Consumer protection and economic growth

Final Report for Citizens Advice

April 2025

Executive Summary

Citizens Advice commissioned Frontier Economics to explore the links between consumer protection and economic growth. This report focuses on reviewing the existing literature, evidence and economic thinking.

Why does consumer protection matter?

Consumer protection is one form of regulation, focused on safeguarding the rights of consumers in their interactions with businesses and organizations. It helps ensure fair trade, accurate information, and safe products and services.

It is estimated that in the UK in 2021-22 there was £71 billion of aggregate consumer detriment which was not addressed by consumer protection (NatCen 2025). This affected an estimated 38.5 million UK consumers.

The CMA has estimated the impact of its work to improve markets in the UK (CMA 2024). For the financial years 2021/22 to 2023/24, the aggregate consumer benefit from relevant consumer enforcement work was estimated to be £525.7 million, giving an average of £175.2 million per year in benefits to UK consumers.

More high-quality evidence on the impact of consumer protection would be valuable to establish where and how agencies can maximise the benefits for consumers and society.

£71 BILLION Consumer detriment in UK per year

38.5 MILLION UK consumers affected per year

£175 MILLION Benefits to UK consumers from CMA regulatory enforcement per year

Executive Summary

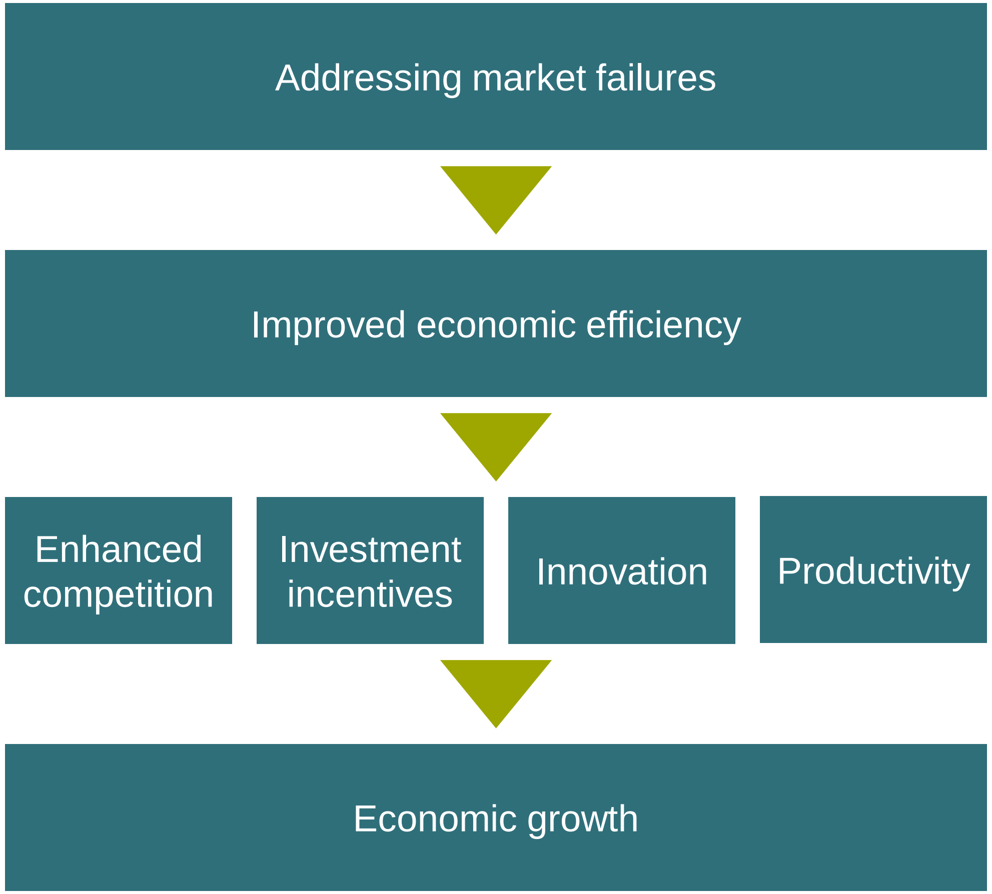
How does government intervention in markets support economic growth?

The justification for any form of regulation – including consumer protection – is in response to market failures, with the intention of making markets function better.

When government intervention (including consumer protection) addresses market failure, this promotes economic efficiency.

Improved economic efficiency creates economic growth by ensuring resources are used in the optimal way, which: enhances competition between providers; promotes long-term investment and expansion; encourages innovation and improvement; and increases productivity.

Boosting economic growth is an important objective for all governments. However, there are some additional considerations when intervening in markets, including the costs of intervention and wider policy objectives such as improving population wellbeing and reducing inequalities. Whether particular consumer protections are valuable therefore needs to be assessed on a case-by-case basis.



Executive Summary

How does consumer protection support economic growth?

Consumer protections supports economic growth by addressing market failures, including information asymmetry, externalities and market power.

Examples include:

- More transparent pricing information provided to consumers in the care home market led to improved care quality conservatively valued at £30 to £50 million.
- Protection against unfair gym membership contracts led to providers changing their contract terms, reducing consumer detriments by an estimated £37 million.

The direct link between consumer protection and economic growth can be difficult to establish, however there is some evidence for a positive impact through mechanisms like increased market efficiency, higher consumer confidence, and better business practices. More research into the impact of consumer protection on growth is needed to evidence these impacts.

