



Ending Consumer Detriment

Autumn 2018

Stress, hassle and inconvenience: The life of a consumer

Markets are not working as well as they could – for consumers or for businesses. New technology has rendered systems that were put in place years ago redundant, often causing consumers increased stress, hassle and inconvenience.

We all buy products and services every day, from public transport to lunch and childcare. Sometimes, inevitably, things go wrong. Yet it is crucial that when there is a problem with something we have bought, there is a simple and stress-free way to get it resolved.

Most businesses do their best to fix problems when they occur, but sometimes it takes time – too much time – or it simply is not possible for the business and consumer to agree on a solution. Then, consumers need access to independent, third-party redress, such as an ombudsman or alternative dispute resolution (ADR) service, which can review their complaint and reach a fair decision. Ideally, this should be signposted by the business, free for the consumer and easy to use.

In some sectors there is a simple and clear system for resolving issues, but in other sectors the process can be confusing or non-existent – meaning that many purchases are under-protected. We estimate that consumers are spending around £746 billion a year on these products and services. In many such cases the only way to resolve an issue would be to head to a small claims court – a route that can be costly and complicated.

Looking at the 20 sectors that we examined for the purposes of this report (see methodology), half left consumers under protected. The best-protected sectors are regulated sectors covered by mandatory ombudsman schemes that are free to use for the consumer. Based on this, the energy and financial services sectors have the best redress.

In contrast retail, which covers a range of areas from clothing and food to petrol and electronics, is one of the worst protected. Within retail there are many dispute resolution schemes. All are voluntary for the business to sign up to and very few are free to the consumer. This is despite the majority of our day-to-day purchases being made in this sector.

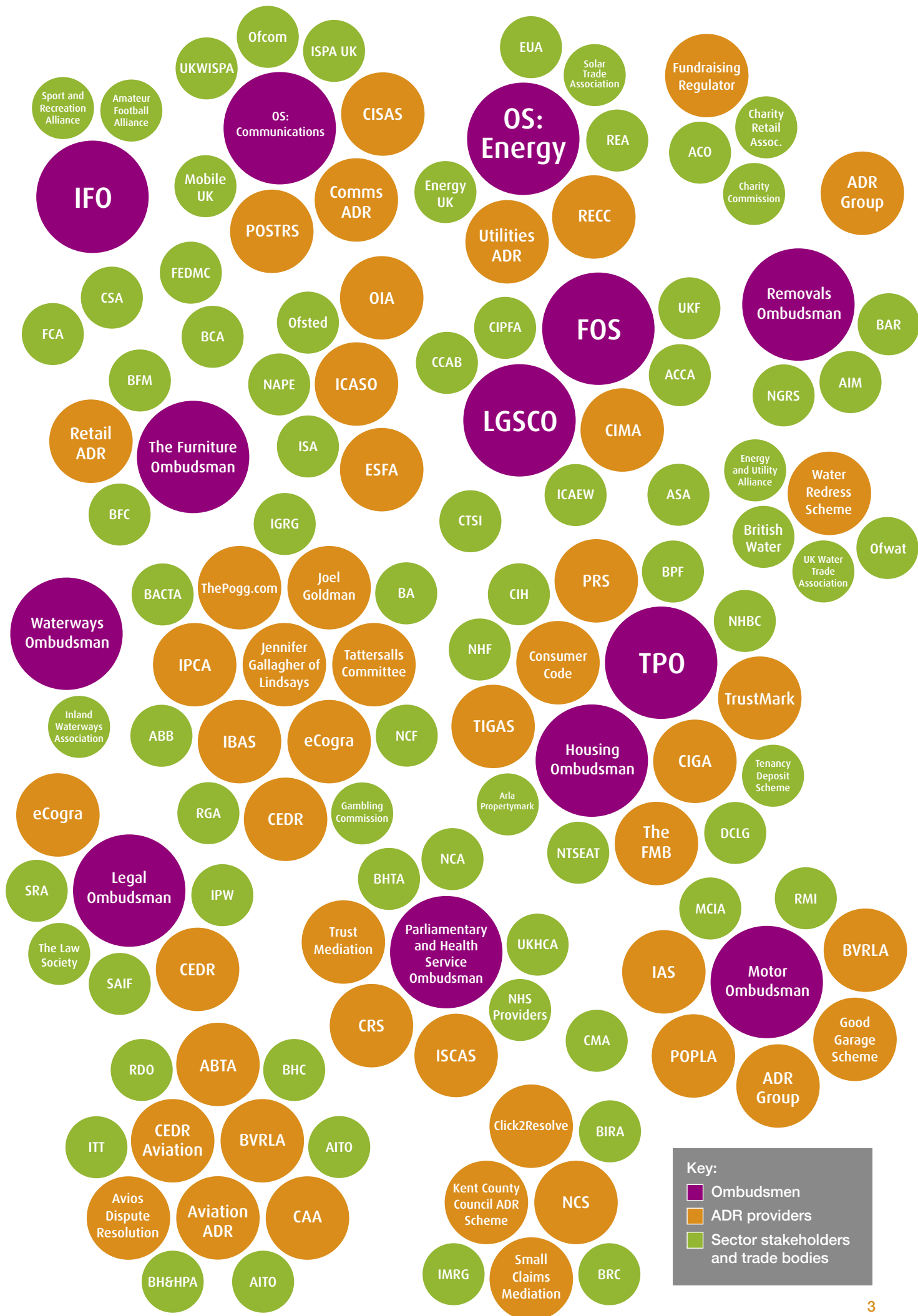
Even where independent dispute resolution is available, consumers often do not know where to go. There are currently over 70 ombudsman, ADR and complaints handling schemes in the UK covering various sectors. Many of these cover some but not all businesses in a sector, so without referral and/or appropriate signposting from it can be very difficult for the consumer to identify the correct route. Sometimes the business will not even belong to a scheme.

