

Press release: New powers to fine firms that exploit consumer loyalty

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- move will help tackle the loyalty penalty and practices such as subscription traps and unfair cancellation charges
- government prepared to give regulators new legal powers if needed

Firms that overcharge or mislead their customers could be hit with direct fines without the need to go through a court, under plans unveiled by Business Secretary Greg Clark today (18 June 2019).

The government has confirmed it will consult on giving the Competition and Markets Authority (CMA) new powers to decide itself whether consumer law has been broken, without having to go through the courts as is currently the case. New powers would enable the CMA to intervene earlier and more quickly to tackle these failings and would include being able to directly impose fines on firms for poor business behaviour.

This will act as a powerful deterrent to firms that are harming consumers with misleading claims, unfair terms and conditions and hard-to-exit contracts – practices that are central to many ‘subscription traps’. These measures aim to ensure subscriptions are as easy to exit as they are to enter. It also helps the CMA tackle bad practices in other consumer markets like secondary ticketing and unfair terms for care home residents.

The government also announced that it will legislate to give regulators, such as Ofcom and the Financial Conduct Authority, new powers to stop loyal customers being taken advantage of if their existing powers are insufficient.

Prime Minister Theresa May said:

For far too long, many big companies have been getting away with harmful trading practices which lead to poor services and confusion among customers who have parted with their hard-earned cash.

The system as it stands not only lets consumers down but it also lets down the vast majority of businesses who play by the rules.

It is high time this came to an end and today we are confirming our intention to give much stronger powers to the CMA, to strengthen the sanctions available and to give customers the protection they deserve against firms who want to rip them off.

Business Secretary Greg Clark said:

The key to successful markets and businesses is ensuring that they work for the benefit of consumers and that unfair practices are tackled effectively, as the majority do.

I strongly believe that consumer loyalty should not be exploited and nor should consumers have to work so hard to get a fair deal. We have already shown our willingness to take action through our energy price cap, which means every household is protected from unjustified price rises.

We are committed to ensuring consumers are not unfairly targeted and penalised for their loyalty and that they can access quality products and services for a price that is competitive and fair.

A core part of how we do this is by making sure all consumers, including the vulnerable, can benefit from the emergence of smart data and technology to access better deals from innovative digital services.

The proposed measures come as the government publishes a clear and direct [response to the recommendations by the CMA](#) on the Super Complaint on consumer loyalty brought forward by Citizens Advice.

The new powers will be consulted on in the government's upcoming Consumer White Paper.

Other proposed measures in the response include legislating, if necessary, to ensure mobile providers end the practice of charging customers the same rate once they have effectively paid off their handsets at the end of the minimum contract period.

This comes after the government published its findings of the [Smart Data Review](#), as part of London Tech Week. These plans aim to shake-up the way

markets work for consumers by making it easier for them to safely share their information with innovative new services that could find them better deals. The review also included measures to protect vulnerable consumers, including a new Vulnerable Consumer Challenge which will encourage innovators, charities and regulators to ensure their most vulnerable and least digitally engaged customers are able to enjoy the best deals.

Consumer Minister Kelly Tolhurst will be holding a Consumer Forum today (18 June 2019), which brings together government and regulators to ensure a cross-sectoral approach to improving consumer outcomes in these essential markets. This will also look at progress over the last 6 months from regulators.

The government also recently announced plans to create a new independent, statutory advocate for consumers in the telecoms sector, which will strengthen the consumer voice and help industry, regulators and government identify how to improve the consumer experience.

Notes to Editors

According to Citizens Advice research, customers who stayed loyal to their mobile and broadband providers, or to those providing financial services like savings, mortgages and insurance, were paying as much as £1,000 a year more than serial switchers – a total £4 billion overpayment across these sectors.

False reviews and enforcements, excessive holiday cancellation fees and unfair care home charges are all areas where the Competition and Markets Authority has acted to protect consumers recently.