Sound, commercial, sense.

Financial terms and conditions and consumer protection

January 2016
Commercial radio in the UK

- 340 stations
- £575m revenue per annum
- Broadcasting over 450m hours per week
- 3,000+ hours of public service content per week
- 34m listeners
- 20m+ for charity
Our aim

To increase the effectiveness of financial terms and conditions and better protect consumers/listeners
The representative example from the consumer credit directive generates the most complex

Representative Example Cash Price £14,666, finance deposit allowance £2000, cash deposit 988, amount of credit 11,678, total amount payable 16,069, 30 payments of £199, optional final payment. 5.9% Representative APR, finance subject to status, guarantees may be required.
The Consumer Credit Directive – timeline

• March 2010 – UK legislation (including The Consumer Credit (Advertisements) Regulations 2010)
• August 2010 – UK Department for Business Innovation and Skills publish *Guidance on the regulations implementing the Consumer Credit Directive*
• February 2011 – Consumer Credit (Advertisements) Regulations 2010 into force in UK
• May 2014 – Commission report to European Parliament and Council on implementation of Directive
• April 2014 – Consumer Credit (Advertisements) Regulations written into UK Financial Conduct Authority’s Consumer Credit Sourcebook
A Pan European issue

- Radiocentre is a member of the Association of European Radios (AER)
- AER compromises members from Austria, Denmark, Finland, France, Germany, Ireland, Italy, Spain, Sweden, UK and Switzerland
- A recent AER survey confirms that the CCD is an issue in major markets, including France, Germany, Ireland and the UK

“These obligations modify deeply the nature of advertising as half of its time is now dedicated to mandatory legal content” (France)

“Huge impact on radio advertising and decrease in the number of ads bought on radio…then also a decrease in the actual advertising message” (Ireland)
Mounting evidence of the importance of keeping risk warnings clear, concise and relevant

GFK consumer panel research for AFM Holland

65% of consumers spontaneously recalled the expression “Let op! Geld lenen kost geld” within just 6 months of launch

Ipsos-MORI high cost, short term credit research

Participants preferred to seek information about risks and costs of taking a loan on lenders’ websites
Complex mandated information loses consumer attention

Source: The effect of lengthy terms and conditions on consumer attention and response, base 536 commercial radio listeners, 2013
What do consumers think?

How much do they actually recall?

Is there a better way?

Independent online survey 800 respondents (all commercial radio listeners)
What do consumers think?
I always pay attention to them

Q: “To what extent do you agree/disagree with the following statements?”

- Only 39% agree
- It is very important to read them to understand what the APRs are
- There are so many t&c’s these days that I ignore most of them
- Feels like a tick-box exercise for the broadcaster
- When they come on I usually just zone out

Dipsicks research 2015; base 800 adults 18+ (commercial radio listeners)
I’d prefer to read the terms and conditions in my own time on a website.

Dipsticks research 2015; base 800 adults 18+(commercial radio listener(s))

Q: “To what extent do you agree/disagree with the following statements?”

70%
They are there to protect the advertiser

Q: “To what extent to you agree/disagree with the following statements?”

Dipsticks research 2015; base 800 adults, 18+ (commercial radio listener(s))

Advertisers are worried about being sued, terms and conditions are there for their own safety

They are likely a legal requirement and the firms clearly don’t care to make them understandable or easy to work out
What do listeners actually recall?
Recall of key figures when terms and conditions are over 24 words

Q: “What do you remember about what the terms and conditions were saying?” (recalling total cost)

Dipsticks research 2015; base 800 adults 18+ (commercial radio listeners)
Is there a better solution?
We recorded two versions of the same credit ad

Full version based on current consumer credit requirements

Representative Example Cash Price 14,666, finance deposit allowance £2000, cash deposit 988, amount of credit 11,678, total amount payable 16,069, 30 payments of £199, optional final payment. 5.9% Representative APR, finance subject to status, guarantees may be required.

Edited alternative focusing on critical information

Total payable £16,069 with this offer. Minimum deposit required and optional final payment. Details at www.ford.co.uk

Dipsticks research 2015; base 800 adults 18+(commercial radio listeners)
More focused information is easier for consumers to follow and retain

To what extent do you agree/disagree with the following statements? (% strongly agree)

- Clear, easy to follow
  - Full version: 37%
  - Critical info only: 49%

Source: Dipsticks terms and conditions research 2015, base 800 commercial radio listeners (400 per execution)
Listeners are also more likely to recall critical information when the messaging is more focused.

What if anything do you remember about what the terms and conditions were actually saying? (% recall)

- Total amount payable (£16,069 or thereabouts): 3% (Full version), 11% (Critical info only)
- Deposit required: 4% (Full version), 9% (Critical info only)
- Optional final payment: 6% (Full version), 7% (Critical info only)

Source: Dipsticks terms and conditions research 2015, base 800 commercial radio listeners (400 per execution)
Conclusion

• We want European consumers to receive accurate, timely and effective warnings
• Evidence shows that the representative example doesn’t achieve that goal
• Practice in the UK shows that it is possible to find a solution