

Tackling consumer vulnerability

Typically, consumers access essential services through private markets. Because markets for utilities, financial services and others are essential for everyday life, they are subject to economic regulation. Whether these markets are competitive or price regulated, the expectation is that consumers will benefit with consequently better services and lower prices than would otherwise be the case.

One approach for regulators in competitive markets is to put consumers in the driving seat by removing barriers to switching and providing more and clearer information. In theory 'active consumers' can push companies to compete on both price and service as companies vie for their custom.

But, there are fundamental failings in some markets that cannot be addressed simply by driving the development of 'active consumers'. Those on a low income may be excluded from the best deals no matter how active they are or would like to be. Having insufficient regular funds to pay by Direct Debit or not finding a bank willing to provide an affordable short-term loan are the types of market failure that cannot be addressed by consumers alone. Previous bad experience or customer service concerns (perhaps associated with a company's reputation or trust in the market more generally) can also drive consumers to 'opt out' of engaging with a market.

Consumers in vulnerable situations can often feel excluded from engaging with essential services markets. Citizens Advice has, for some years, argued that any consumer may find themselves in a vulnerable position at any time in their lives. Moreover that markets and regulators needed to recognise that vulnerability may not just be linked to personal circumstances but can be caused by the behaviour of companies and the character of the products and services they offer.

For all consumers to be treated fairly in these markets, the design of products and services, the provisions in the regulatory rulebooks and the focus of public policy must share a common objective of identifying, understanding and tackling consumer vulnerability as it is experienced by consumers in particular markets

A series of roundtable discussions and interviews with these four regulators convened by Citizens Advice together with follow up interviews provided the basis for the research published here.

This report shows how Ofcom, Ofgem, and Ofwat together with the financial services regulator FCA, have started to move towards the more inclusive understanding of consumer vulnerability outlined by Citizens Advice. It also sets out how companies, regulators and governments must take responsibility and leadership in treating all consumers fairly, especially those in vulnerable circumstances.

Citizens Advice has worked with the British Standards Institute to produce a standard (BS18477) to show companies how they can behave in a fair and inclusive way and make essential services accessible and suitable for all consumers.

The recommendations in this report focus on how regulators need to deepen, embed and implement approaches to tackling consumer vulnerability. However companies, regulators and governments all have important roles to play.

Companies licensed to operate in essential markets must take responsibility for the development of inclusive products and services

Companies must understand what ‘treating consumers fairly’ means for their customers who find themselves in vulnerable circumstances

Companies should challenge themselves to turn treating all consumers fairly into profitable and sustainable business models.

Regulators should set clear challenges, incentives and sanctions for firms to ensure that they treat all consumers fairly.

Regulators should have a clear objective to ensure that customer segmentation does not punish certain types of consumers with higher prices and poor service

Public policy should provide clear guidance to regulators regarding their responsibilities, but should accept its own core responsibility for ensuring affordable access to essential services

Citizens Advice hopes that this report will encourage regulators to develop and assess this approach, companies to develop an understanding of consumer vulnerability the sustainable benefits of social justice and for government to appreciate its role in making markets work for all consumers.
