



HOUSE OF LORDS

# Library Note

## **Consumer Rights Bill (HL Bill 29 of 2014–15)**

The Consumer Rights Bill makes provision for the reform of consumer law in the UK. The aim of the Bill is to reduce complexity and ambiguity in UK law and bring consumer law up to date with modern digital means of transaction. The Bill would establish a series of basic rights for consumers to a minimum quality of goods and services, and seeks to establish which contract terms can and cannot be challenged in the courts on grounds of fairness. There are also provisions in the Bill intended to consolidate the powers of consumer law enforcers and to enable small companies and consumers to pursue, through the Competition Appeal Tribunal, private actions under contract law against companies.

Edward Scott  
26 June 2014  
LLN 2014/023

House of Lords Library Notes are compiled for the benefit of Members of the House of Lords and their personal staff, to provide impartial, politically balanced briefing on subjects likely to be of interest to Members of the Lords. Authors are available to discuss the contents of the Notes with the Members and their staff but cannot advise members of the general public.

Any comments on Library Notes should be sent to the Head of Research Services, House of Lords Library, London SW1A 0PW or emailed to [vollmerp@parliament.uk](mailto:vollmerp@parliament.uk).

**Table of Contents**

- 1. Introduction ..... 1
- 2. Overview of the Bill ..... 1
- 3. Consultation and Pre-Legislative Scrutiny..... 2
- 4. Proposed Economic Benefits of the Bill ..... 2
- 5. Effect of the Bill on the Provision of Public Services ..... 3
- 6. Opposition View of the Bill ..... 3
- 7. Amendments Made to the Bill at Report Stage in the House of Commons..... 3
  - 7.1 14 Day Refund Period ..... 3
  - 7.2 Letting Agent Fees: Provisions to Ensure Greater Transparency ..... 3
- 8. Debates on Amendments Tabled at Report Stage but Not Made ..... 4
  - 8.1 Reporting the Effect of Letting Agent Fees ..... 4
  - 8.2 Proposed Ban on Letting Agent Fees ..... 4
  - 8.3 Double Charging..... 5
  - 8.4 Estate Agent Redress Schemes ..... 5
  - 8.5 Independent Advocacy ..... 6
  - 8.6 Access to Information and Preventing its Misuse. .... 6
  - 8.7 Nuisance Phone Calls ..... 7
  - 8.8 Implementation of the Consumer Rights Bill..... 7
  - 8.9 The Consumer Credit Market ..... 8
  - 8.10 Unfair Contract Terms in the Consumer Credit Market..... 9
  - 8.11 Net Neutrality ..... 9
  - 8.12 Measures to Control the Resale of Tickets ..... 10
  - 8.13 Labelling of Meat Products: Halal and Kosher Food ..... 11
  - 8.14 Changing Service Provider ..... 11
  - 8.15 Recall of Products ..... 12
  - 8.16 Business to Business Contracts ..... 12
- 9. Third Reading ..... 12



## 1. Introduction

The Consumer Rights Bill (HL Bill 29 of 2014–15) is a government bill, introduced by the Secretary of State for the Department for Business, Innovation and Skills, Vince Cable, in the House of Commons on 23 January 2014. The Bill reached the first day of report stage in the Commons during the 2013–14 session. It was then carried over into the 2014–15 session and completed its stages in the Commons on 16 June 2014. It received its first reading in the House of Lords on 17 June 2014. Details of the stages of the Bill, as well as links to documents such as the Explanatory Notes and Impact Assessments, are available through the [parliamentary website](#). A House of Commons Library Research Paper, [Consumer Rights Bill](#), provides background information on the Bill.<sup>1</sup> An account of the committee stage in the House of Commons is provided by the House of Commons Library Research Paper, [Consumer Rights Bill: Progress of the Bill](#).<sup>2</sup> This Note summarises the Bill's report stage and third reading.

## 2. Overview of the Bill

The Bill would enact a series of reforms to consumer law in the UK. Consumer law establishes the rights and responsibilities of consumers and traders. It also establishes the remedies available to consumers when things go wrong. The aim of the Bill is to reduce complexity and ambiguity in UK law and bring consumer law up to date with modern digital means of transaction.

The aims of the Bill are as follows:

- Consolidate in a single piece of legislation the basic rights of consumers to a minimum quality of goods and services;
- Establish how matters might be rectified if these rights are breached;
- Create a new category in consumer law for digital content to avoid confusion in the courts arising from the use of out of date categories;
- Clarify which contract terms can and cannot be challenged in the courts on the grounds of fairness;
- Consolidate the investigatory powers of consumer law enforcers, such as Trading Standards, and enable them to require traders to compensate consumers through the civil courts; and
- Reform the competition regime in the UK to enable small companies and consumers who have fallen victim to a breach of competition law to pursue private actions through the Competition Appeal Tribunal.<sup>3</sup>

---

<sup>1</sup> House of Commons Library, [Consumer Rights Bill](#), 27 January 2014, RP 14/5.

