



Sound, commercial, sense.

Financial terms and conditions and consumer protection

January 2016



Commercial radio in the UK

340
stations



Broadcasting over
450m
hours per week

34m
listeners



£575m
revenue per annum



3,000+
hours of public service
content per week

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.



**38 words in total =
c. 20 seconds of airtime**



The Consumer Credit Directive – timeline

- April 2008 – Directive 2008/48/EC on credit agreements
- 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 comprises 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

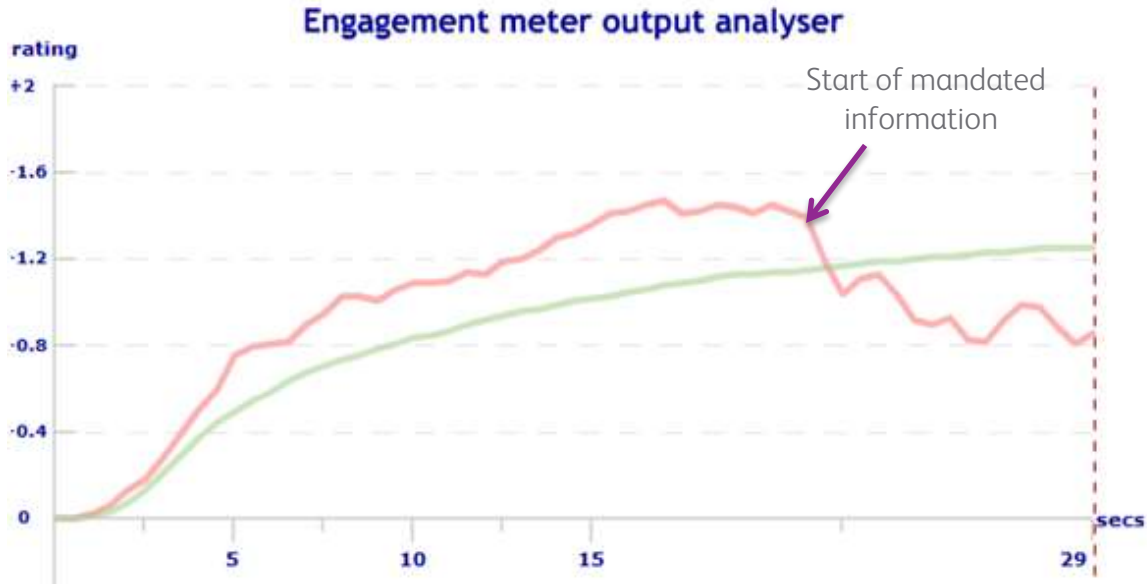
65% of consumers spontaneously recalled the expression “Let op! Geld lenen kost geld” within just 6 months of launch

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



-50%

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

New Radiocentre research June 2015

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

only

39%

agree

It is very important to read them to understand what the APRs

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

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

Dipsticks 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..

70%

*..and more than once if
necessary, so that I understand
everything and can therefore
make an informed decision*

*If I was interested ...I
would want to find out
more information about
it anyway and therefore
would go to the website*

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

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

They are there to protect the advertiser

58%

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

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

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

A young man with dark hair, wearing a black beanie, a colorful patterned sweater, dark pants, and black sneakers, is sitting on a concrete ledge. He is looking down and to his left with a slight smile. The ledge has a metal railing. Behind him is a river with white water rapids, and further back are green trees and a building. The scene is outdoors during the day.

What do listeners actually recall?

Recall of key figures when terms and conditions are over 24 words

Average

4%

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.



