to improve consent processes and disclosure when data is sold to make a profit. This research also highlighted the confusing nature of online terms and conditions, which the government has subsequently announced its intention to improve.

Regulation often lags behind technological progress. The telecoms market has long been essential for work and leisure, yet regulation has fallen far behind other essential service sectors. We showed where the telecoms market should learn from consumer protections in other essential services.<sup>82</sup> As a result, Ofcom extended debt collection guidance on landlines to cover the mobile and broadband sectors.<sup>83</sup> We are working with the UK Regulators Network to continue to support regulators to apply good practice across markets in the same way.

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<sup>77</sup> Citizens Advice (2016) [Consumer detriment: counting the cost of consumer problems.](#)

<sup>78</sup> These consumer markets included house fittings and appliances; household goods, utilities and services (including post and delivery); personal goods and services; professional and financial services; vehicles and transport services; and leisure.

<sup>79</sup> Citizens Advice (2016) [Consumer detriment: counting the cost of consumer problems.](#)

<sup>80</sup> Citizens Advice (2015) [Personal data empowerment: Time for a fairer deal?.](#)

<sup>81</sup> Citizens Advice (2016) [Fairness and Flexibility: making personal data work for everyone.](#)

<sup>82</sup> Citizens Advice (2016) [Cashing in or Checking out: what does the future hold for consumers?.](#)

<sup>83</sup> Ofcom (2016) [Review of the General Conditions of Entitlement.](#)



At present, debt collection practices vary within and across sectors and this makes it difficult for consumers to plan their finances, and often forces them to negotiate on different terms with several creditors<sup>84</sup>. We researched debt collection practices across industries to help essential service providers improve their practices with improved staff training, communications and engagement.<sup>85</sup> To improve consumers' experience, we called on the Department of Work and Pensions to improve payment systems and data sharing and asked Ofcom to provide better guidance to firms on debt collection practices.

We know vulnerable consumers can face barriers to accessing affordable services.<sup>86</sup> As outlined in Chapter 1, we are developing a one-stop priority services register for water and energy which will be available on our website. This year we also worked closely with the Essential Services Access Network (ESAN), setting out a consistent model of practice across essential services and presenting our insight at their annual conference.<sup>87</sup>

Welsh consumers can struggle to access services in Welsh language.<sup>88</sup> This year we built on our previous work advocating for improved Welsh language services from providers including energy and utilities, post, telecommunications, and transport. By working directly with the Welsh Government and the Welsh Language Commissioner's office we have ensured the implementation of Welsh Language Standards reflects the needs of Welsh-speaking consumers.

To help other bodies understand the consumer experience, we share trends identified in our data at the Consumer Protection Partnership. In Wales, we continued to chair the Wales Consumer Protection Partnership, bringing together the heads of trading standards, consumer-facing bodies and charities and incorporating a permanent representative from the Welsh Government into this group to achieve the greatest impact on behalf of Welsh consumers.

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<sup>84</sup> Citizens Advice (2013) [All change: why welfare reform should matter to creditors and utility companies](#).

<sup>85</sup> Citizens Advice (2016) [Welfare reform and essential bills: mitigating the impact on people's ability to pay](#).

<sup>86</sup> Citizens Advice (2017) [Frozen Out - Extra costs faced by vulnerable consumers in the energy market](#).

<sup>87</sup> Essential Services Action Network (2016) [ESAN Conference: How can the consumer voice be better heard in the regulation of essential services?](#)

<sup>88</sup> Citizens Advice (2015) [English by default – Understanding the use and non-use of Welsh language services](#).

## Priority 2: Push to make it far easier to switch suppliers

When market competition works well, it enables consumers to access the prices and services which suit their needs. However, when consumers are disengaged, prices rise, poor service goes unchallenged and markets can be distorted. Structural barriers and consumer disengagement means switching rates are low. Only 1 in 10 consumers switched energy supplier last year.<sup>89</sup> This year we explored consumer disengagement and its costs. We also looked at the value of behavioural insights in informing policy, and devised tools to help consumers.

Behavioural insights can help us nudge people towards better outcomes in light-touch ways. This year we commissioned research into switching and the wider context of regulated markets. We found that consumers tend to be less engaged and less likely to shop around in less ‘interesting’ markets.<sup>90</sup> This can have negative consequences for consumers in markets such as energy.<sup>91</sup> Our research highlighted a widespread area of consumer detriment - the “loyalty penalty”. Service providers know that many consumers don’t switch, and exploit this behaviour by increasing prices for the ‘stickiest’ customers. We found that customers who don’t switch providers pay significantly more in the long-run. For example, customers who fail to switch broadband providers face a 43% price increase after a year in their contract.<sup>92</sup> We also found that vulnerable customers such as older people and lower income groups tend to pay more. In 2017/18 we are expanding this work into energy, mortgages, and insurance markets to understand the loyalty penalty across markets and identify practical solutions.

