

# Consultation Response

Citizens Advice consultation: Protecting consumers in a changing world (consumer work plan 2018/19)

February 2018

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## **About Age UK**

Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and local Age UKs across England, to help everyone make the most of later life, whatever their circumstances.

In the UK, the Charity helps more than seven million older people each year by providing advice and support. It also researches and campaigns on the issues that matter most to older people. Its work focuses on ensuring that older people: have enough money; enjoy life and feel well; receive high quality health and care; are comfortable, safe and secure at home; and feel valued and able to participate.

## **About this consultation**

Citizens Advice have published a draft of their consumer work plan for 2018/19. It describes how they intend to use their role as the statutory advocate for consumers of energy and postal services, and sets out the activities they will carry out to represent consumers. The feedback on the work plan they receive in this period of consultation will be considered in the final version, which will be published in March 2018.

## **Key points and recommendations**

- We broadly support the themes identified in Citizens Advice's 2018/19 work plan, and the strands of work sitting underneath them.
- On postal services:
  - In discussions around the Universal Service Obligation, Citizens Advice should capture the extent to which the letter market remains a vital lifeline for older consumers who are not online, to conduct important and time sensitive correspondence.
  - We welcome Citizens Advice's continued research into the impact and role of the post office network.
  - Post Offices are increasingly seen as 'the solution' to decreasing numbers of bank branches and the digitisation of financial services, and LINK's proposed changes to cash machine interchange fees may lead to an increased reliance on the Post Office Network for access to cash. We ask Citizens Advice to continue monitoring how easy it is in reality for customers to access cash this way.
- On energy:
  - Citizens Advice should make it clear in its communications with energy companies that the barriers to switching, for older consumers in particular, are multiple and complex and cannot be addressed by improvements to digital comparison tools alone.
  - We support Citizens Advice's work on identifying the loyalty penalties in energy and other markets and exploring solutions to this issue.
  - When exploring the 'crisis situations' experienced by vulnerable consumers, we ask that Citizens Advice does not simply look at those who are not paying their utility bills. Older consumers who are barely heating their homes, or who are managing to heat their homes and pay their bills because they are cutting back in other essential expenditure, must also be recorded and represented in this research.

## **Introduction**

Age UK welcomes the opportunity to respond to this consultation. Citizens Advice carry out an important function as the statutory advocate for consumers of energy and postal services, conducting valuable consumer research which we regularly refer to in our own work with older consumers of energy and postal services. We broadly agree with the approach this work plan sets out, and the four themes under which 2018/19's projects sit. We respond below to the detail of those particular projects on which we have comment to make.

### **1. Strengthening consumer rights in a changing world**

Age UK supports Citizens Advice's pledge to 'fight the consumer's corner' when it comes to the opportunities and risks that our fast-changing world presents. We know that the increasing digitisation of services can disadvantage older consumers who are not online, and the ability to send and receive correspondence via mail is an important option for them. We also know from Citizens Advice's own research into digital comparison tools<sup>1</sup> that vulnerable consumers are not always able or confident to take advantage of the new ways to shop around. We welcome Citizens Advice's plans to ensure that all consumers can exercise effective choice and redress in these changing environments.

#### Understanding the impact of potential changes to the Universal Service Obligation (1.3)

Age UK is concerned that the drastically reduced mail volumes postal services are facing may affect, and give rise to, potential changes to the Universal Service Obligation. As public and commercial organisations are increasingly providing services digitally, often under pressure to make savings by becoming 'digital by default', it is important that we maintain reasonable alternative options for older consumers who are not online.

While almost all UK adults aged 16 to 24 years (99 per cent) in the UK have recently used the internet, only seven in ten (71 per cent) people aged 65-74 and just a third (33 per cent) of people aged 75+ have done so<sup>2</sup>. The letter market remains a lifeline for many older people by helping them to maintain social connections, and it provides the vital mechanism by which older consumers can communicate with organisations and local authorities, where it may not be possible or appropriate to arrange face to face or telephone contact. Although the Government is moving some benefit applications online, many of those claimed by older people are still paper-only, and even where an application can be made online, you are often required to post hard copies of documentation including medical evidence and proof of identification. The correspondence here is often sensitive, confidential and time-critical. We ask Citizens Advice to take into account this important use of the letter market, when exploring the feasibility of changes to the Universal Service Obligation – particularly around reducing the delivery frequency in line with Denmark and Finland.

#### Ensuring that consumers can effectively opt out of marketing mail (1.10)

Age UK agrees that consumers need a consistent and straightforward process to opt-out of all marketing mail. Whilst TPS goes some way to addressing unsolicited sales or marketing calls, and

we would welcome the development of MPS in a similar vein, this would not protect vulnerable consumers from fraudsters who we know target older people with postal scams like fake lotteries and prize draws. Citizens Advice could promote the development of more innovative protections for consumers from mail scammers who will ignore the MPS.