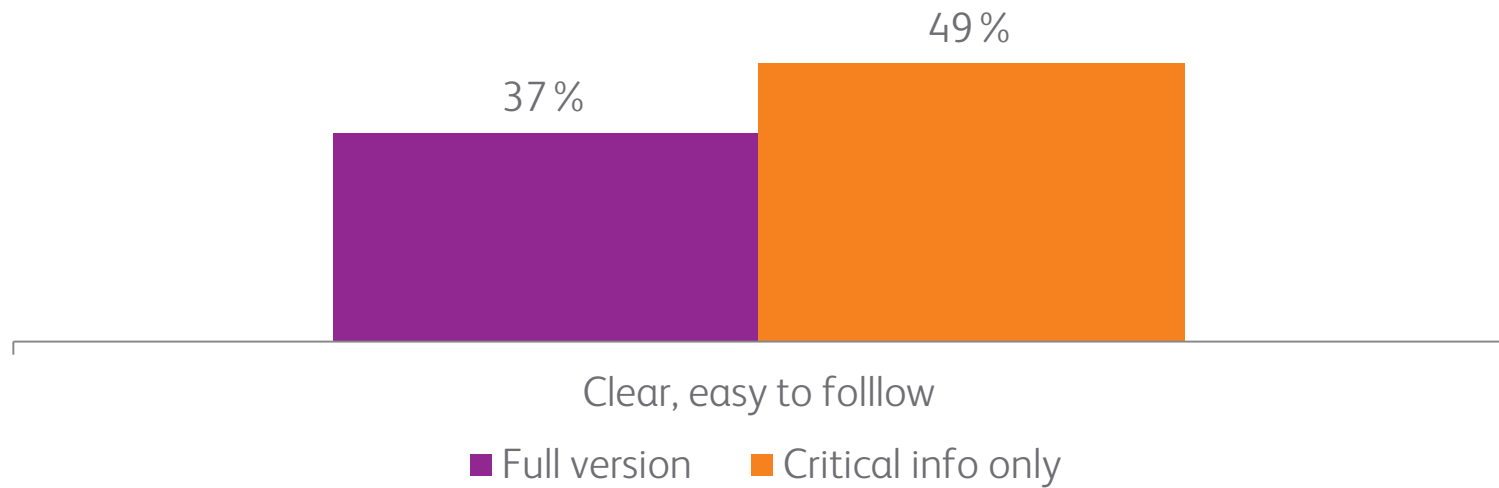
Edited alternative focusing on critical information

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



More focused information is easier for consumers to follow and retain

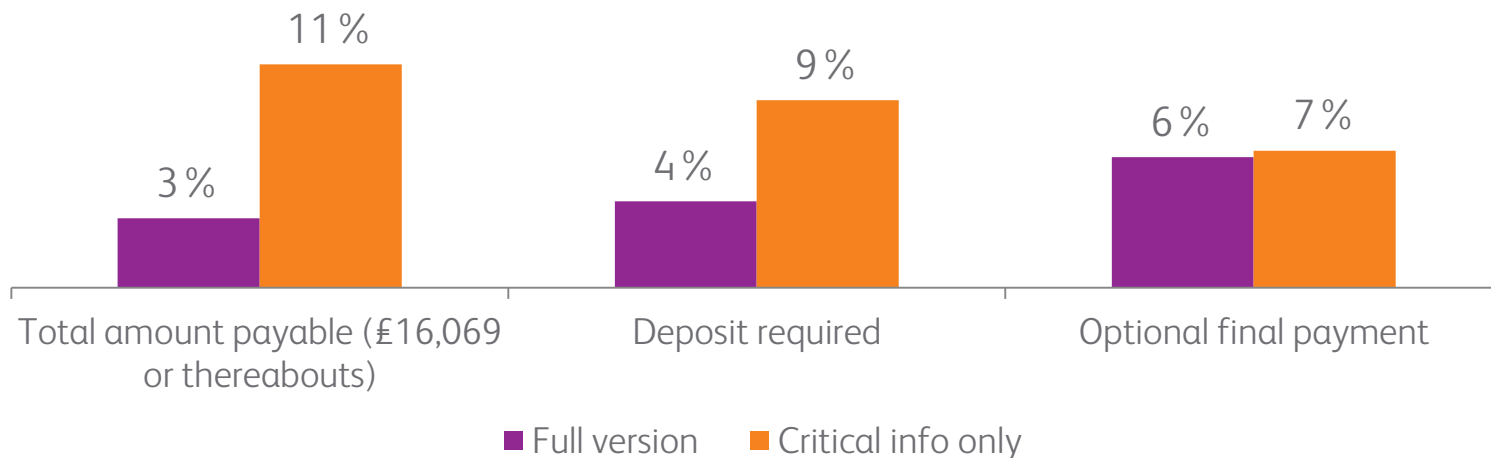
To what extent do you agree/disagree with the following statements?
(% strongly agree)



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)



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



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