Even where consumer protection is valuable, it must be designed carefully. Consumer protection should follow the five principles of good regulation: proportionality; accountability; consistency; transparency; and targeting. In addition, the effectiveness of consumer protection also depends on effective implementation and enforcement.

Better information improved care home quality

The issue: Care home market lacked information on price transparency (fees and extra charges); contract protection against price increases; availability of inspection reports; and understanding of complaints procedures.

Consumer protection: OFT recommendations for actions by Local Authorities, care home regulators, health departments, and care homes to improve care home information and transparency on contracts and fees.

Impacts: No evidence of impact on fees, but improved care quality conservatively valued at £30 to £50 million (with an overall benefit to cost ratio of over 5:1). (OFT 2011)

Contract regulation improved rights to cancel in gym memberships

Issue: Gym membership imposing a minimum membership of one year without any rights to cancel and longer contracts had no option to cancel for a modest fee.

Consumer protection: These terms found to be unfair under the Unfair Terms in Consumer Contracts Regulations 1999.

Impacts: Majority of gym operators now avoid using these contract terms with the reduction in consumer detriment estimated to be £37 million. (CMA 2016)

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Introduction

Citizens Advice is a network of independent charities across England and Wales that provide free, confidential, and impartial advice on a wide range of issues, from debt and consumer rights to housing and employment.

Citizens Advice commissioned Frontier Economics to explore the links between consumer protection and economic growth.

Consumer protection – safeguarding the rights of consumers in their interactions with businesses and organizations – is an important part of an efficient, well-functioning market economy.

Economic growth supports job creation, improved standards of living, reductions in poverty, and enables greater investment in public services. Economic growth is a key policy priority for governments.

This rapid piece of work was undertaken over a few weeks in March and April 2025. It focuses on reviewing the existing literature, evidence and economic thinking. More detailed work could include new primary research or modelling to add new evidence on this topic.

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Definition of consumer protection

For the purposes of this report, we define consumer protection using the descriptions below.

REGULATION refers to the rules, laws, and guidelines established by governments or regulatory bodies to oversee and influence market activities.

These measures are designed to ensure fair competition, **protect consumers**, promote transparency, and prevent harmful practices like exploiting market power or fraud.

Regulation can cover various areas, including pricing, quality standards, environmental protections, and financial reporting.

CONSUMER PROTECTION is one form of regulation, focused on safeguarding the rights of consumers in their interactions with businesses and organizations. It helps ensure fair trade, accurate information, and safe products and services.

This includes both Government legislation and regulations put in place by sector regulators, as well as the activities of consumer protection agencies.

Examples include fair trade practices, advertising and labelling rules, product safety standards, returns and refunds rules, and data protection rules. Consumer protection may be enforced using inspections, investigations and penalties.

There are significant costs to consumers when they are not adequately protected

It is estimated that in the UK in 2023-24 there was **£71 billion of aggregate consumer detriment** which was not addressed by consumer protection (NatCen 2025).

- Around **7 in 10 consumers experienced at least one problem** with a product (either good or service), which is around **38.5 million consumers** across the UK.
- In total, there were approximately **295 million problems** across all sectors, with the top 5 sectors for the percentage of purchases leading to detriment being public transport and trains; second-hand vehicles; adult care; real estate services; and internet provision.
- The **average detriment for services was £41** per problem, compared with **£15 for goods**.
- The **main causes of detriment were poor-quality products (35%)**, problems with deliveries (20%), unusable products (19%), and having never received a purchased item or service (18%).
- The **number of problems, and size of detriment suffered, was higher among younger consumers and those in difficult financial situations**, compared with other groups.

Earlier analysis by the National Audit Office (NAO 2016) estimated the scale of consumer detriment to be at least £14.8 billion in 2014-15, of which £4.2 billion was 'hidden detriment' from doorstep crime, mass marketing scams and counterfeit goods, of which consumers were not even aware.

£71 BILLION Consumer detriment in UK per year

38.5 MILLION UK consumers affected per year

295 MILLION Problems for UK consumers per year

Consumer protection agencies can avoid significant detriment for consumers

The ongoing activities of consumer protection agencies – both in deterring and identifying consumer detriment when it does occur – help to reduce these costs.

The CMA has estimated the impact of its work to improve markets in the UK (CMA 2024):

- For the financial years 2021/22 to 2023/24, the aggregate consumer benefit from relevant consumer enforcement work was estimated to be £525.7 million, giving an average of **£175.2 million per year in benefits to UK consumers**.
- The benefits include a reduction in consumer detriment as a result of stopping unlawful practices. Specific cases included ensuring refunds for cancelled holiday packages during COVID-19; a commitment to changes in subscription renewal processes by some anti-virus software companies; 30 companies no longer doubling ground rents in property leaseholds; and change to auto re-enrolment for subscriptions with Sony and Nintendo
- The benefits also include the estimated price impact of the CMA's interventions, for example, due to increased transparency and more informed consumer decisions. Specific cases included published guidance for social media platforms, brands, and content creators to follow so that people can easily spot a paid-for online endorsement and guidance for self-funded IVF clinics and consumers on obligations and rights under consumer law.