<sup>2</sup> House of Commons Library, [Consumer Rights Bill: Progress of the Bill](#), 8 May 2014, RP 14/29.

<sup>3</sup> Department for Business, Innovation and Skills, [Consumer Rights Bill: Statement on Policy Reform and Responses to Pre-Legislative Scrutiny](#), January 2014, Cm 8796, pp 5–8 and 54–56; and House of Commons Library, [Consumer Rights Bill](#), 27 January 2014, RP 14/5, p 1.

## Fees Charged by Letting Agents

There are also measures in the Bill concerning how letting agents must publicise fees charged to consumers in the private rented sector of the housing market. During report stage in the House of Commons, the Government successfully moved a series of amendments to the Bill intended to prevent letting agents from charging unexpected fees to consumers.<sup>4</sup>

## 3. Consultation and Pre-Legislative Scrutiny

Prior to the publication of the draft Bill, the Government, the Law Commission and the Scottish Law Commission held a number of consultations of the public, businesses and consumers into reforms to consumer law and connected areas of law.<sup>5</sup> The current consumer rights regime is covered by a number of different pieces of legislation, and the investigatory powers of consumer law enforcers are covered by around 60 pieces of legislation.<sup>6</sup> A draft Bill was published on 12 June 2013.<sup>7</sup> This draft Bill was scrutinised by the House of Commons Business, Innovation and Skills Select Committee, and the findings of this inquiry were published in the Committee's report, [Draft Consumer Rights Bill](#).<sup>8</sup> The Secretary of State for the Department for Business, Innovation and Skills, Vince Cable, has said that many of these recommendations were included in the final version of the Bill introduced in the House of Commons.<sup>9</sup> Further information on the version of the Bill introduced at first reading in the House of Commons and the pre-legislative scrutiny which took place is provided in the House of Commons Library Research Paper [Consumer Rights Bill](#).<sup>10</sup>

## 4. Proposed Economic Benefits of the Bill

The Government has argued that economic benefits would follow from creating a legal framework that was clearer and more easily understood by both consumers and traders. It has argued that the new regime set out in the Bill would encourage consumers to seek out deals with greater confidence in their basic rights, thus creating a more dynamic market for goods and services in the UK.<sup>11</sup> The Government has estimated that the net benefit of its proposed reforms would be £4 billion over 10 years, including a net benefit of £1.7 billion to consumers, business and the public sector engendered by the Bill itself, and a £2.73 billion benefit resulting from the secondary legislation associated with the Bill.<sup>12</sup>

<sup>4</sup> Further information on these amendments is provided in section 7.2 of this Note.

<sup>5</sup> A summary of the consultations on consumer law which have taken place is provided in annex A of Department for Business, Innovation and Skills, [Consumer Rights Bill: Statement on Policy Reform and Responses to Pre-Legislative Scrutiny](#), January 2014, Cm 8796, pp 12–13.

<sup>6</sup> *ibid*, p 7.

<sup>7</sup> Department for Business, Innovation and Skills, [Draft Consumer Rights Bill](#), June 2013, Cm 8657.

<sup>8</sup> House of Commons Business, Innovation and Skills Select Committee, [Draft Consumer Rights Bill](#), 23 December 2013, HC 697 of session 2013–14.

<sup>9</sup> HC *Hansard*, 28 January 2014, [col 769](#).

<sup>10</sup> House of Commons Library, [Consumer Rights Bill](#), 27 January 2014, RP 14/5.

<sup>11</sup> Department for Business, Innovation and Skills, [Consumer Rights Bill: Statement on Policy Reform and Responses to Pre-Legislative Scrutiny](#), January 2014, Cm 8796, pp 7–8.

<sup>12</sup> *ibid*.

## 5. Effect of the Bill on the Provision of Public Services

During committee stage of the Bill, it was established that the provisions of the Bill would affect the supply of goods and services provided by the public as well as the private sector.<sup>13</sup> The Parliamentary Under-Secretary of State for Business, Innovation and Skills, Jenny Willott, stated at report stage that, although some of the rights and remedies set out in the Bill would affect some public services, the Government did not intend to change which public services were covered by consumer law.<sup>14</sup>

## 6. Opposition View of the Bill

At second reading in the House of Commons, the Shadow Minister for Business, Innovation and Skills, Stella Creasy, welcomed aspects of the Bill, but argued that more could be done to protect consumer rights.<sup>15</sup> During committee stage, Labour members of the public bill committee tabled a number of amendments, including on specific issues facing consumers such as copycat websites and double charging by estate agents. Many of these issues were revisited at report stage. Further information about the debates which took place during committee stage is provided in the House of Commons Library Research Paper, [Consumer Rights Bill: Progress of the Bill](#).<sup>16</sup>

## 7. Amendments Made to the Bill at Report Stage in the House of Commons

### 7.1 14 Day Refund Period

Clause 20 of the Bill, as it was first introduced in the House of Commons, included provisions to establish a 30 day period in which someone could reject goods that they had purchased.<sup>17</sup> An amendment tabled by the Opposition during committee stage would have established a 30 day period during which the trader must provide a refund.<sup>18</sup> This amendment was unsuccessful. However, on the first day of report stage, the Government amended the Bill to require traders to provide a refund to the consumer within a shorter 14 day period.<sup>19</sup>

