

EU exit and transitional arrangements

House of Commons Treasury Select Committee

Which? is the largest consumer organisation in the UK with 1.5 million members and supporters. We operate as an independent, a-political, social enterprise working for all consumers and funded solely by our commercial ventures. We receive no government money, public donations, or other fundraising income. Which?'s mission is to make individuals as powerful as the organisations they have to deal with in their daily lives, by empowering them to make informed decisions and by campaigning to make people's lives fairer, simpler and safer.

- 1) Which? welcomes the opportunity to submit evidence to the Committee. Our evidence focuses on consumer interests in relation to the UK's exit from the European Union (EU) and potential transitional arrangement. It is absolutely fundamental that consumer interests, rights and protections are prioritised in the negotiations and potential transitional arrangements.
- 2) The importance of maintaining consumer confidence needs to be taken into account when assessing the UK's exit and any transitional arrangements. Consumers spend on average almost £100 billion each month¹ and consumer confidence is fundamental for economic growth.
- 3) The proposal to introduce a Great Repeal Bill to maintain EU law in UK law following the UK's exit from the EU is welcome as it will protect UK consumers from any immediate changes to consumer law upon exiting the EU given that not all consumer law has been transposed into UK legislation.
- 4) If transitional arrangements are to be struck there could be merit in enabling a gradual change for UK markets, however we would want to ensure that consumer protections are not compromised in this time.
- 5) Given the core interests of the Committee it is worth noting that we hope the Government will consult and introduce EU legislation such as the revised Payment Services Directive (PSD2) before the UK exits the EU. In the immediate term it should also be raised that we have seen increasing concern from consumers, unsurprisingly, regarding the significant changes in the exchange rate with 53% of consumers reporting they were troubled about the exchange rate of the pound in November, up from 44% in September².

¹ Consumer Trends, Office for National Statistics. Average monthly consumer expenditure (Current Price Value) for Quarters 1 and 2 (January - June), 2016 was £99bn.

² Fieldwork was conducted 16-17 November 2016. The Which? Consumer Insight Tracker is a nationally representative online survey of around 2,000 UK households every other month.

- 6) We have developed five key over-arching principles which must be upheld as part of the exit and any transition in order to protect consumer interests – and ensure that consumer confidence is maintained in either scenario.
- 7) Firstly, the Government must prevent consumers from being squeezed by price rises across different sectors. This includes key goods and services that consumers rely on and where we are currently heavily inter-connected with the EU, such as food and energy prices. Our consumer tracker³ finds that the highest levels of consumer worry are currently being experienced in relation to energy prices (64%) and fuel prices (64%), followed by food prices (53%).
- 8) Secondly, essential consumer rights must be maintained. Many of the rights that consumers have come to expect – as well as those that they may not be aware of until they need them - have been shaped and determined at EU level. These range from rights to compensation for delayed flights, roaming charges, protections against unfair trading and private international law protections. Consumers need to continue to have access to a range of products and services, confident that there is no undermining of consumer rights – including when making cross-border transactions - and where appropriate, opportunities to enhance these protections should be taken.
- 9) Consumer protection and safety must be safeguarded. This includes maintaining a robust system for product safety and standards - and ensuring that key principles established through EU law, such as the precautionary principle, are not undermined.
- 10) Consumer rights and protections must be supported by a robust system of consumer enforcement. Enforcement includes keeping people safe, for example ensuring that food imports are compliant with standards and identifying faulty goods, as well as ensuring consumer rights and redress when things go wrong. An additional risk in this area resulting from exiting the EU relates to the protections consumers currently have for cross-border transactions, particularly with many on-line purchases. The Consumer Protection Co-operation (CPC) currently provides for reciprocal enforcement, monitoring and intelligence sharing arrangements. Once outside the EU consumers must feel as safe and protected as they are at present and that will need investment in the UK. Any transitional stages and indeed the final exit must be accompanied by a focus on ensuring there is no reduction in consumer enforcement.
- 11) Finally, consumers must have a seat at the table throughout the process. Consumer interests have to be understood and addressed from the outset of the negotiations. Consumers and consumer representatives should be fully engaged in exploring the implications of different options and assessing how any trade-offs can be balanced.

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12) Which? has asked consumers about their views on the official Brexit meetings and negotiations. This found that 72% thought that the interests of consumers were either very or fairly important. However, only 31% expected consumers' interests to be represented. The Government must ensure that this is not the case and that the consumer perspective is a priority.

13) When the committee comes to considering the post-Brexit landscape we do believe that there will be opportunities when reviewing EU legislation on the UK statute books to improve the experience of consumers. One such example would be around current EU legislation which results in Annual Percentage Rate (APR) information having to be displayed prominently. Which? research shows that not only do consumer not understand it, it suggests that it is being used inappropriately to compare products, heightening the risk of consumers choosing inappropriate products for their circumstances and needs. Such opportunities would of course need to be balanced by ensuring that consumer protection is not reduced more widely.

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