Analysis of consumer authorities over 30 European countries (Berg 2022) shows:

- Substantial variation in how public authorities monitor the markets, set consumer protection rules and ensure that retailers and suppliers follow competition and consumer laws.
- Trust in markets was enhanced in countries with fair and effective consumer authorities. This **consumer protection meant that consumers generally regarded retailers and suppliers to be reliable, encouraging well-functioning markets**.

More high-quality evidence on the impact of consumer protection would be valuable to establish where and how agencies can maximise the benefits for consumers and society.

£175 MILLION

Benefits to UK consumers from CMA regulatory enforcement per year

The UK consumer protection regime is underpinned by legislation...

In the UK, consumer protection is the responsibility of the Department for Business and Trade (Department for the Economy in Northern Ireland). Consumer protection legislation is the basis of the regime. Examples of key legislation is shown in the table below.

UK legislation	Purpose
The Consumer Rights Act 2015	Consumer rights covering contracts for goods, services and digital content
Consumer Contracts Regulations 2013	Protections when purchasing goods and services, including pre-contract information rights and cancellation rights for distance and off-premises contracts
Consumer Protection from Unfair Trading Regulations 2008	Protections from unfair commercial practices that distort consumer decision making
Enterprise Act 2002	Enforcement of consumer protection laws through civil legal action
Alternative Dispute Resolution for Consumer Disputes Regulations 2015	Requirement on traders to inform consumers of ADR organisations who can help them

Source: adapted from NAO (2018)

… and delivered through a range of consumer protection agencies

A range of agencies ensure that consumer protection – as set out in legislation – is delivered for the benefit of UK consumers. Some of the main national consumer protection agencies are identified below.

Enforcement agencies

Enforcement agencies ensure compliance with consumer protection laws. They investigate breaches, take legal action against offenders, and impose penalties to deter unfair practices.

CMA Competition & Markets Authority

NATIONAL TRADING STANDARDS Protecting Consumers Safeguarding Businesses

Trading Standards Scotland

Sector regulators

Sector regulators oversee specific industries, ensuring that businesses within their sector adhere to consumer protection standards. They set standards, monitor compliance, and promote fair competition.

UK Civil Aviation Authority

FCA FINANCIAL CONDUCT AUTHORITY

PSR Payment Systems Regulator

ofgem

ORR OFFICE OF RAIL AND ROAD

Ofwat

Ofcom

Utility Regulator ELECTRICITY GAS WATER

Statutory advocacy and advice

Independent statutory bodies advocate for consumer rights and provide guidance. Their role includes educating consumers, representing consumer interests in policy discussions, and offering direct support, such as advice or resolving disputes.

citizens advice

Consumer Council

Consumer Scotland Luchd-Cleachdaidh Alba

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Government intervenes in markets in response to market failures, to make markets more efficient

The justification for any form of regulation – including consumer protection – is in response to market failures, with the intention of making markets function better.

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The various forms of shortfall in market welfare optimisation are characterised as “market failures.”… The need to understand competition and market efficiency, arises when considering either;

- whether a public policy objective can be met by improving the social welfare efficiency of an existing market, or establishing a new market, or
- whether a proposed intervention may also result in distorting an existing market and so significantly damage welfare efficiency.

Source: HM Treasury (2022)

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Government and Parliament use regulation to deliver various public policy objectives across many areas, particularly where government does not provide or commission services directly. Regulation is characterised by a set of rules and expected behaviours that people and organisations should follow, and will often involve one or more regulators enforcing and influencing compliance with those rules and behaviours. **Effective regulation can lead to more efficient and effective delivery**, such as reduced prices, improved quality or better environmental standards. Failure can result in detriment to people, businesses, the economy or the environment, and large costs to the public purse.

Source: National Audit Office (2021). Principles of effective regulation

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High quality and efficient economic infrastructure plays a vital role in supporting a **competitive and growing economy** by providing services on which all businesses and citizens depend… In the UK, economic regulation has aimed to promote effective competition where this is possible, and to provide a proxy for competition, **with protection of consumers’ interests at its heart**, where it is not meaningful to introduce competition.

Source: BIS (2011), Principles for Economic Regulation

Market failure can take numerous forms

Market failure can take numerous forms:

Externalities – when a third party is affected by market behaviours

- These can be production externalities (e.g. manufacturing pollution) or consumption externalities (e.g. smoking)
- Above examples are negative, but there can also be positive externalities (e.g. economic spillovers)

Public goods – when a good is non-excludable (everyone benefits) and non-rivalrous (use by one doesn't diminish availability for others) e.g. national defence.

Market power / abuse of dominance – when one or few firms are able to dominate a market and can restrict output, increase prices or diminish quality.

Information asymmetry – when one party in a transaction has better information than the other (e.g. sellers of used cars knowing more about potential defects)

Additionally, the following market characteristics cut across the above market failures but may be of particular interest from a policy perspective:

