Radiocentre response on behalf of the UK radio industry to the Commission's Open Consultation on the Evaluation of Directive 2008/48/EC (Consumer Credit Directive – CCD)

INTRODUCTION

Radiocentre represents around 300 licensed commercial radio stations in the UK generating over £700 million in revenues each year. 36 million people in the UK listen to commercial radio's mix of music, news, travel and local information every week. Radiocentre is a member of the Association of European Radios (AER) who we understand will also be responding to this consultation on behalf of commercial radio stations across the EU and in Switzerland.

In 2016 Radiocentre made a submission to the Commission's REFIT Platform requesting that the Commission reviews Article 4 of the Consumer Credit Directive (CCD) to make the information requirements more effective for consumer protection. We were delighted therefore to see that the Commission's latest consultation on the Consumer Credit Directive includes questions on the relevance, effectiveness and efficiency of the information required in advertising by the CCD as well as questions about coherence with other EU regulation and added value.

Commercial radio depends on advertising revenue and providing high-quality content to its listeners. Our response to this consultation therefore focuses primarily on advertising and specifically Article 4 of the Consumer Credit Directive.

The commercial radio industry fully recognises the importance of ensuring that our listeners are not misled through advertising and that terms and conditions play an important role in this respect. However, long and complex terms and conditions fail in their consumer protection objective.

Research demonstrates that the standard information requirements mandated by the CCD are failing to provide commercial radio audiences with an adequate level of consumer protection and are instead adding an unnecessary burden to industry.

Our listeners would be much better protected with succinct messaging and clear signposting to the standard information online, thus enabling them to make comparisons and informed choices. It is not possible to achieve this without legislative change.

THE IMPACT OF ARTICLE 4 OF THE CONSUMER CREDIT DIRECTIVE ON RADIO

Article 4 of EU Directive 2008/48/EC, which requires standard information to be provided in credit ads which include an interest rate or figure relating to cost of credit, results in 12-15 seconds of additional airtime at the end of radio ads which research demonstrates the listener can neither absorb nor understand. Furthermore, this requirement puts radio as a real time audio medium at a significant disadvantage compared to other media.

RADIOCENTRE'S AIM ON BEHALF OF THE UK RADIO INDUSTRY

Radiocentre's aim is to make terms and conditions in advertising more effective for both consumers and advertisers. We recognise that the UK is currently in a state of transition with regard to our relationship with the EU. However, based on discussions with the Association of European Radios (AER) and our European counterparts we believe amending Article 4 would be in the interests of both the UK and other EU markets by ensuring it works more effectively for consumers as well as industry.

Complex financial terms do not result in informed consumers when included in advertising. Consumers are much better able to understand this level of detail and make informed comparisons online and at point of sale. In radio advertising in particular the standard information requirement is putting significant unnecessary burdens on industry with clear evidence that there is no benefit for consumer protection.

We would therefore ask the Commission to review Article 4 and remove the requirement for the standard information to be included in radio ads.

Other UK bodies, including the Advertising Association, the Incorporated Society of British Advertisers and the Finance Leasing Association support our position with regard to this issue.

In late 2017 the UK Department for Digital, Culture, Media & Sport engaged in correspondence with a number of Government departments in order to help facilitate reducing unnecessary burdens on the radio sector. Our research, which explored audience recall of key figures in advertisements, was cited and Ministers agreed that there must be more effective ways of protecting consumers.

WHY DOES ARTICLE 4 OF THE CCD NEED TO CHANGE?

1. Relevance

Technology has changed significantly since 2008, making it easy to access the standard information online. 87%[1] of adults in the UK now own a smartphone and can therefore access further details online more easily and quickly than ever before. Most consumers research credit products online and are very familiar with comparison websites which have grown significantly in recent years. Consequently online investment from advertisers has increased significantly at the expense of traditional broadcast media, such as radio and TV (57% of media spend in the UK is directed to the internet according to WARC).

Standard information should enable consumers to compare different offers easily. But consumers cannot absorb or understand the current level of detail required in advertising and particularly when this information has to be read out in real time at the end of a radio advertisement. Consumer research demonstrates that 72%[2] of radio listeners would much rather read the information in their own time on a website or in print where they can devote time and attention to understanding the detail. Furthermore, the explosion of comparison websites over the last 10 years has made it easier than it has ever been to compare products online and consumers are increasingly reliant on comparison websites to inform financial decisions.

[1] Deloitte Global Mobile Consumer Survey 2018

[2] Based on research conducted by Other Lines of Enquire across 3 online surveys of 3,200 commercial radio listeners in total. The surveys commissioned by Radiocentre between 2013 and 2017.