### 7.2 Letting Agent Fees: Provisions to Ensure Greater Transparency

The Parliamentary Under-Secretary of State for Business, Innovation and Skills, Jenny Willott, moved new clauses 24 to 29 on the second day of report stage.<sup>20</sup> The clauses would require letting agents to publish a list of their fees such as those that apply to letting agency and property management work, and other work done in connection with assured tenancies. These clauses would also give the Secretary of State the power to make regulations specifying the

<sup>13</sup> Further information on the debate during committee stage on the remit of the Bill in respect of public services is provided in House of Commons Library, [Consumer Rights Bill: Progress of the Bill](#), 8 May 2014, RP 14/29, pp 23–4.

<sup>14</sup> HC Hansard, 13 June 2014, [col 618](#).

<sup>15</sup> HC Hansard, 28 January 2014, [cols 776–90](#).

<sup>16</sup> House of Commons Library, [Consumer Rights Bill: Progress of the Bill](#), 8 May 2014, RP 14/29.

<sup>17</sup> This clause remained numbered as clause 20 in the Bill as introduced in the House of Lords.

<sup>18</sup> Public Bill Committee, *Consumer Rights Bill*, 25 February 2014, session 2013–14, 6th sitting, [cols 213–27](#). Further information is provided in House of Commons Library, [Consumer Rights Bill: Progress of the Bill](#), 8 May 2014, RP 14/29, pp 9–10.

<sup>19</sup> HC Hansard, 13 May 2014, [col 707](#).

<sup>20</sup> HC Hansard, 16 June 2014, [col 873](#). New clauses 24 to 29 became clauses 81 to 86 of the Bill as introduced in the House of Lords.

types of information that must be published and how. New clause 28 would have established that those who did not comply with the new rules would face a civil penalty of up to £5,000. The Government had announced that it was minded to amend the Bill in this way on the first day of report stage, during a debate on an Opposition motion to introduce a ban on letting agent fees.<sup>21</sup>

Ms Willott argued that the Government's proposed reforms would increase transparency and reduce the levels of fees charged because tenants and landlords would be better able to choose an agent with the lowest fees.<sup>22</sup> The Shadow Minister for Business, Innovation and Skills, Stella Creasy, gave her support to the aim of increasing the level of transparency concerning fees.<sup>23</sup> However, she questioned whether the civil penalty of £5,000 could be enforced properly following funding cuts to Trading Standards. She also argued that the new clauses 24 to 29 would not on their own do enough to prevent tenants from being charged high levels of fees. New clauses 24 to 29 were successfully passed and added to the Bill.<sup>24</sup>

## 8. Debates on Amendments Tabled at Report Stage but Not Made

### 8.1 Reporting the Effect of Letting Agent Fees

Alongside new clauses 24 to 29, requiring letting agents to publicise their fees, MPs debated new clause 30.<sup>25</sup> This clause, tabled by the Opposition, would have required the relevant Secretary of State, within three months of the Bill reaching royal assent, to publish a report on the detrimental effect of letting agent fees on the ability of renters to secure and maintain tenancies. The report would have to outline steps which the Government would take to mitigate this effect. The House of Commons divided on new clause 30, and the amendment was defeated by 259 votes to 204.<sup>26</sup>

### 8.2 Proposed Ban on Letting Agent Fees

Prior to new clauses 24 to 29 being moved on the second day of report stage, Ms Creasy had moved new clause 22 on the first day of report stage.<sup>27</sup> This new clause would have prohibited letting agents from charging fees to consumers that were connected with a contract. This would have mirrored a similar ban to that enacted by the Scottish Government. Ms Creasy argued that many of the fees being charged to tenants were not indicative of a service being provided, but were instead charged to increase the profits of letting agents.<sup>28</sup> The amendment was criticised by Damian Hinds (Conservative MP for East Hampshire) and John Stevenson (Conservative MP for Carlisle), who argued that the resultant loss of revenue to letting agents would have to be passed on to landlords.<sup>29</sup> This point was disputed by Ms Creasy, who argued that getting rid of fees would be beneficial to the housing market as a whole.

Ms Willott argued against the amendment on the grounds that, firstly, only a minority of letting agents abused the current system and, secondly, it would lead to tenants being charged larger

<sup>21</sup> For further information, see section 8.2 of this Note.

<sup>22</sup> HC *Hansard*, 16 June 2014, [col 874](#).

<sup>23</sup> *ibid*, [cols 875–7](#).

<sup>24</sup> *ibid*, [cols 878–82](#).

<sup>25</sup> *ibid*, [col 873](#).

<sup>26</sup> *ibid*, [cols 883–6](#).

<sup>27</sup> HC *Hansard*, 13 May 2014, [cols 659–60](#).

<sup>28</sup> *ibid*, [cols 664–7](#).