Price comparison websites (PCWs) and next generation intermediaries (NGIs) exemplify technological change reshaping markets. They have the potential to improve switching rates and help people save money but there are limits to what PCWs and NGIs achieve for consumers at present.<sup>93</sup> This year we surveyed users and, more importantly, non-users of PCWs to identify the barriers to participation. We found there was need for a more uniform approach to regulation across different sectors’ PCW markets, as well as a need for PCW

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<sup>89</sup> Citizens Advice (2015) [Response from Citizens Advice to BIS call for evidence on switching principles](#).

<sup>90</sup> Citizens Advice (2016) [Against the clock: why more time isn't the answer for consumers](#).

<sup>91</sup> Citizens Advice (2016) [Applying behavioural insights to regulated markets](#).

<sup>92</sup> Lizzie Greenhalgh (2016) [What's the true cost of loyalty for consumers?](#). Citizens Advice (2017) [Exploring the loyalty penalty in the broadband market](#).

<sup>93</sup>FCA (2014) [Price comparison website: Consumer market research](#).

operators to focus more on usability and showing results in an unbiased manner.<sup>94</sup> As the CMA concludes its market study on comparison services, we will work with them to ensure that consumer-friendly changes are made.

Digital comparison can only assist consumers in essential service markets where prices are transparent and understandable. However, in telecoms markets prices are frequently opaque or misleading.<sup>95</sup> We recommended that telecoms markets adopt the provider-initiated switching model which has improved switching processes in the energy market.<sup>96</sup> If implemented, our recommendations will make it easier for consumers to switch providers in the telecoms sector and could be applied to other markets in the future.

### **Priority 3: Develop live data tools to give early warning of consumer detriment**

The face of consumer detriment is constantly changing. Scammers change their methods, while new technologies like smart meters create new problems as well as opportunities. This year we have explored new ways of using our data to identify emerging areas of detriment, allowing us to solve problems quickly before their impact is widespread.

In our local offices we've partnered with behavioural insight experts to use data to improve energy efficiency and switching rates. With Stevenage Citizens Advice and the Behavioural Insights Team, we developed new behavioural intervention resources and consumer nudges to use with clients throughout the advice process, to improve attendance and solidify outcomes. We are currently testing these tools and will evaluate which techniques have been most successful in improving attendance and engagement. Following the pilot we intend to roll out these tools for use across a wider range of local offices and advice sessions.

We make use of our Consumer Service data in several ways. Citizens Advice houses and supports the Knowledge Hub of the Consumer Protection

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<sup>94</sup> Citizens Advice (2017) [The Future of Digital Comparison Tools](#).

<sup>95</sup> Citizens Advice (2016) [Hung up on the Handset. An investigation into sales practices in the mobile phone market](#).

<sup>96</sup> Citizens Advice (2016) [Consumer switching: Proposals to reform switching of mobile communication services](#).

Partnership (CPP). By sharing our data through the Partner Portal, we enable partners to identify trends and are able to support evidence-based decisions within the CPP. Trend data on the size and frequency of consumer detriment across different markets, in combination with findings from our consumer detriment report, have helped to shape the CPP's new tool which will monitor consumer detriment and rate different markets. We work with partners to address the consumer issues and scams we have identified from this data, and lead the development and coordination of the CPP's campaigns - National Consumer Week and Scams Awareness Month (see also Chapter 2, Priority 5).

Data tools have the potential not only to warn of potential consumer detriment but to help consumers get a better deal. This year we partnered with Bethnal Green Ventures, a technology accelerator, to consider how technology can level the playing field for consumers - particularly vulnerable consumers. We held a joint event which showcased the ways digital products can help vulnerable consumers save money by tackling problems such as the loyalty penalty or making it easier to get money back when something goes wrong. We will continue to explore ways our data can be used to support the development of tools that will benefit consumers.<sup>97</sup>

## **Priority 4: Throw light on regulatory settlements that disadvantage consumers**

A critical part of our role as consumer advocate is in scrutinising regulated monopolies in different essential services. Essential service providers can often use their resources to influence negotiations to increase their profits. While much of our attention focused on the energy market, reflecting the division of responsibility between us and other statutory consumer bodies, this work has wider application in regulated monopoly sectors such as water and transport, which we share with consumer bodies in those sectors on an ongoing basis.