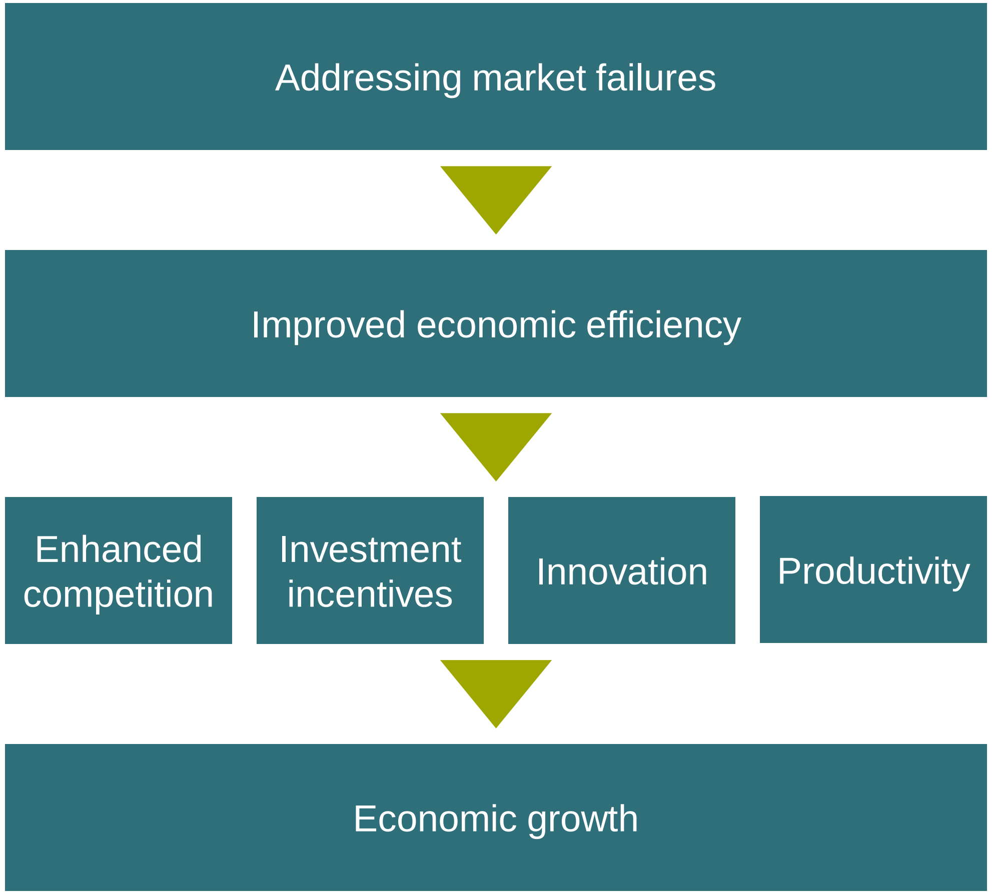
Incomplete / missing markets – when the market for an essential good or service doesn't exist (e.g. insurance for high-risk individuals)

Inequalities – when markets lead to unequal distribution of outcomes, to the detriment of society

Addressing market failures promotes economic efficiency…

When government intervention (including consumer protection) addresses market failure, this promotes economic efficiency. **Economic efficiency** includes three distinct forms, each of which can be improved by addressing market failures:

- **Allocative efficiency** is achieved when resources are distributed in a way that maximizes social welfare i.e. the 'right products' are made in the 'right quantities'. This is hindered when, for example, consumers are poorly informed about available products and are not able to exercise effective choice.
  - For example, if prices are fully transparent, consumers may be more likely to switch between providers and ensure they receive the best deal for them.
- **Productive efficiency** is achieved when goods and services are produced at the lowest possible cost. This is hindered when, for example, weak competition leads to poor incentives to reduce costs.
  - For example, if consumers are more likely to switch, then firms have stronger incentives to keep their costs (and thereby prices) down.
- **Dynamic efficiency** is achieved when firms innovate and invest in new technologies or processes, to become more productive over time. This is hindered when, for example, externalities are not fully considered by firms making investment decisions.
  - For example, if consumers are better informed about environmental impacts of different products, they may switch to those with lower impacts, encouraging providers to reduce their environmental impact.



… and economic efficiency is good for economic growth

Improved economic efficiency **creates economic growth** by ensuring resources are used in the optimal way, which:

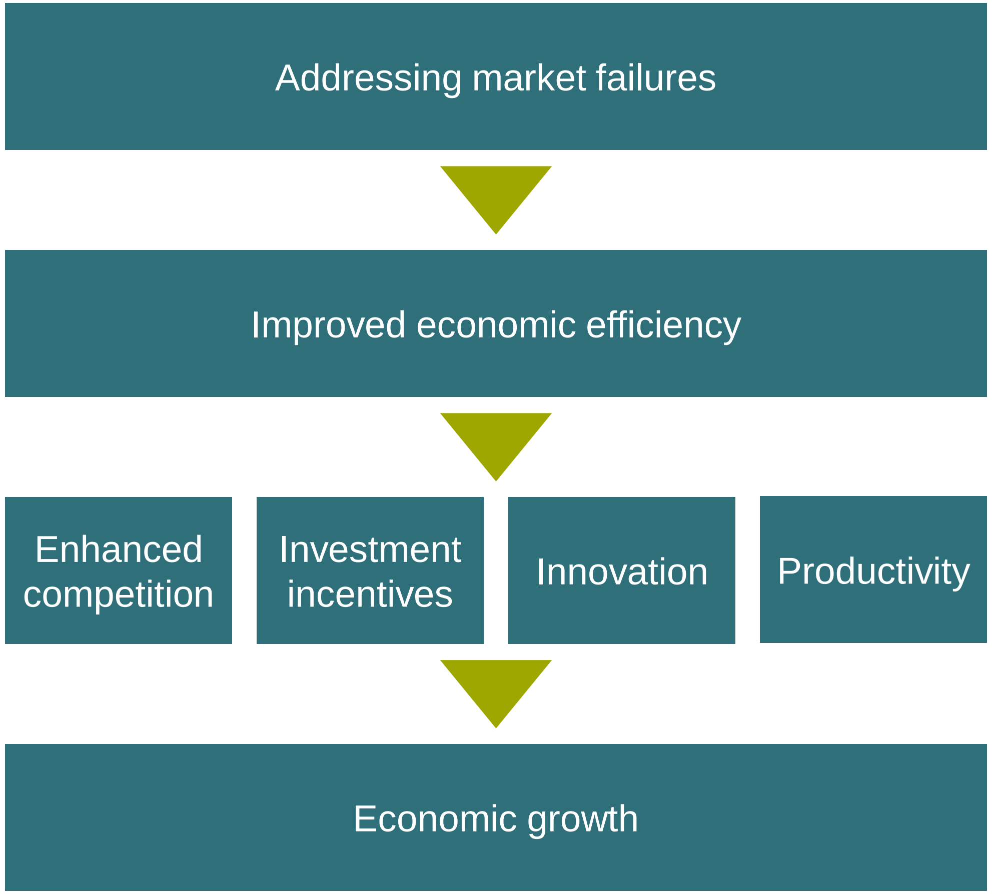
- enhances competition between providers;
- promotes long-term investment and expansion;
- encourages innovation and improvement; and
- increases productivity.