<sup>29</sup> *ibid*, [cols 665–6](#).



rents.<sup>30</sup> Ms Willott also announced that the Government's policy was to amend the Bill to require letting agents to publish the full details of their fees. As stated above, these amendments were moved on the second day of report stage. The House divided on new clause 22, and it was defeated by 281 votes to 228 votes.<sup>31</sup>

The impact of the ban on fees in Scotland was debated subsequently on the second day of report stage. Ms Creasy cited evidence from the housing charity Shelter, who had reported that fewer than one in five letting agents interviewed said that the ban on fees in Scotland had increased fees to landlords.<sup>32</sup> Ms Willott argued that concerns had been raised that the scale of non-compliance with the ban had been ignored in the Shelter report. She also said that there was an estimate that that some "25 percent of firms [were] still charging admin fees for tenants who move in, and a higher proportion [were] still charging other fees during the tenancy".<sup>33</sup>

### 8.3 Double Charging

On the second day of report stage, the Opposition moved a group of amendments to schedule 2 of the Bill that concerned unfair consumer contract terms.<sup>34</sup> These included amendment I which sought to prevent double charging, a practice whereby estate agents apply a fee to both the buyer and the seller in the same transaction. Arguing that this practice was on the rise, Ms Creasy said that this amendment to the Bill was necessary to reduce the number of charges levelled against house buyers and to prevent double charging from distorting the housing market.<sup>35</sup> Responding for the Government to opposition amendments concerning double charging, Ms Willott argued that, under existing legislation and industry codes, estate agents were required to make fees and charges clear to consumers.<sup>36</sup> She advocated addressing the concerns raised in the House of Commons through an estate agent redress scheme. The House divided on amendment I and it was rejected, with 272 votes against the amendment and 205 in support.<sup>37</sup>

### 8.4 Estate Agent Redress Schemes

The current status of the estate agent redress schemes had been raised earlier in the Bill's progress through the Commons.<sup>38</sup> During the debate on double charging on the second day of report stage, Ms Willott said that the Government would introduce legislation to require all letting agents and property managers to belong to an approved redress scheme and that this would better enable tenants to pursue complaints.<sup>39</sup> Ms Willott also told the House of Commons that she had met with the Property Ombudsman and Ombudsman Services: Property in May 2014 to discuss estate agent redress schemes, and a commitment had been made to monitor any complaints received, and produce new guidance that would put in place controls on the practice of charging fees to buyers or charges being placed on both the buyer

<sup>30</sup> *ibid*, [col 693](#).

<sup>31</sup> *ibid*, [cols 702–7](#).

<sup>32</sup> HC *Hansard*, 16 June 2014, [col 875](#): Shelter, [End Letting Fees: Lessons from the Scottish Lettings Market](#), June 2013, p 5.

<sup>33</sup> HC *Hansard*, 16 June 2014, [col 877](#).

<sup>34</sup> *ibid*, [cols 886–7](#).

<sup>35</sup> *ibid*, [cols 887–10](#).

<sup>36</sup> *ibid*, [cols 902–3](#).

<sup>37</sup> *ibid*, [cols 908–12](#).

<sup>38</sup> Public Bill Committee, *Consumer Rights Bill*, 6 March 2014, session 2013–14, 12th sitting, [col 484](#). Further information on this debate during committee stage is provided by House of Commons Library, [Consumer Rights Bill: Progress of the Bill](#), 8 May 2014, RP 14/29, pp 20–1.

<sup>39</sup> HC *Hansard*, 16 June 2014, [cols 902–3](#).

and seller.<sup>40</sup> Further information on the regulator regime for estate agents in the UK is provided in the House of Commons Library Standard Note, [The Regulation of Private Sector Letting and Managing Agents \(England\)](#).<sup>41</sup>

## 8.5 Independent Advocacy

On the first day of report stage, MPs debated new clause 1. This clause would have required the Government to publish a report detailing how access to independent advocacy would be ensured for consumers of public services.<sup>42</sup> Steve Reed (Labour MP for Croydon North), speaking in support of the new clause, argued that this amendment was important to enable people to seek redress when services failed and to ensure they could expect that their complaints would be taken seriously.<sup>43</sup> He also argued for the importance of making information available on how services were being run.

The Parliamentary Under-Secretary of State for Business, Innovation and Skills, Jenny Willott, argued that independent advocacy, systems of reporting and established ombudsman schemes were already being made available as part of the consumer protection regimes currently in place in different areas of public services provision.<sup>44</sup> She argued that these different consumer protection regimes were tailored to the requirements of the different services being provided. She also said that the Government had set up a review of how government departments, agencies and public services used patterns of complaints to improve services. The Government was also considering the current role and powers of the public sector ombudsman services and considering the case for the creation of a single public sector ombudsman. Following this debate, new clause 1 was not added to the Bill.