Within the credit market as a whole we understand from the Commission's own report on the implementation of the Consumer Credit Directive that the volume of cross-border credit regulated by the CCD is negligible.

2. Effectiveness

Research demonstrates that the standard information at the end of radio ads fails to protect consumers. In the UK less than 4% of radio listeners will recall vital information such as the total cost of credit immediately after being asked to listen to a radio ad which includes standard information. The same level of recall was also demonstrated in a study commissioned by Sirti in France[3]. Recall of important figures is even lower however when listeners are engaged in other tasks whilst listening to radio (a scenario more typical of radio listening).[4]

In the UK most listeners (60%) believe that financial terms and conditions are there to protect the advertiser rather than the consumer and this goes up to 70% of 18-24 year olds. In France this figure is even higher - 88% of listeners feel the legals were to protect the brand rather than them. Consequently long and complex information is much more likely to be ignored and in the case of radio ads the listener simply zones out when lengthy terms and conditions are read out (Figure 1).

Reducing the information to more succinct messages on radio significantly increases recall (Figure 2). However in general it is important to note that listeners don't recall figures easily, even immediately after listening to an ad.

This was further demonstrated in a study by Lancaster University in which listeners were engaged in other activities whilst listening to radio. None of the listeners recalled the total cost from radio ads when the full standard information was read out at the end of the ad, and even when the cost was read out without the other components of the standard information, a maximum of 7% of listeners could accurately recall it.

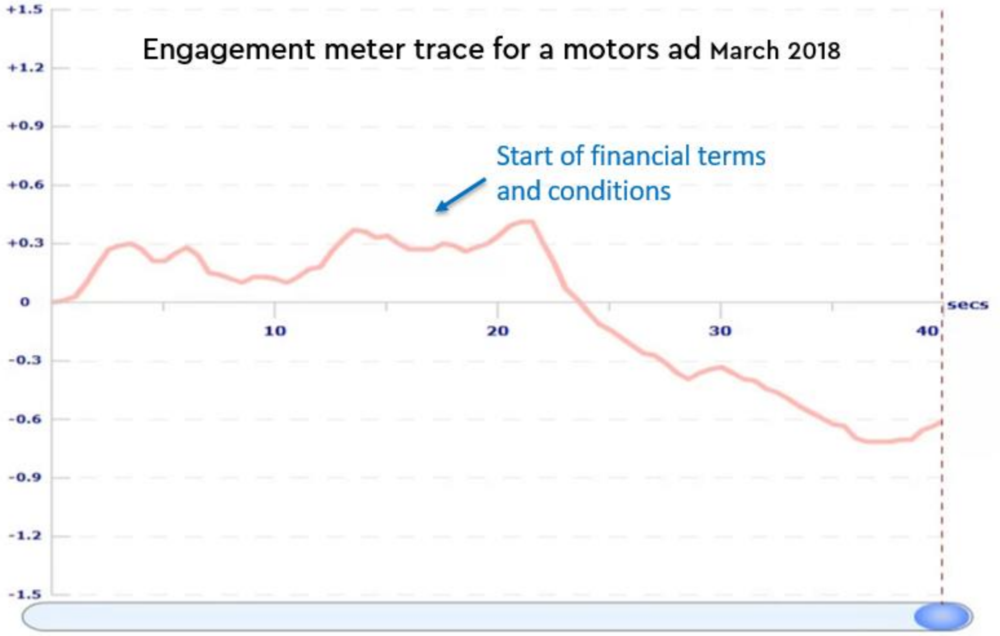
However, the Sirti study in France found that simpler messaging on radio accompanied by further details online was much better received by listeners and also demonstrated significantly higher recall of specific figures. In other words, using radio to signpost to further details online is a much more efficient way of landing important messages.

In summary, whilst the principle of standardising information so that consumers can make informed comparisons is good, all the evidence suggests that requiring the same standard information in advertising, and particularly radio advertising, does not work. We believe it is important to ensure the standard information is made available at a more appropriate stage of the consumer journey i.e. when consumers are actively researching and making direct comparisons online.