These factors increase consumer trust and consumer confidence and boost demand.

There are potential constraints on this impact on economic growth. For example:

- There may be substitution or displacement effects. Expansion in one market can be at the expense of another i.e. greater efficiency in product market A means consumers and producers switch toward product A, away from product B. On the ‘demand side’, this could represent a shift in consumption without any net increase. On the ‘supply side’, this could represent a shift in production without any net increase.
- There may be wider economic constraints – such as shortages in the right sort of workforce, capital equipment or financial credit required – which prevent a market from expanding.

However, all else equal, improving economic inefficiency and building consumer trust is valuable for promoting economic growth.



Governments should weigh up wider considerations, including economic growth, when determining whether market interventions are justified

Boosting economic growth is an important objective for all governments. However, there are some additional considerations when intervening in markets:

Costs of government intervention

Even when a regulatory or protection measure addresses a market failure, the **costs of implementation** may be higher than the benefits.

For example, a particular consumer harm may affect a very small number of consumers; it may be costly (and disproportionate) to require a change in information or labelling which applies to all consumers, the vast majority of which are unaffected.

The costs should be weighed against the benefits on a case-by-case basis.

‘Good growth’

Economic growth should not be pursued at all costs. There is ‘good growth’ and ‘bad growth’.

For example, expanding work with poor labour standards or expanding environmentally-damaging production could both be detrimental to society.

Governments usually seek to promote economic growth which enhances the overall welfare of society.

Wider objectives

Growth is not the only policy objective that governments hold.

Other objectives include improving population wellbeing and reducing inequalities.

Sometimes governments intervene in markets to achieve a particular policy objective e.g. protecting vulnerable groups or achieving other forms of equality. This may be desirable, from a societal perspective, even if this creates additional costs or leads to slightly worse outcomes for other consumers. Governments must weigh up these potential trade-offs in the round.

Market intervention is valuable when it promotes growth, but government should also consider the costs and the impact on wider policy objectives, such as protecting vulnerable consumers. Whether particular consumer protections are valuable therefore needs to be assessed on a case-by-case basis.

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Some evidence has explored the direct link between consumer protection and growth

The direct link between consumer protection and economic growth has been explored in several academic studies, and while the direct causality can be difficult to establish, there is some evidence suggesting that consumer protection can positively influence economic growth through mechanisms like increased market efficiency, higher consumer confidence, and better business practices, as described on previous pages.

A literature review for BIS in 2012 found that “Whilst substantial evidence exists for a comprehensive array of consumer empowerment activities… theoretical workings and empirical evidence are substantially lacking for the process by which these outputs align to particular economic outcomes and, in particular, those outcomes related to economic growth...” (ICF GHK 2012). This is consistent with the findings from other studies e.g. for the European Parliament (2014)

More positively, a report for the European Parliament (2019) reviewed the evidence on the impact of consumer protection on GDP and employment, finding “Most of the assessment studies envisage additional economic output. Available estimates range from virtually 0.0% to close to 1.0% per year, usually around 0.1%”.

CMA (2024) report some evidence on the links between competition and several outcome measures including innovation, productivity, growth and welfare.

Gardner et al (2022) present evidence on how consumer problems reduce competition and innovation and on how competition and innovation support increases in productivity and economic growth, although they do not present evidence directly on consumer protection.

More research into the impact of consumer protection on growth is needed to evidence these impacts.

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> …theoretical workings and empirical evidence are substantially lacking for the process by which these outputs [of consumer empowerment activities] align… to economic growth.

Source: ICF GHK (2012)

“

> Most of the assessment studies envisage additional economic output [due to consumer protection]. Available estimates range from virtually 0.0% to close to 1.0% per year, usually around 0.1%.