## 8.6 Access to Information and Preventing its Misuse.

On the first day of report stage, the Opposition moved that a new schedule should be added to the Bill. New schedule 1 included measures intended to enable consumers to gain better access to information held by companies so that they could make better decisions about prices, charges and fees.<sup>45</sup> New schedule 1 also included measures intended to enable consumers to access the data that companies had gathered on them. The schedule would have required the Government to report to Parliament, within six months of the Bill receiving royal assent, on how consumers would gain greater access to information. The new schedule was tabled following concerns raised at committee stage about the slow progress of the [midata project](#).<sup>46</sup> The midata project was launched four years previously with the intention of enabling consumers to gain access to the electronic personal data that companies held on them. New schedule 1 would also have required the Government to report on the availability to consumers of information on public, as well as private, sector services. The new schedule would also have required the Government to publish a report on the cumulative impact of its policies on households.<sup>47</sup>

---

<sup>40</sup> *ibid*, [cols 902–3](#).

<sup>41</sup> House of Commons Library, [The Regulation of Private Sector Letting and Managing Agents \(England\)](#), 23 June 2014, SN06000.

<sup>42</sup> HC *Hansard*, 13 May 2014, [col 600](#).

<sup>43</sup> *ibid*, [cols 610–12](#).

<sup>44</sup> *ibid*, [col 618–19](#).

<sup>45</sup> *ibid*, [cols 601–2](#).

<sup>46</sup> *ibid*, [col 603](#).

<sup>47</sup> *ibid*, [cols 608–9](#).

Ms Willott, speaking for the Government, stated its support for the principle that the public should have access to data held on them, and that achieving the goal of providing high quality information to consumers was a significant challenge which required adequate planning.<sup>48</sup> She said that the Government was monitoring the progress of the voluntary approach taken with the midata project. The House divided on new clause 3, which would have given effect to new schedule 1. New clause 3 was defeated by 287 votes to 218.<sup>49</sup>

## 8.7 Nuisance Phone Calls

New schedule 1 also included, in paragraph 5, measures intended to combat nuisance phone calls. The Shadow Minister for Business, Innovation and Skills, Stella Creasy, argued that one of the factors preventing the Information Commissioner from taking more action against nuisance callers was the difficulty in proving a lack of consent on the part of the consumer.<sup>50</sup> Paragraph 5 of new schedule 1 sought to prevent the misuse of consumer data by enabling fines to be imposed on companies who did not show that they have the explicit consent of consumers to be targeted with telephone marketing.

Yvonne Fovargue (Labour MP for Makerfield) tabled new clause 10 to the Bill on the first day of report stage which also sought to combat the rise in nuisance phone calls. Ms Fovargue argued that the Data Protection Act 1998 should be amended to lower the threshold for firms breaching the Act.<sup>51</sup> The existing law meant that fines and enforcement notices could only be issued if the Information Commissioner could demonstrate damage and distress.

Ms Willott said that tackling nuisance phone calls was a priority for the Government, and that these amendments to the Bill were not necessary as action was already being taken.<sup>52</sup> She referred MPs to the Government's [Nuisance Calls Action Plan](#).<sup>53</sup> She also said that the Government would hold a consultation on ways to make it easier for the Information Commissioner to tackle nuisance calls, as part of the process of amending the Privacy and Electronic Communications (EC Directive) Regulations 2003.

## 8.8 Implementation of the Consumer Rights Bill

The Opposition tabled a number of new clauses on the first day of report stage concerning the way in which the changes to consumer rights set out in the Bill would be implemented. Ms Creasy argued in favour of new clause 2, which would have required that any advice on how to defend consumer rights given to the Government by expert bodies would have to be implemented.<sup>54</sup> New clause 4, tabled by Tom Greatrex (Labour MP for Rutherglen and Hamilton West), would have required the Government to publish guidance based on the work of the implementation group on the Bill. These amendments were not made to the Bill.

---

<sup>48</sup> *ibid*, [col 620](#).

<sup>49</sup> *ibid*, [cols 625–9](#).

<sup>50</sup> *ibid*, [col 607](#).

<sup>51</sup> *ibid*, [cols 609–10](#).

<sup>52</sup> *ibid*, [col 624](#).

<sup>53</sup> Department for Culture, Media and Sport, [Nuisance Calls Action Plan](#), 30 March 2014.

<sup>54</sup> HC *Hansard*, 13 May 2014, [col 609](#).

## 8.9 The Consumer Credit Market

On the first day of report stage, Labour MPs tabled a series of new clauses intended to reform the consumer credit market.<sup>55</sup> Supporters of these amendments included Yvonne Fovargue, who is the chair of the All Party Parliamentary Group on Debt and Personal Finance. The new clauses sought to:

- Require the Secretary of State to publish an annual review setting the level of a levy to be imposed on lenders on high cost consumer credit, and provide free debt advice for vulnerable consumers and alternative credit through credit unions (new clause 6);
- Require the Financial Conduct Authority (FCA) to review how to phase out consumer fees and charges for the provision of debt management plans (new clause 7);
- Prevent credit brokers from changing fees prior to a consumer entering an agreement (new clause 9);
- Put in place measures to regulate the activities of rent-to-own companies, such as to ensure that they provide adequate information to customers and to prevent restrictive practices (new clause 11); and
- To reform the log-book loan industry by relaxing the requirement for consumers to have a bill of sale, thus preventing log-book lenders from pursuing the debts of those who purchase second-hand goods (new clause 23).<sup>56</sup>