This confusion can add to the detriment experienced by consumers. A poor experience is made worse if complaining is stressful or frustrating. Not only is this bad for consumers, it is bad for business as consumers are much more likely to abandon a business that does not look after them properly or value their custom.

**£746
billion**

annually spent on products
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Scenarios

We've developed the below examples from our own experience and media case studies in order to illustrate the inconsistency of protection across different sectors and the confusion this can create for consumers, who are often left out of pocket or stressed as a result of the problems they face.

Mrs Francis received a bill from her gas supplier that seemed too high, so contacted her provider to query it. It became clear that the provider had recorded her meter readings incorrectly, leading Mrs Francis to overpay by £1,000.

Despite the provider promising to refund the money, it never materialised and after eight weeks Mrs Francis contacted the Energy Ombudsman, which ruled in her favour. The company was forced to pay back the £1,000.



Shahid bought a new smartphone after using a well-known comparison site, but then found out that he could have got a better deal by going through the network provider directly. He complained to the site about being mis-sold the plan but couldn't get a straight answer, and then was told he would have to pay a large fee to cancel his contract.

Shahid thought that he would be covered by an ombudsman scheme through the network provider, but although it was a member, the comparison site wasn't. Shahid has reluctantly decided to wait for his high-priced contract to expire, knowing that he is paying more than he should.



Tracey and her husband bought a new-build home, but shoddy building work left them with damp on the walls, ill-fitting windows and structural issues. They tried complaining to the builders, site manager, regional director and customer care representatives, and they even tried to get action by contacting the local press and their MP.

They also tried complaining through the Federation of Master Builders, the Housing Ombudsman, the Property Ombudsman and NHBC but with nearly 40 services, advice groups and trade bodies in the sector they found it confusing and hard to navigate. Tracey has suffered from serious mental ill health as a result of the problems.



Charly and Tomeka's flight to Rome was cancelled by the airline at the last minute, and they were told it was due to adverse weather causing air traffic control restrictions. All other flights were full and they weren't offered any alternative flights until the end of the week, so they reluctantly cancelled their holiday.



Charly and Tomeka complained to the airline but weren't able to get a refund for their flights, and decided to try going through an alternative dispute resolution (ADR) provider. They assumed that the company would belong to a scheme as a member of ABTA, but this wasn't the case and the couple were forced to pursue a refund in the small claims court.

It was a confusing, time consuming and stressful process and despite the court ruling in their favour they still haven't received a refund.

Frank's wife Mary was extremely organised when it came to household finances, so after she was diagnosed with cancer it wasn't a surprise that she had already chosen a funeral plan to help get things in place and spread the cost before she died.