Source: European Parliament (2019)

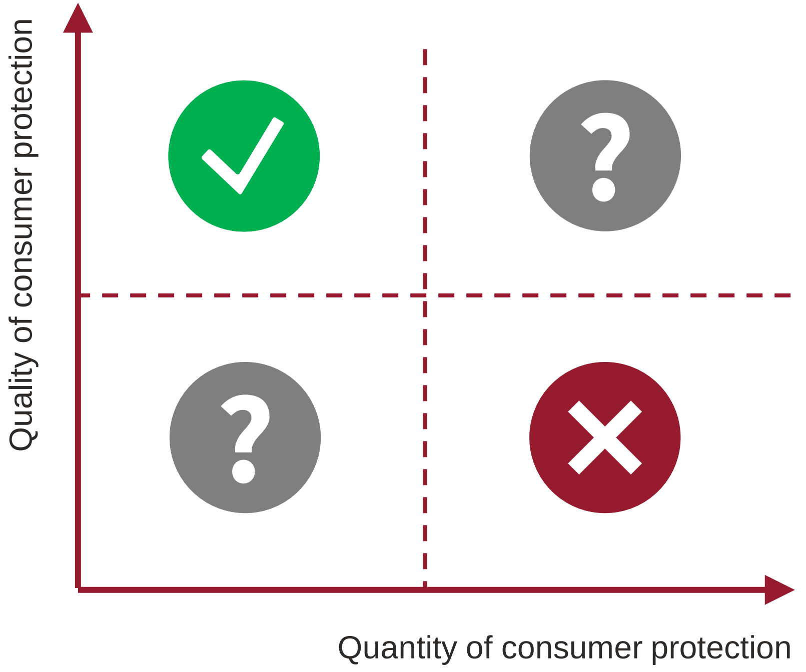
Getting the right 'quality and quantity' of consumer protection

Even where consumer protection is valuable, it must be designed carefully. Consumer protection should follow the five principles of good regulation (Cabinet Office 2003):

1. **Proportionality**. Consumer protection should be proportionate to the market failure it is addressing and should not be overly burdensome on firms.
2. **Accountability**. The objective and justification for any consumer protection should be clear. Enforcement should be fair and applied consistently, with opportunity for complaints and appeals.
3. **Consistency**. Consumer protection should be consistent with other regulations faced by firms, minimising duplication across regulators, and should be stable over time.
4. **Transparency**. The process for introducing consumer protection should be clear and open, with consultation as appropriate.
5. **Targeting**. Consumer protection should be targeted at specific market failures and/or particular consumer groups.

Failing to follow the above five principles can increase compliance costs for businesses, particularly SMEs, or increase the complexity of operating in a market. This can deter new market entry or investment. Following these principles will maximise the benefits, and minimise the costs, of consumer protection.

Impact of consumer protection on efficiency



Effective implementation is important...

As well as good design of consumer protection described on the previous page – targeting market failures, minimising burden, avoiding duplication – the effectiveness of consumer protection also depends on effective implementation (this page) and enforcement (next page):

Implementation

Effective implementation of consumer protection can involve:

- **Testing and scaling**. Where possible, testing the impact of protections allows for refinement in the design before scaling up. This helps to maximise the intended impact of the protection, while minimising any negative unintended consequences.

- **Monitoring**. A robust process for checking whether protection has achieved its desired effect can provide lessons for the design and implementation of future consumer protection.

Note that implementation costs may be passed on to consumers, so keeping implementation costs as low as possible supports better value for consumers.

For example: Ofgem ran a series of Collective Switch trials between February 2018 and April 2019 to test interventions aimed at increasing energy market engagement, in particular energy tariff switching amongst disengaged consumers. This explored the energy market engagement behaviours of different consumer groups and assessed whether the collective switch interventions resulted in a sustained increase in energy market engagement. (Ofgem 2020)

For example: Monitoring of the benefits of the roll-out of smart meters has been undertaken through assessing the impacts of smart metering on customers' energy consumption. (Chan et al 2023)

… as is effective enforcement

Enforcement

Effective enforcement of consumer protection ensures that it achieves its intended consequences. Enforcement should be:

- **Fair**. Providers should be treated fairly, with the opportunity to explain reasons for apparent breaches, and the ability to appeal decisions.
- **Consistent**. To ensure a 'level playing field' for competition between providers, enforcement should be consistent across providers.
- **Publicised**. When enforcement of consumer protection is highly visible, this maximises the deterrence effect i.e. encouraging providers to avoid consumer detriment in the first place, without the need for enforcement. This is a 'hidden' benefit of consumer protection which is equally valuable.

For example: For example, decisions by the Competition and Markets Authority (CMA) can be appealed to the Competition Appeal Tribunal (CAT).

For example: Ofcom's decisions regarding GB News, particularly concerning politicians acting as newsreaders or interviewers, was challenged as inconsistent with the actual wording of the rules and not foreseeable for broadcasters. A court agreed with GB News that Ofcom's interpretation of the rules was inconsistent. (Brown Rudnick 2025)

For example: Following OFT actions to reduce the use of unfair contracts in gym memberships, including a finding of unfair terms against one operator, the opening of six further investigations and warning letters to 20 other operators, a subsequent review found that the majority of gyms were not using such unfair contract terms (CMA 2016).

In the absence of effective implementation and enforcement, the full benefits of consumer protection cannot be realised.

Consumer protection supports economic growth by addressing market failures

Although the direct link between consumer protection and economic growth is difficult to establish, more research has considered the role of consumer protection in addressing market failures, which promotes economic efficiency and in turn economic growth. The table below describes some common forms of consumer protection, the market failures they can be used to address, and the mechanisms through which this occurs.