Ms Creasy argued that these measures were essential to combat a growing personal debt crisis in the UK.<sup>57</sup> Some of these measures were similar to those previously debated at committee stage. Ms Creasy criticised the Government for its opposition to proposals, made during committee stage, to abolish the current bill-of-sale regime.<sup>58</sup>

The Parliamentary Under-Secretary of State for Business, Innovation and Skills, Jenny Willott, said that the Government were taking action to introduce more rigorous regulation of the consumer credit market with the transfer of duties from the Office of Fair Trading to the FCA.<sup>59</sup> The FCA's regulatory responsibility would include the actions of debt management firms, credit brokers and logbook lenders. She also said that the Law Commission had been asked by HM Treasury to consider how best to reform the Bills of Sale Act 1878. Outlining the changes to the regulatory regime, she said that the FCA would consult on proposals to cap the costs of payday loans and that a cap would be in force by no later than 2 January 2015. Further information about the creation of the FCA and its new regulatory role is provided in the House of Commons Library Standard Note, [Consumer Credit Regulation](#).<sup>60</sup>

Ms Willott also said that free debt advice was currently being funded by a levy on lenders channelled through the Money Advice Service and that that the Government were already

<sup>55</sup> New clauses 7, 9, 11 and 23: HC *Hansard*, 13 May 2014, [cols 629–30](#).

<sup>56</sup> Further information on log-book loans can be found on the Money Advice Service website: '[Log-book Loans](#)', accessed 25 June 2014.

<sup>57</sup> HC *Hansard*, 13 May 2014, [col 630](#).

<sup>58</sup> *ibid*, [col 632](#).

<sup>59</sup> *ibid*, [cols 643–8](#).

<sup>60</sup> House of Commons Library, [Consumer Credit Regulation](#), March 2014, SN06842.

investing £38 million in supporting consumer credit unions. New clause 23 was put to a vote and defeated, with 293 MPs voting against its inclusion in the Bill, and 221 MPs voting in favour.

## 8.10 Unfair Contract Terms in the Consumer Credit Market

On the second day of report stage, MPs debated a group of amendments to schedules 2 and 3 of the Bill moved by the Opposition. Alongside an amendment concerning double charging by estate agents, they debated a number of proposed measures intended to address unfair contract terms in the consumer credit market.<sup>61</sup> Amendments 2, 3 and 4 sought to:

- Change the way log-book loan companies operate by allowing contract terms reliant on a bill-of-sale to be challenged on grounds of fairness (amendment 2);
- Allow any contract that was likely to push an individual into debt to be challenged on grounds of fairness (amendment 3); and
- Allow the consumer to challenge, as unfair, terms of a contract which encouraged them to sign a third party contract without receiving independent advice (amendment 4).

Speaking for these amendments, the Shadow Minister for Business, Innovation and Skills, Stella Creasy, repeated her argument made at committee stage and during the first day of report stage that the regulation of the log-book loan industry should be within the remit of the Consumer Credit Bill.<sup>62</sup> Ms Willott, responding for the Government, stated that the way in which the log-book loan industry and debt management companies were regulated was undergoing a change, with lenders registering with the FCA from 1 October 2014.<sup>63</sup> Ms Willott argued that consumers would be better protected under this new regulatory regime, saying that the FCA would be able to impose unlimited fines. Ms Willott also stated, as she had on the first day of report stage, that the Law Commission had been asked to consider how to reform the Bills of Sale Act 1878.

In response to amendment 4, Ms Willott argued that the incentive for firms to refer a customer to a particular third party had been removed by the provisions of the Legal Aid, Sentencing and Punishment of Offenders Act 2012 banning the payment and receipt of referral fees in personal injury cases.<sup>64</sup> She also stated that part 2 of the Consumer Rights Bill would ensure that a term in a contract that required a consumer to use a particular third party or that limited their access to advice could be challenged on grounds of fairness if it was not made prominent. Following this debate, amendments 2, 3 and 4 were not made to the Bill.

## 8.11 Net Neutrality

On the second day of report stage, a group of MPs, including Philip Davies (Conservative MP for Shipley), tabled a motion intended to protect net neutrality.<sup>65</sup> Net neutrality is the principle that all data on the internet should be treated equally by governments and internet service providers. The amendment would have enabled any term in a contract restricting the access of the consumer to lawful electronic content to be challenged on grounds of fairness. Mr Davies,

<sup>61</sup> HC *Hansard*, 16 June 2014, [cols 886–7](#). See section 8.3 for further information on amendment 1.

<sup>62</sup> HC *Hansard*, 16 June 2014, [cols 891–2](#).

<sup>63</sup> *ibid*, [cols 903–6](#).