[3] Perceptions des mentions legals a la radio, IFOP study commissioned by Sirti France in 2016.
[4] Research conducted by Lancaster University in 2016 comprising a lab test of 100 commercial radio listeners (50 per execution) engaged in online tasks with radio playing in the background

Figure 1

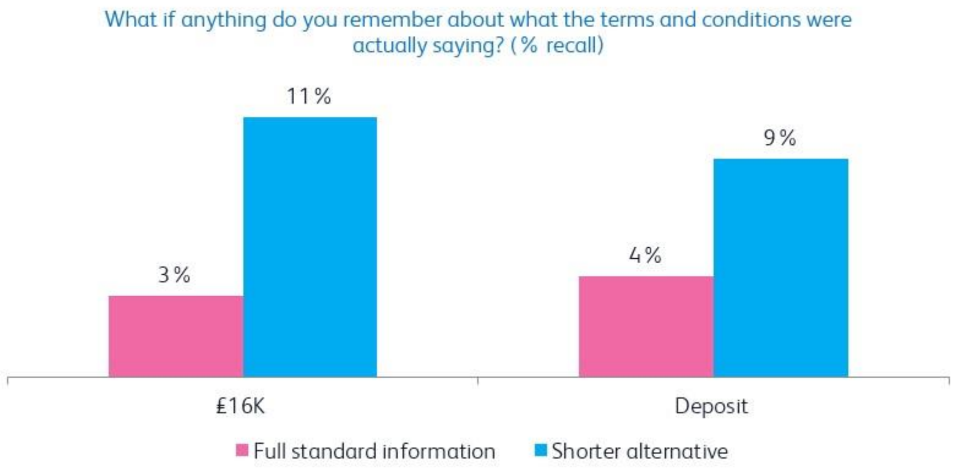
Listeners don't pay attention to complex financial information



Base: 536 commercial radio listeners

Figure 2

Significant improvements in consumer recall when the information is simplified



Source : Other lines of enquiry 2015 survey, base 800 commercial radio listeners (400 per execution)

3. Efficiency

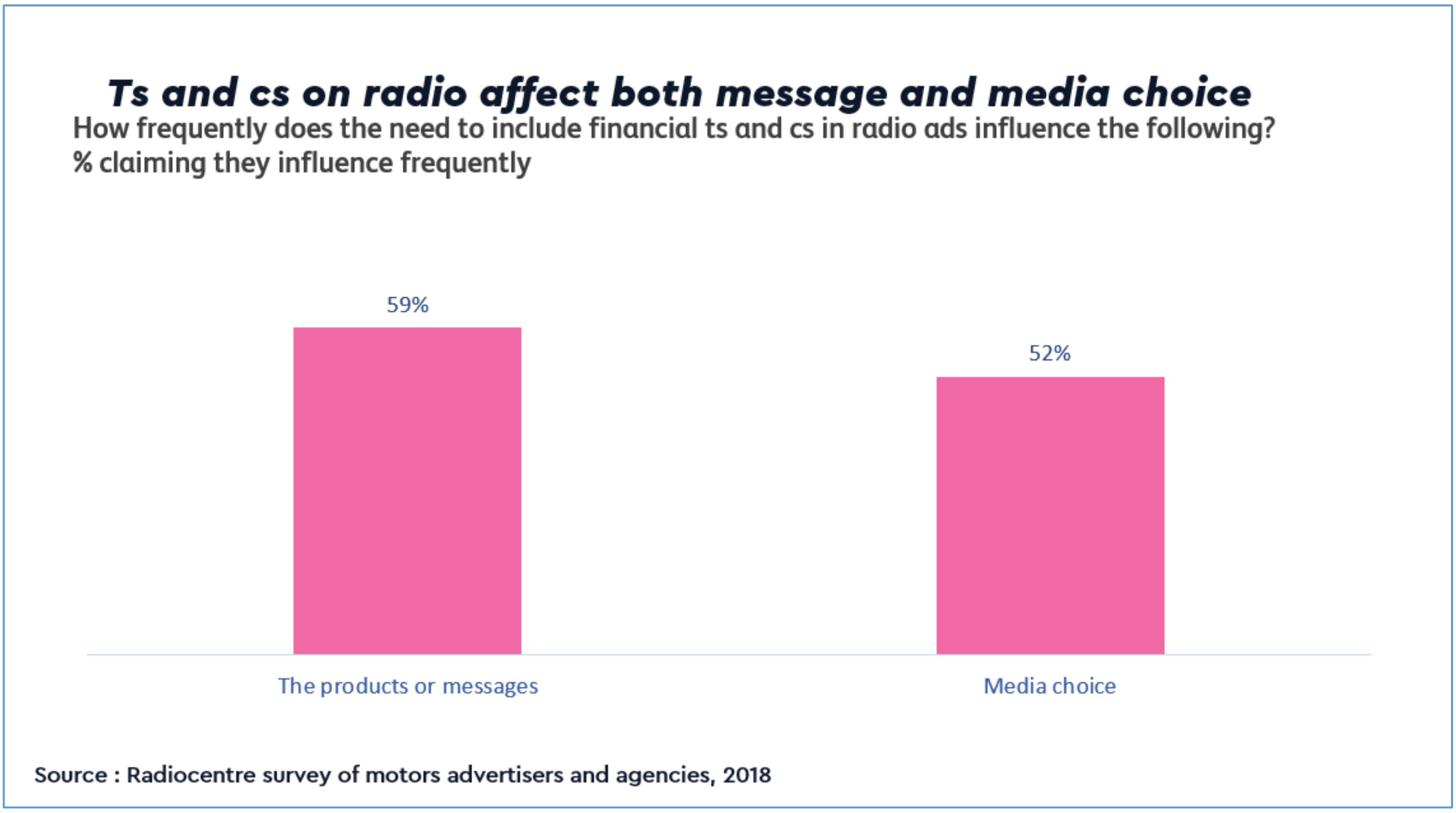
The standard information takes up 12-15 seconds of additional airtime per radio execution. This costs the advertiser more airtime costs and also puts other advertisers off using the medium, resulting in lost revenue for radio. In total the negative impact of lengthy credit terms and conditions is estimated to cost UK industry in the region of £70 million per annum.