Consumer protection	Examples	Market failure(s) addressed	Mechanisms
Fair trade practices	▪ Transparent pricing ▪ Fair contract terms ▪ Cooling-off periods and refund rights	▪ Information asymmetry ▪ Externalities ▪ Market power	Promoting fairness, sustainability and transparency; Enabling consumers to make informed choices; Increasing availability and ability of consumers to switch.
Consumer information (e.g. advertising and labelling rules)	▪ Standardised information ▪ Product origin labelling ▪ Health and safety warnings ▪ Energy efficiency labelling	▪ Information asymmetry	Enabling consumers to make informed choices; increasing ability of consumers to switch
Product safety standards	▪ Safety certification ▪ Materials regulations	▪ Information asymmetry ▪ Externalities ▪ Market power	Increasing consumer trust and confidence; reducing harm to consumers; encouraging fair competition

The following pages provide evidence of these impacts, providing specific examples which build upon the wider evidence for consumer detriment and the benefits from consumer protection presented on pages 9 and 10.

Evidence: consumer information (e.g. advertising and labelling rules)

Providing consumers with better information or restricting what and how firms can advertise to consumers, improves their ability to understand the quality and appropriateness of good and services. This reduces the potential negative impact of asymmetric information. Examples of relevant consumer protections include advertising and labelling rules.

Characteristics of market / consumer protection which improve efficiency:

- Increasing visibility of quality to consumers
- Transparent pricing models
- Building consumer trust

Controls on telemarketing reduced nuisance consumer calls

The issue: Unsolicited telemarketing calls seeking to sell unwanted products and services (typically credit card offers, insurance deals, newspaper subscriptions, and sometimes fraudulent schemes) was seriously disrupting people's home life in the US.

Consumer protection: (a) Telemarketing Sales Rule 2003 with DO NOT CALL registry provision and (b) Aggressive crackdown on illegal robocalls in 2024.

Impacts: (a) As of 2019, nearly 240 million active phone numbers registered, indicating the effectiveness of this consumer protection initiative. (b) An over 70 percent decrease in illegal robocalls. (Waller et al 2024)

Better information improved care home quality

The issue: Care home market lacked information on price transparency (fees and extra charges); contract protection against price increases; availability of inspection reports; and understanding of complaints procedures.

Consumer protection: OFT recommendations for actions by Local Authorities, care home regulators, health departments, and care homes to improve care home information and transparency on contracts and fees.

Impacts: No evidence of impact on fees, but improved care quality conservatively valued at £30 to £50 million (with an overall benefit to cost ratio of over 5:1). (OFT 2011)

Ensuring accurate information for undergraduate courses

The issue: Shift from state funded Higher Education towards a demand-led market required consumer protection for students.

Consumer protection: 2015 CMA *Higher Education: Consumer Law Advice for Providers* required that course information for prospective students be delivered.

Impacts: Slowed down the pace of innovation and change within undergraduate law courses and increased the role of centralised managerial professionals in the design and delivery of courses. (Rose-Hamilton 2021)

Evidence: consumer information (e.g. advertising and labelling rules)

Online consumer information improved by National Trading Standards

Issue: Consumer misinformation on websites and social media.

Policy: National Trading Standards (NTS) secures website and social media takedowns and gets content suspended to stop scams, frauds and other Trading Standards offences.

Impacts: NTS secures website or content takedown over 7,000 times per year. (National Trading Standards 2022)

Information from smart meters reduced energy bills

Issue: Consumers lacked information on how to reduce energy bills.

Policy: Rollout of smart metering (national infrastructure upgrade) which aims to reduce household costs and help create a flexible energy system that enables greater use of home-grown renewables, increasing energy security.

Impacts: Estimated reductions in electricity consumption of 3.3% to 3.6% and gas consumption of 2.9% to 3.1%. (Chan et al 2023). Benefits to consumers include convenience and clarity in billing; being better informed about use and costs; taking actions and making purchases to reduce energy use (with financial benefits); and feeling able to contribute to environmental goals. (NatCen 2021) Benefits estimated to be £19.5 billion (compared to £13.5 billion cost) over 2013-2034, with £6 billion driven by lower bills for consumers. (BEIS 2019 NAO 2023)

Information on alternative suppliers encouraged consumers to switch energy suppliers

Issue: Consumer reluctance to switch energy suppliers.

Policy: Collective Switch Trials: tested the effect of letters to consumers containing information about costs and energyhelpline (a price comparison site) where consumers could switch to an exclusive tariff or to another tariff.

Impacts: Switching tariff was higher for those in the intervention and subsequently higher for those who switched during the intervention, particularly those who has used the energy helpline and signed up for marketing. Re-prompting consumers at their tariff end day is vital to maintain a sustained impact. (Ofgem 2020)

Product labelling improves consumer choices

Issue: Consumers lacked information on energy efficiency when making purchases.

Policy: Energy efficiency labels for product sales.

Impacts: Experimental evidence found impacts that varied by country: no significant effect in Ireland and the US; both generic and personalised monetary information had effects in Canada; and individual-specific energy costs have a small positive impact in UK. (Ceolotto and Denny 2024)

Evidence: fair trade practices (e.g. contract terms)

Fair trade practices, such as fair contract terms allow consumers to choose more effectively between providers, making better decisions which improve consumer welfare. This includes the ability of consumers to change their minds (e.g. cooling-off periods) and to switch between provides more easily. This promotes faire and effective competition between providers.