<sup>64</sup> *ibid*.

<sup>65</sup> Amendment 19: HC *Hansard*, 16 June 2014, [col 887](#).

speaking in support of the amendment, argued that protecting net neutrality was vital to ensure the vibrancy and the competitiveness of the telecommunications market in the UK, and that there was evidence that certain internet service providers were seeking ways of distorting the market. Possible distortions could take the form of inhibiting access to particular sites, such as through creating a speed differential in the time it takes to access content.<sup>66</sup> The amendment received support from across different parties, with both Ms Creasy and Dr Julian Huppert (Liberal Democrat MP for Cambridge) speaking in its support.<sup>67</sup>

Ms Willott argued that the current self-regulatory approach taken by the Government was already delivering an open internet.<sup>68</sup> She also said that the Government were working with their EU counterparts and the UK regulator to look for ways of ensuring good levels of access to lawful content while combating unlawful internet use. Following this debate, the amendment was not made, although Ms Creasy stated that she hoped that this issue would be revisited in the House of Lords.<sup>69</sup>

## 8.12 Measures to Control the Resale of Tickets

New clauses 8, 16, 17, 18, 19, 20 and 21, debated on the first day of report stage, contained measures to control the market for the resale of tickets.<sup>70</sup> Ms Creasy argued that action was necessary to inhibit ticket-touts from distorting prices and preventing people from accessing tickets.<sup>71</sup> This problem was exacerbated by the use of pieces of software, referred to as ticket bots, which were able to impersonate individual vendors and automatically make multiple purchases of tickets that would then be sold on by the touts. The aims of the amendments were to ensure that consumers who bought from the secondary ticketing market were provided with adequate information, to impose greater controls on the resale of tickets to events of national significance, such as national sporting events, and to increase the level of co-operation between enforcement agencies and secondary sites. Ms Creasy also argued that these amendments were necessary to enable the identification of those responsible for reselling the tickets.

New clauses 18 to 20 were tabled by Sharon Hodgson (Labour MP for Washington and Sunderland West) and Mike Weatherley (Conservative MP for Hove), the two co-chairs of the All Party Parliamentary Group on Ticket Abuse. Mrs Hodgson cited the findings of a recent report by the APPG in support of the amendments.<sup>72</sup> She argued that the existence of the secondary market was justified in cases where someone was unable to attend an event for which they had a ticket. However, she said that more needed to be done to enable consumers who would prefer not to sell their tickets to gain refunds.<sup>73</sup> Mr Weatherley also spoke in support of the amendments.<sup>74</sup>

The Parliamentary Under-Secretary of State for Business, Innovation and Skills, Jenny Willott stated that the Government agreed that consumers should be protected from fraudulent,

---

<sup>66</sup> *ibid*, [cols 895–99](#).

<sup>67</sup> *ibid*, [cols 894–5](#) and [897](#).

<sup>68</sup> *ibid*, [cols 906–7](#).

<sup>69</sup> *ibid*, [col 907](#).

<sup>70</sup> HC *Hansard*, 13 May 2014, [cols 656–9](#).

<sup>71</sup> *ibid*, [cols 660–4](#).

<sup>72</sup> APPG on Ticket Abuse, *Secondary Market Investigation—Putting Fans First*, 2014.

<sup>73</sup> HC *Hansard*, 13 May 2014, [cols 675–9](#).

<sup>74</sup> *ibid*, [cols 679–82](#).

counterfeit and misleading ticket sales.<sup>75</sup> She said that, from June 2014, the [Consumer Contracts \(Information, Cancellation and Additional Charges\) Regulations 2013](#) would require traders to ensure that consumers were provided with adequate information. New guidance to those regulations would clarify that these requirements applied to ticket sales. She also said that the Government was looking to the industry as the first port of call for a solution to problems in the secondary ticketing market. New clause 16 was put to a vote and was rejected, with 290 MPs voting against the motion and 229 voting in favour.<sup>76</sup>

### 8.13 Labelling of Meat Products: Halal and Kosher Food

New clause 13, requiring all products containing halal and kosher meat to be labelled as such at the point of sale, was debated on the second day of report stage.<sup>77</sup> Philip Davies (Conservative MP for Shipley) spoke in support of the amendment, arguing that providing this information would be advantageous to both those who did and those who did not wish to buy halal and kosher meat, and that consumers should not be fed halal and kosher meat without their knowledge.<sup>78</sup>

A number of MPs spoke on the issue of religious slaughter and the stunning of livestock. Yasmin Qureshi (Labour MP for Bolton South-East) was critical of the way in which the issue of the labelling of meat had been debated in the House and in the country.<sup>79</sup> Both Shabana Mahmood (Labour MP for Birmingham, Ladywood) and Sir Greg Knight (Conservative MP for East Yorkshire) argued that new clause 13 did not specifically address issues such as whether or not the animal had been stunned before slaughter and, if so, which method of stunning had been used.<sup>80</sup> Mr Davies argued that he was sympathetic with this last argument, but that informing consumers of the method of slaughter was one of a number of issues he sought to address.