When Frank came to implement the plan after Mary's death, the funeral provider told him that he would have to 'top up' the costs by as much as £1,200. Elements they thought were included in the plan, such as a weekend burial and a 'dignified' rather than 'express' option, were not.

Mary and Frank had chosen to use their local funeral director, but when Frank tried to make a complaint he realised that they weren't a member of a professional association, the plan wasn't regulated and that the funerals ombudsman had been disbanded in 2002. The funeral director has since sent a letter of apology as a goodwill gesture, but Frank has been left upset and out of pocket trying to organise the funeral that Mary wanted.

Changes and challenges

The world around us is constantly changing. As consumers, the way we shop and the way we live is much different now than it was 10 or even five years ago. The challenge for both businesses and government is to keep up and look ahead.

New technology

As consumers we are constantly connected. Technology has sped up processes, made it easier to contact friends, families and businesses, and put knowledge and information at our fingertips. It can, however, also make things worse for consumers, especially if they do not have access to the Internet.

Artificial intelligence is an exciting opportunity for business. It has the potential to cut overheads and in theory provide a more tailored, personalised service to customers. But when you rely on algorithms, consumers can fall through the cracks – so some groups of consumers, particularly the vulnerable, are put at a disadvantage.

Shopper behaviour

The Internet has changed the way we live and the way we shop. In regulated sectors, like energy, comparison sites have made shopping around for deals much easier, while the rise of sites like eBay, Etsy and Shpock means consumers are increasingly buying from other consumers. These disruptive sites make shopping more convenient, but often fly under the radar when it comes to regulation and redress. This means that consumers can be under-protected when something goes wrong.

Confusing inconsistencies

Every business has a different process for handling complaints. If consumers are unhappy with the response they get to a complaint, the escalation process differs wildly between and even within sectors. Some businesses offer third-party support from an ombudsman or ADR provider, while others will not offer any help beyond their own complaint handling process. A trip to the small claims court is often the only option in such circumstances.

Social justice

Both consumers and the media have an appetite for justice and expect companies to be fair and transparent about their practices. The explosion of social media, reader-led news sites and ‘citizen journalism’ means that issues faced by consumers rarely go unheard, and problems faced by the most vulnerable in society are more visible.

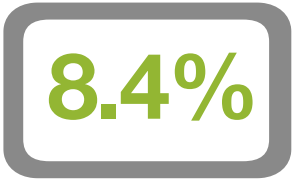
Brexit

A number of the UK’s consumer rights are tied to EU laws, and these will need to be transferred into UK law (and strengthened where possible) post-Brexit. Our future outside the Customs Union raises additional questions: What happens if a consumer has a problem with a product they bought from Europe? Will they still have the right to redress, even across borders?

Social media

With answers to common questions ready to view after a quick Internet search, consumers now want results faster than ever before. Two in three people in the UK are now social media users, and this approach to complaining often sees issues resolved in hours or even minutes. In contrast, using a company’s official complaint process can take weeks or even months, which leaves consumers feeling frustrated.

Key statistics



8.4%
of UK adults
have never used
the internet
rising to 20% of disabled adults



1 in 5
pounds
spent in UK
shops is now
spent
online

consumers
experienced
173
million
issues
with products and
services in 2017



2 in 5
shoppers
gave up
before completing
a purchase in 2017
up
from
29% in
2016



The proportion
of adults
aged 65
and over who
shop online
trebled
since 2008
rising from
16% to 48%
in 2018

69%
of consumers are
resigned to
poor service
in one or more sector



2 in 3
people in the UK
are social
media users



UK
shoppers
spent
£154
billion
online
using their
credit or debit
cards in 2016



People in the
UK spend
£1.6
billion
on things
they've seen on
social media

A world free of consumer detriment

As an ombudsman, we exist to reduce the detriment caused by poor customer experiences, whether that's financial, physical or emotional. We believe we have an integral role to play in the consumer journey – and that means working with government and businesses to prevent issues and improve systems, as well as helping consumers when things go wrong.

Drawing on our 15-plus years of experience as an ombudsman in the UK, Ombudsman Services has some suggestions for improving customer service and relationships across all sectors, which could enhance trust between consumers and business. These range from 'ideal world' possibilities to opportunities that can be seized right here and now with some effort and investment.