## **2. Ensure major projects & infrastructure investment deliver good value for customers**

We strongly support Citizens Advice in its ambition to preserve access to Post Offices, as we know this to be particularly important for older consumers against a backdrop of bank closures and digitisation of services. We also support their ambition to represent the consumer voice around energy network price controls and the smart meter rollout. We are particularly concerned to see from Citizens Advice research that older people (65+) are most likely to find smart meters unappealing and least likely to be satisfied if they have one.<sup>3</sup>

We support Ofgem's plans to 'monitor the rollout of smart metering', including scrutiny of suppliers' rollout plans, the impact of new pricing structures on particular groups of consumers, including those in vulnerable circumstances, and the need for ongoing support.

### Ensuring consumer access to a high quality Post Office network – Post (2.4)

We welcome Citizens Advice's decision to continue reviewing the number and locations of post offices across England, Scotland and Wales to ensure that consumers are not at risk of detriment. In the development of the customer satisfaction survey, we ask Citizens Advice to consider including older people alongside rural consumers and people with mental health problems, as those identified as being at 'high risk of detriment'.

## **3. Reformed markets that do not exploit consumer behaviour**

We support Citizens Advice's plans around reforming markets so they do not exploit consumer behaviour.

### Establish the costs of the loyalty penalty – Cross-sector (3.1)

We know that older consumers are, overall, less likely to switch. In the energy market, people aged 65+ are more likely to have never switched or think it is impossible<sup>4</sup> and are therefore subject to the penalty of paying a higher premium on energy than newer customers or customers who switch regularly. We strongly encourage Citizens Advice to continue its research programme that calculates the loyalty penalty in markets beyond energy, insurance, broadband and mobile. We would be interested to see what 'wider costs' Citizens Advice finds in its investigations, and believe this exposure can be useful in persuading regulators and Government to tackle the issue.

### Fix the loyalty penalty – Cross-sector (3.2)

We are encouraged to see a section of the work plan setting out how Citizens Advice seeks to address the issues it has exposed in the energy market. We look forward to the evidence review of potential remedies around price regulation and principles-based incentives for companies.

### Help consumers switch energy supplier – Energy (3.4)

We agree that some consumers would be more likely to switch more often if systems were designed better, and we welcome Citizens Advice’s pledge to continue updating and improving their price comparison tool. However, we know there are multiple barriers to switching that comparison tools cannot solve alone. These include digital exclusion, vulnerable circumstances, lack of confidence in the benefits of switching (including unexpected losses or exclusions), complexity of comparisons and bundling, and a fear of disconnection or disruption<sup>5</sup>. These issues will need equal attention, for example through safeguard tariffs, if Citizens Advice seeks to improve the rates and benefits of consumer switching.

## **4. Protecting and empowering vulnerable consumers**

Age UK strongly supports this strand of work. We regularly receive calls through our Information and Advice line from vulnerable older consumers who are not receiving essential services, or who are fearful about being cut off without adequate preparations to mitigate the impact.

### Preventing crisis situations – Energy (4.1)

We agree that energy consumers are vulnerable when they lose access to their heating and lighting, and we support the call that low-income vulnerable consumers should be given immediate price protection in the market. Citizens Advice should monitor the adequacy of the price protections that have been introduced. However, we know that ‘crisis situations’ are not always revealed simply by looking at which consumers have not been able to pay their energy bills. Older consumers are often hidden in statistics about missed payments, because they will ‘go without’ and cause detriment to themselves before getting into debt. This may involve putting their heating on in just one room or not at all, or cutting back on other essential expenditure just so they can pay their energy bills. These ‘crisis situations’ may unfold less obviously or suddenly, and appear after a period of sustained neglect. We believe it is essential Citizens Advice includes these scenarios too when providing evidence and challenge to Energy UK on the needs of vulnerable consumers.

### Ensure vulnerable people are not disadvantaged when accessing postal services (4.3)

We welcome Citizens Advice’s research into the accessibility of post offices and recognise their increasing importance, particularly in rural areas, against a backdrop of bank closures and digitisation. LINK’s proposed changes to cash machine interchange fees may also lead to increased reliance on the Post Office Network for access to cash. We ask Citizens Advice to continue monitoring how easy it is in reality for customers to access cash this way, when they may be restricted on the amount they are allowed to draw out and reliant on chip and pin to do so. This will be particularly important for older consumers who still use cash for informal but necessary transactions, when post offices become their main or only mechanism for banking.

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<sup>1</sup> <https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/consumer-policy-research/consumer-policy-research/the-future-of-digital-comparison-tools/>

<sup>2</sup> [https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/later\\_life\\_uk\\_factsheet.pdf](https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/later_life_uk_factsheet.pdf)

<sup>3</sup> <https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/monitoring-the-smart-meter-roll-out-gfk-survey-results/>

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<sup>4</sup> [https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/consultation-responses-and-submissions/safe-at-home/crs\\_june16\\_bis\\_consumer\\_landscape\\_and\\_quicker\\_switching.pdf](https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/consultation-responses-and-submissions/safe-at-home/crs_june16_bis_consumer_landscape_and_quicker_switching.pdf)

<sup>5</sup> [https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/consultation-responses-and-submissions/safe-at-home/crs\\_june16\\_bis\\_consumer\\_landscape\\_and\\_quicker\\_switching.pdf](https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/consultation-responses-and-submissions/safe-at-home/crs_june16_bis_consumer_landscape_and_quicker_switching.pdf)