Ms Willott, responding for the Government, said that many retailers, restaurants and fast food outlets were already voluntarily providing information on whether meat was halal or kosher.<sup>81</sup> Whilst the Government, under the Food Safety Act 1990, was already able to introduce domestic regulations requiring food labels to show method of slaughter, it did not believe regulation was the best approach at this stage. She also said that, should regulation be required, this would be best done at a European level. The House divided on new clause 13 and it was defeated, with 17 votes in favour of the amendment and 277 votes against.<sup>82</sup>

### 8.14 Changing Service Provider

New clause 14 was debated on the first day of report stage.<sup>83</sup> Mr Davies, speaking in support of the amendment, described how it was intended to “introduce a mobile phone switching process that [would be] led by the receiving communications service provider, rather than the one losing the custom”.<sup>84</sup> Mr Davies argued that the current system, whereby the consumer had to arrange for the end of the contract with their current provider, did not best serve the

<sup>75</sup> *ibid*, [cols 691–2](#).

<sup>76</sup> *ibid*, [cols 697–702](#).

<sup>77</sup> *ibid*, [col 655](#).

<sup>78</sup> *ibid*, [cols 668–9](#) and [671–4](#).

<sup>79</sup> *ibid*, [col 688](#).

<sup>80</sup> *ibid*, [cols 671](#) and [669](#).

<sup>81</sup> *ibid*, [col 692](#).

<sup>82</sup> *ibid*, [cols 695–7](#).

<sup>83</sup> *ibid*, [col 655](#).

<sup>84</sup> *ibid*, [col 674](#).

consumer. He contrasted the process with that in most other industries, such as in banking or energy, where the switching process was handled by the new provider. The amendment received the support of the Opposition. However, Ms Willott stated that, while the Government supported the intention behind the new clause, it believed that there were a number of problems with its wording.<sup>85</sup> Following this debate, new clause 14 was not added to the Bill.

### 8.15 Recall of Products

New clause 15, debated on the first day of report stage, concerned reforms to the system by which products were recalled on grounds of consumer safety.<sup>86</sup> A similar amendment to the Bill was also moved during committee stage. Mark Durkan (Social Democratic and Labour Party MP for Foyle) argued that new clause 15 was necessary to improve recall standards and enable the Secretary of State to take greater responsibility for the recall of products.<sup>87</sup> Ms Willott agreed that there needed to be improvements in the effectiveness of product recalls, but argued that the creation of new reporting requirements or a new overarching agency, as proposed in new clause 15, was not the right approach.<sup>88</sup> New clause 15 was not added to the Bill.

### 8.16 Business to Business Contracts

An amendment was also considered on the first day of report stage which was intended to extend some of the benefits enjoyed by individual consumers to small businesses when purchasing goods and services.<sup>89</sup> The amendment stated that businesses with fewer than ten employees should be considered as consumers when purchasing goods and services for use within their commercial activities. Similar amendments had been debated at committee stage. At report stage, Shadow Minister for Business, Innovation and Skills, Stella Creasy, cited the support of the Federation of Small Businesses for this amendment, saying that they had argued that giving consumer rights and protections to businesses in this context would help small enterprises who were unable to pay for the same level of legal expertise as larger businesses.<sup>90</sup> Ms Willott stated that the Government would not support the amendment because of the level of complexity in the law this would create, and because government consultations in 2008 and 2012 had concluded that small businesses should not be covered by consumer legislation.<sup>91</sup> Ms Willott also stated that recent research from the FSB supported not extending consumer rights to small businesses.

## 9. Third Reading

Third reading of the Bill took place on 16 June 2014.<sup>92</sup> Ms Willott characterised the Bill as “the most fundamental change to UK consumer rights in more than a generation”, endorsing measures in the Bill intended to increase protection for consumers and reduce the administrative burden on businesses.<sup>93</sup> She repeated the argument that the Bill would enable markets in the UK to work better and that greater consumer confidence would benefit

<sup>85</sup> *ibid*, [col 694](#).

<sup>86</sup> *ibid*, [col 655](#).

<sup>87</sup> *ibid*, [cols 682–3](#).

<sup>88</sup> *ibid*, [col 692](#).

<sup>89</sup> Amendment 6: HC *Hansard*, 13 May 2014, [col 660](#).

<sup>90</sup> *ibid*, [col 667](#).

<sup>91</sup> *ibid*, [col 622](#).

<sup>92</sup> HC *Hansard*, 16 June 2014, [cols 914–22](#).

<sup>93</sup> *ibid*, [cols 914–7](#).



businesses. Ms Creasy argued that the Bill was not as robust as it could have been, and that there remained loopholes which could be exploited by irresponsible traders and service providers.<sup>94</sup> She stated that, with the Bill moving to the House of Lords, she expected that Members of the Lords would revisit some of the issues raised in the House of Commons, such as letting agent fees, debt management, access to data, advocacy, trading standards and redress.

---

<sup>94</sup> *ibid*, [cols 917–20](#).