Our vision for the future

Redress that works for consumers

When consumers experience a problem that cannot be solved by a company directly, they need to know where to go for redress. The experience of seeking redress must reduce rather than add to their detriment. Therefore it should be free for them to access, as well as independent and fair. Crucially, its own behaviour must be carefully monitored.

These are the qualities of an ombudsman. An ombudsman's role goes much further than other types of redress, like ADR, for example. That role includes working with businesses to identify and tackle systemic issues, which ultimately raises industry standards.

For this reason we believe that an ombudsman, supported by strong regulation and effective advocacy groups, provides the best possible protection for consumers.

This is what we have been doing in the energy sector for years. From our experience of the single ombudsman model in energy, we know that having only one ombudsman can reduce confusion for consumers seeking redress. The single ombudsman

model provides one avenue for consumers. It is clear, and prevents them being passed from pillar to post.

When the single ombudsman model works smoothly, that ombudsman will have a complete picture of all complaints within a sector. This means lessons from cases that have been handled can be fed back, but trends can also be identified across the sector as a whole. As a result, problems can be prevented before they happen and services can be improved for the benefit of consumers.

In sectors that operate a multi-ombudsman model, it is important that various ombudsman schemes collaborate - for example by sharing complaints data and working to consistent data standards - in order to create a broad picture that informs regulators, businesses, consumers and other stakeholders. Clear signposting from businesses is also critical.

A single ombudsman model may be the ideal, but what matters above all else is ensuring that consumers have easy access to effective redress and resolution.

Using data to diminish detriment

While new technology has its drawbacks, there are ways it can be used to make long-term improvements to consumer protection in the UK – particularly when it comes to how we collect and use data.

Open data

There could be huge benefits for consumers who allow companies to access their data and information – much like Open Banking. By accessing detailed but anonymised information, businesses could create better, more innovative, products and services that suit the needs of specific groups of consumers.

Data portability

For many consumers, switching providers is simply too much hassle – even if they know they could get a better deal. By collecting exactly the same data, which could be passed on more easily, businesses could develop faster switching services that increase competition and ensure consumers get the best deals.

Informing consumers

Regulators, ombudsmen and consumer groups need to work together to gather performance data that can be published in a clear way that helps consumers make informed decisions when choosing a supplier.

For example, in the energy sector we work with Ofgem and Citizens Advice to publish complaints data every quarter, and in communications we publish data with CISAS, another ADR scheme operating in the sector. This empowers consumers, enabling them to make informed decisions when it comes to switching supplier.

Understanding behaviour

We believe that all businesses that collect data should use it to identify trends in consumer behaviour that might help them to improve customer service in the long term. As an ombudsman, we already have a system for flagging common issues experienced by consumers. We then feed this back to businesses to help them improve their customer service and address problems at the root.

Protecting the vulnerable

If all data on vulnerability could be collected and shared, it would help businesses to identify consumers who are at risk of going into debt or experiencing mental health issues, and could offer them additional help or support as soon as possible.

To use data in any of these ways, there would need to be strong protection in place for consumers – as well as a clear route to get help if a business failed to follow the rules. The government or industry body in charge should set out expected standards and rules, and ensure that people have access to redress, as well as support from an advocacy body like Citizens Advice.

What can we do now?

We know we can't jump straight to the 'ideal' right away – but there are many things we can do to reduce consumer detriment. From updating our laws and regulation to changing processes, every one of these recommendations would be a step in the right direction, helping to create markets that work for consumers and businesses.

Strengthen the Consumer Rights Act

According to the Consumer Rights Act, businesses must direct consumers to a redress provider or explain why they do not. We believe there is an opportunity to strengthen UK laws so that all companies MUST offer redress from either an ombudsman or ADR provider – this is the best way to make sure consumers are protected and would make the UK a world leader in consumer rights.



Protection in every sector

There should be appropriate protection available in every sector. If a sector is known for causing detriment, such as travel or gambling, regulators should put mandatory ombudsman schemes in place to make sure everyone is able to get their problem solved.



Take action when companies are struggling

Where a regulator or enforcement body, for example the Competition and Markets Authority or the Chartered Trading Standards Institute, notices that a company is struggling with customer service and complaints, they should have the power to bring in an ombudsman. Part of an ombudsman's role is to help companies improve – they have experience in this area and are perfectly positioned to review and offer advice on best practice.