To understand regulatory settlements, we analysed Ofgem's estimates of how Real Price Effects interact with energy networks' price controls.<sup>98</sup> We used this insight to respond to Ofgem's mid-period review deliberations in the current

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<sup>97</sup> Meetup.com (2016) [Technology and vulnerable consumers](#)

<sup>98</sup> Morgan Wild (2016) [How bill payers overpay energy networks by £100s of millions.](#)

price control period (RIIO-1). This will support our position as the next price control (RIIO-2) takes shape, potentially allowing consumers to keep billions of pounds they would otherwise have lost to network operators.<sup>99</sup> We also found that Ofgem's systematic overestimation of energy network risk<sup>100</sup> has resulted in consumers overpaying for networks' outsized profits. In 2017/18, we will continue to research networks' profits and explore how adjustments that benchmark companies revenue to real-world metrics could save consumers money. Developing previous research, we assessed energy networks' profitability in light of data that has been released since the start of the price control.<sup>101</sup> This research will be published in July 2017.

Consumer markets face new challenges as the government begins the process of exiting the European Union. The role of domestic regulators is set to increase and we have engaged with the government and regulators throughout this process. We continue to monitor Brexit related advice trends and share these with government, including most recently meeting with the Government Digital Service on the information needs of consumers and attending consumer working groups to discuss the potential impacts of policy changes.

To prepare for the introduction of retail competition in the business water market in April 2017, Citizens Advice has shared its experiences with water industry stakeholders on the needs of consumers. We have provided advice on good practice in billing, switching and customer service which we learned from the energy sector. We will continue our work on energy network price controls through a wider study looking at analogous price controls in the water sector, as well as other sectors where similar lessons may apply.

## **Priority 5: Help consumers secure quick and easy redress**

One in three consumers experiences at least one consumer problem in a year, but fewer than half seek redress, and of those only half feel their problem has been resolved in a reasonable manner.<sup>102</sup> Meaningful resolution and redress is

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<sup>99</sup> Citizens Advice (2016) [Consultation on the mid-period review of RIIO-T1](#).

<sup>100</sup> Citizens Advice (2017) [How to reduce energy bills by billions](#).

<sup>101</sup> Citizens Advice (2014) [Many happy returns? The consumer impact of price controls in regulated networks](#).

<sup>102</sup> Citizens Advice (2016) [Consumer detriment: counting the cost of consumer problems](#).

important not only to refund consumers' money and acknowledge inconvenience, but to ensure markets function fairly and effectively.

To address this, we examined the complaint handling journey and the barriers to seeking redress across sectors. We found that high numbers of complaints in the telecoms, energy, post and financial services sectors were hindered by complex processes, long response times and poor understanding of the consumer's issue by the provider. 13% of consumers abandon their complaint as they do not believe they will achieve a worthwhile resolution.<sup>103</sup> By quantifying the inconsistency of complaint handling across different markets, we were able to make clear recommendations for industry and regulators to improve complaint processes. We have since worked with firms across the telecoms, energy and financial services markets to improve their complaint handling procedures.

Where complaint processes fail, consumers need an independent arbiter of disputes, known as alternative dispute resolution (ADR). We examined the ways that consumers access ADR, and found that only 15% of consumers had heard of it.<sup>104</sup> We also found that measuring the success of these schemes is made difficult by variable statutory requirements underpinning schemes, poor recording of data on case resolutions and variation between the types and complexity of cases handled. We recommended that the number of providers in each sector should be limited to one, and non-regulated sectors should be supervised by a single authoritative body. This would lead to higher take up of ADR and encourage firms to address complaints at an earlier stage. We expect to take this issue forward with the forthcoming consumer green paper.

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<sup>103</sup> Citizens Advice (2016) [Understanding consumer experiences of complaint handling](#).

<sup>104</sup> Citizens Advice (2017) [Confusion, gaps, and overlaps](#).

# Expenditure in 2016/17

Table 1 reports grant-in-aid funded actual expenditure on consumer advocacy by activity for the year ended 31 March 2017. Expenditure by Citizens Advice Scotland is reported separately in its annual consumer report.

**Table 1: Citizens Advice consumer advocacy activities<sup>105</sup>**

Citizens Advice	Programme spend	Staffing & related costs	TOTAL
Directorate	77,300	184,900	262,200
Energy	544,300	2,368,900	2,913,200
Post	712,000	1,525,700	2,237,700
Cross-Sector	285,300	583,100	868,400
<b>TOTAL</b>	<b>1,618,900</b>	<b>4,662,600</b>	<b>6,281,500</b>

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<sup>105</sup> Subject to external audit.

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