

Anna Wallace  
Policy, Risk and Research Division  
Financial Services Authority  
25 The North Colonnade  
Canary Wharf  
London  
E14 5HS

1<sup>st</sup> May 2013

Dear Ms Wallace

### **High Level Proposals for an FCA regime for consumer credit**

RadioCentre welcomes the consultation to examine how the Financial Conduct Authority (FCA) plans to commence its main duties on 1 April 2014 when the new body is granted powers to regulate consumer credit once the Office of Fair Trading (OFT) is abolished.

RadioCentre is a trade body tasked with supporting growth in the radio industry, and as such it would not be appropriate to respond to all of the questions laid out in the consultation document, although we do support any initiatives leading to a more streamlined process for ensuring financial services are effectively regulated in the interests of the consumer.

Moreover, as members of the Advertising Association (AA) we have had sight of their response to this consultation and endorse the points that it seeks to make on these matters.

We believe that the effective communication of products and services is not only an important part of ensuring that consumers are properly informed, but also a vital part of a thriving economy in this sector.

Therefore, in addition to our endorsement of the AA position, we want to take this opportunity to make the FCA aware of a consumer-focused project which we are currently initiating into the promotion and advertising of financial products and services (including consumer credit). In particular this concerns the effective protection of the consumer through appropriate mandatory information.

We know from earlier independent research that current levels of terms and conditions in advertising for financial products (and particularly radio advertising) may not be serving the purpose for which they were intended i.e. that of protecting the consumer. Therefore, we are undertaking a piece of research to uncover how terms and conditions in radio advertising are understood by the consumer.

Given the relevance of this project to the FCA's new remit, we would like to engage the FCA in the early stages of shaping this project in order to ensure any work we do is of value to the FCA in advance of their second more detailed consultation on the Promotion of Financial Products.

### **Background**

RadioCentre is the industry body for UK commercial radio. Our role is to help support a strong and successful commercial radio industry, so that the sector grows revenues and audiences year on-year. Within this, we help promote the public value and diversity of commercial radio. Commercial radio is a relatively small sector in terms of revenue, generating a gross turnover of £553m p.a, but provides significant public value for audiences and communities.

Founded in 2006 after the merger of the Radio Advertising Bureau (RAB) and the Commercial Radio Companies Association (CRCA), RadioCentre represents radio groups and stations from rural, small scale ventures, to household names serving major metropolitan areas with shareholders representing over 98% of commercial radio listening.

On behalf of a range of stakeholders RadioCentre works for the greater benefit of the industry, to foster relationships with Government and policy makers, to raise the profile of commercial radio with advertisers and their agencies, and of course, working with radio stations themselves, helping them maximise the potential of their businesses.

Within this, the Radio Advertising Clearance Company (RACC), provide a script clearance service for advertisers and agencies to ensure adverts are cleared for broadcast and uphold high standards of consumer protection and comply with BCAP UK Code of Broadcast Advertising and the Ofcom Broadcasting Code. RadioCentre is keen to support self-regulation as an appropriate and effective mechanism to oversee standards.

Collectively RadioCentre has substantial expertise and insight into best practice advertising, and radio advertising in particular, and it is in this respect that we would like to engage in discussions with the FCA ahead of the second, more detailed, stage of its consultation process.

### **Advertising financial products on the radio**

We agree with the Government's view that a thriving, competitive and well-functioning consumer credit market is vital to the economy. We also believe that the advertising industry is central to growing and maintaining a healthy financial market and support any initiatives which lead to a more efficient process for ensuring financial services are effectively regulated to benefit the interests of the consumer.

We also support the Government's plan to ensure that any advertising of financial products are clear, fair and not misleading when consumer credit is added to the current FCA responsibilities for financial services.

In the past 12 months approximately £170 million was spent on advertising financial related products and services in the motor, retail and financial sectors on Commercial Radio. This represents over a quarter of all advertising spend on UK commercial radio.<sup>1</sup> The effective communication of these products and services is not only an important part of ensuring consumers are properly informed but also a vital part of maintaining thriving economy in this sector. For every £1 spent on UK advertising, the economy grows by £6.<sup>2</sup>

Advertising promotes competition and serves as a route to market for products. We believe it is vital to a healthy sector for consumers to be informed and empowered by advertising whilst ensuring they are aware of any risks associated with specific financial products at the most effective point for them to absorb and understand those risks.

### **Terms and Conditions Research Project**

Supported by the AA and ISBA, RadioCentre is currently undertaking a project to further understand how consumers absorb messages in financial advertising and particularly terms and conditions, including mandatories.

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<sup>1</sup> Nielsen Media Research data 2012-2013

<sup>2</sup> Advertising Association 'Why Advertising Pays' Jan 2013

Terms and conditions are often not benefiting consumers when listeners are overloaded with complex information they cannot absorb in the tag that is read out at the end of a 30 second advert.

Our greatest concern is that, although advertising standards and regulations for broadcast attempt to focus on protection for the consumer, they can actually be to the detriment of their understanding of the product itself within the market and how it is being advertised to them in real time. However we also recognise that more work needs to be done to better understand the consumer's perspective and identify solutions for ensuring consumers are informed of any risks.

Following initial consultations across the advertising industry, including ISBA, the AA and the IPA, RadioCentre is now planning to initiate a detailed research project, working collaboratively across the industry to more fully understand the effect of different levels of mandatories in advertising (particularly radio advertising) and how best to ensure the consumer is sufficiently informed and protected where appropriate. In order to ensure this research is of value to all parties concerned, RadioCentre will be seeking the opinions of key consumer groups and also would like to involve the FCA to ensure its interests/concerns are represented.

For that purpose RadioCentre would like to meet with the FCA to as early as possible to provide a briefing on progress to date and canvass views on our current plans.

We would be grateful therefore if the FCA could contact Judith Spilsbury (RAB Head of Effectiveness Insight) [judith@rab.co.uk](mailto:judith@rab.co.uk) to commence these discussions as soon as possible.

As noted above, RadioCentre plans to follow up and respond in greater detail to the FCA consultation on the Promotion of Financial Products in Autumn 2013. By this point we also envision we will be in a position to share findings and conclusions from the research project.

We look forward to speaking to you in due course.

Yours sincerely



Andrew Harrison  
**Chief Executive, RadioCentre**