Revisit regulation

New technology and the Internet mean that new market entrants, or entire business models, can fall through the cracks of regulation. In some sectors, there is a need for greater agility so that rules and regulations can be revised quickly, enabling policy to keep pace with the rapid pace of change and innovation.



Monitor high-growth companies and disruptors

Competition in markets is, overall, a good thing – it often results in better deals and more innovative products for consumers. But when smaller companies suddenly grow, sometimes their customer service is unable to cope. We have processes in place for monitoring high-growth companies that experience a sharp increase in complaint volumes, allowing us to step in and offer advice or support before a relatively minor issue becomes a full-blown crisis. This monitoring ability could be extended to regulators and trade bodies.



More consumer education

Consumers often do not know about the help that's available to them if they have a problem with a business. Confusion around multiple providers or complicated language only adds to consumer detriment. There is work to be done by government, businesses, consumer groups and redress providers to make sure awareness levels increase.



Educating businesses on the benefits

In order for redress to work effectively, companies need to be behind it - particularly in sectors where offering access to redress is voluntary. This means they need to understand the value of treating consumers fairly. We know that consumers will stay loyal to a business even when they have made complaints, as long as the complaints are handled well - so this is crucial to customer retention.



Reduce time period for complaints handling

Companies that work with an ombudsman scheme currently have eight weeks to resolve complaints themselves before an ombudsman steps in (and ombudsmen themselves have up to 90 days to review a complaint). We think that this is too long. New technology has made reviewing complaints easier than before – complaint information and evidence is no longer sent by post, for example – and the longer it takes, the greater the consumer detriment.



Bringing new technology to complaints handling

Ombudsmen and ADR providers must invest in new technology to ensure their services keep up with those offered by businesses. For example, Ombudsman Services is improving its digital presence and complaints management system so that consumers and businesses have faster, more accurate electronic complaints journeys. This will free up other team members to help the vulnerable and those who are less comfortable with technology.



Publish complaints data

As with gender pay, companies could be made to publish their complaints data. This would include the number of complaints received, number resolved and the speed of service. While this would not be as helpful as publishing data for a whole industry, it would be an incentive for companies to ensure they are providing the best customer experience possible.



Better support for the vulnerable

We're currently using our experience in the energy sector to help to develop a 'Priority Services Register' in the communications sector that can be used to offer better support of vulnerable consumers. Every service sector should have similar processes in place to make sure vulnerable consumers are not left at a disadvantage or out of pocket. Eventually, we'd like to see data being shared between sectors to help with this.



Improve prioritisation of complaints

Money has a different value to different people. Being £50 out of pocket could affect one person significantly more than another person, and by using data effectively this can be considered when looking over complaints. For example, if someone is likely to go into debt as a result of an issue with a business, their complaint should be prioritised.



Better partnerships between government, advocacy groups, companies and redress providers

If businesses, government, advocacy groups and redress providers can work together to share information, the customer journey can be improved. For consumers, the sooner problems can be identified and addressed, the better.



About Ombudsman Services

We put impartiality at the heart of our service, to make fair, balanced and considered decisions based on the evidence. We're committed to doing the right thing for both consumers and businesses, which is why we're campaigning for change that will strengthen consumer protection in the UK.

As an ombudsman, we have a key role to play in customer experience and we have the insights to help make positive change happen. By using our data to identify systemic issues, we can help businesses to improve their customer service and develop meaningful, long-lasting relationships with consumers.

Background

We were founded in 2002 to provide independent alternative dispute resolution, acting as the sole ombudsman in the energy sector and one of two ombudsmen in the communications sector. We are also approved by the Chartered Trading Standards Institute to provide redress in non-regulated sectors such as retail and home improvement.

Expertise

Since our launch we've acted as an independent, impartial voice in disputes between consumers and businesses. Last year alone we resolved more than 90,000 consumer complaints and helped businesses to improve their customer service standards, from analysing and feeding back on trends to creating bespoke services.

We've seen what good service looks like, and we're here to lend our expertise to any business that is interested in how they can use data to improve their customer journey. We've also seen what happens when things go wrong, and can help businesses overcome a backlog of complaints or strengthen their complaint handling processes.

Any questions?

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