Characteristics of market / consumer protection which improve efficiency:

- Transparent pricing models
- Building consumer trust
- Firms can develop strong brand reputation for customer service

Information about cooling off periods could support energy contracts

Issue: Consumers do not value cooling off periods for energy contracts because they struggle to imagine the circumstances in which they might exercise this right.

Policy: Better information about cooling off periods..

Impacts: Qualitative research suggests that communications about cooling off periods for energy contracts may benefit from examples about why consumers might switch, to help consumers see it as more pertinent to them. (Ofgem 2016)

Contract regulation improved rights to cancel in gym memberships

Issue: Gym membership imposing a minimum membership of one year without any rights to cancel and longer contracts had no option to cancel for a modest fee.

Consumer protection: These terms found to be unfair under the Unfair Terms in Consumer Contracts Regulations 1999.

Impacts: Majority of gym operators now avoid using these contract terms with the reduction in consumer detriment estimated to be £37 million. (CMA 2016)

Contract regulation for mobile phones in Canada

Issue: Imbalance in favour of the service provider due to a lack of competition in the mobile phone market in Canada.

Consumer protection: Regulation of contract duration, agreement renewal and unilateral modification for mobile phones.

Impacts: Regulatory intervention has given consumers more comprehensive rights but the focus on consumer interests has meant that package prices remained high. (Bisping and Dodsworth 2019)

Evidence: fair trade practices (e.g. contract terms)

Contract regulation and greater information increased consumer confidence and sales for doorstop selling

The issue: Consumers poorly served by doorstop sales by being unaware of their rights; subjected to intense pressure to buy; and locked into contracts. Problems were greater for the housebound, elderly or disabled.

Consumer protection: New Government legislation required cancellation notices and cooling-off periods within contracts. OFT encouraged greater transparency on prices and more written quotes through industry self-regulation, such as approved Codes of Practice and participation in TrustMark.

Impacts: £57 million per year sales growth due to improved consumer confidence (measured by the value of additional purchases) and £8.5 million per year in reduced/avoided consumer detriment (measured by the value of the purchases cancelled due to changes). (OFT 2012)

Financial support and building consumer trust for renewable energy installations

Issue: Lower income households need financial support to insulate their homes and reduce energy costs. All households need confidence in contracts for renewable energy installations.

Policies:

Great British Insulation Scheme: government scheme targeting support to low income and least energy efficient households to insulate their homes, improve energy efficiency and reduce energy bills.

Consumer protection schemes for renewable installations which provide seven-day cooling-off periods; information to consumers in writing and verbally; realistic estimates of the likely product performance; warranty for a minimum of two years. Includes Microgeneration Certification Scheme (MCS); Solar Keymark; Renewable Energy Consumer Code (RECC); and The Home Insulation and Energy Systems Contractors Scheme (Energy Saving Trust 2024)

Impacts: Great British Insulation Scheme: 46,200 measures installed between March 2023 and October 2024, covering cavity wall, loft, solid wall and other insulation and heating controls. Up to the end of September 2024, the average cost of scheme delivery was around £26 per £1 annual bill savings. (Department for Energy Security & Net Zero 2024).

Evidence: safety regulations

Safety regulations protect consumers for poor quality and unsafe products. This can overcome asymmetric information when quality is hard for consumer to observe or to judge. This promotes competition between providers on the basis of quality.

Characteristics of market / consumer protection which improve efficiency:

- Ensuring minimum quality of goods or services
- Building consumer trust
- Firms can develop strong brand reputation for quality

Product safety standard for hairdryers saved lives

The issue: When handheld hair dryers were not required to protect against water immersion electrocutions, there were almost 16 such electrocutions annually in the USA.

Consumer protection: 1987 and 1991 immersion protection requirements of the voluntary hair dryer safety standard.

Impacts: Reduced risk of electrocution (by almost 97%) with benefit ("value of statistical life") of about $4.56 per dryer in 2014 dollars, exceeding cost of $2 per dryer to incorporate the immersion protection technology. Expected net benefit with 1 year's production of about $58.9 million. (Rodgers and Garland 2016)

Safety regulation reduced motor vehicle related deaths

The issue: Fatalities in motor vehicle accidents in the US.

Consumer protection: Motor Vehicle Safety Act 1966 introduced unified federal standards on head rests, energy-absorbing steering wheels, shatter-resistant windshields, and safety belts

Impacts: These changes, together with other road safety innovations, meant that motor-vehicle-related death rates began to decline by 1970. (Waller et al 2024)

Reducing product recalls

The issue: Large volume of product recalls in OECD countries, but low response rates mean that a high proportion of products remain in consumers' homes, exposing them to injuries or even risk of death.

Consumer protection: General safety provision (GSP) requiring suppliers to put only safe products onto the market.

Impacts: Product recall rates lower in OECD countries with GSP than in Australia which does not have a GSP. (Nottage 2020)

UK product safety regulation

The issue: Product safety.

Consumer protection: System of product safety regulations in the UK.

Impacts: Only 46% of the public feel that product safety regulations ensures that purchases are 'completely' or 'a great deal' safe and only 8% consider product safety a priority when purchasing a product. Of purchases in the past 6 months, 10% had a safety issue and most people take action. (Office for Product Safety and Standards 2024)

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