In a 2018 Radiocentre survey of car manufacturers and agencies, over half claimed that the need to include financial terms and conditions in radio ads influenced their choice of medium to use and nearly two thirds claimed it influenced the types of products and messages they felt they could advertise on radio (Figure 3).

The standard information required by Article 4 is therefore not only restricting access to market for many businesses, it is also restricting the types of products advertisers are able to promote to customers. All the evidence suggests that there are no benefits to including standard information in radio ads but substantial costs.

Harnessing radio's ability to deliver succinct messages and signpost to where the standard information can be accessed online would be a much more efficient way of ensuring consumers are protected without unnecessary burdens on industry.

Figure 3



4. Coherence

We believe that Article 4 of the CCD is not coherent with other EU legislation.

The Unfair Commercial Practices Directive acknowledges the need for consideration to be given to “limitations of space or time” (Article 7, para 1 and 3).

The need to treat radio differently has also been recognised in other Regulations.

Since the adoption of the Consumer Credit Directive, the European Commission has adopted two pieces of legislation that make an important distinction between advertising and information provided at point of sale, which furthermore underline that differences exist between audio and visual media.

The general energy labelling regulation was updated in 2017 with the adoption of REGULATION (EU) 2017/1369. This new Regulation acknowledges that radio and audio are a special case in Article 6, which references visual material explicitly, providing an exemption for radio stating that “the supplier and dealer shall make reference to the energy efficiency class of the product and the range of efficiency classes available on the label in visual advertisements or technical promotional material for a specific model in accordance with the relevant delegated act”.

The Tyre Regulation adopted in 2009 states that “technical promotional material does not include advertisements in billboards, newspapers, magazines, radio broadcasting, television and similar online formats”. In the Commission’s proposal for a revised Tyre Labelling Regulation, dating from 2018, reference is made to “visual advertisements and technical promotional material”.

We welcome the European Commission’s recognition that radio advertisements are different to visual advertisements.

The Mortgage Credit Directive has the same requirements for standard information to be included in all advertising regardless of limitations of space or time. However we understand this was copied directly from the Consumer Credit Directive without due consideration to effectiveness or impact. We believe in the longer term that consideration should also be given to amending the same clause in the Mortgage Credit Directive.

5. EU added value

We fully support the principles of the Consumer Credit Directive in ensuring that information is provided to consumers in a clear, concise and prominent way, and enabling them to compare different offers. We also fully recognise the value of having standardised terms and definitions.

However, we do not support the requirements for standard information being extended to advertising and in particular to radio, since it fails to take into account the nature of advertising or its role in the consumer decision-making process and in the case of radio has resulted in significant unnecessary burdens on industry which have been proved to be ineffective in terms of consumer protection.

At an EU level advertising is already regulated by the UCPD to ensure that consumers are not misled and in our view Article 4 is counterproductive to the Financial Conduct Authority’s requirement for financial promotions in the UK to be “clear fair and not misleading” and does not therefore add value to UK advertising regulation. Furthermore, the UK radio industry proactively polices financial and other advertising via its copy clearance body, which checks ads for misleading content prior to broadcast.

Finally, it should also be noted that radio advertising operates at a local market level, hence EU legislation to allow comparison of radio ads across EU markets is wholly unnecessary.

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