



Radiocentre response to FCA Consultation Paper CP21/36 (published December 2021)

Radiocentre is the industry body for commercial radio in the UK. We provide a voice for commercial radio in all matters relating to regulation and government, as well as using research and marketing to raise advertiser understanding of the value of radio as an advertising medium.

We also ensure that all ads which are aired on radio in the UK are legal, decent, honest and truthful to help consumers make informed decisions and it is in this context that we are responding to the FCA's consultation paper CP21/36 : A new Consumer Duty, and specifically Question 11.

Q11: Do you have any comments on our proposed requirements under the consumer understanding outcome and the related draft rules and non-Handbook guidance?

We fully support an increased focus on the consumer in order to raise the standard of consumer protection. Within this we support the principles set out in the non-Handbook guidance relating to consumer understanding (Appendix 2, section 7) and in particular the principle of ensuring information is presented in a timely manner and in a way which can be easily understood to help consumers make better financial decisions.

Whilst the draft non-Handbook guidance acknowledges the importance of providing information that is relevant, well-timed and simple (7.15) and recognises the challenges of communicating through certain media (7.34), it also emphasises the need to comply with current rules. Unfortunately the current rules relating to financial promotions are often counterproductive to achieving the desired consumer understanding outcome.

Advertising is at the beginning of the consumer journey, alerting potential customers to what products are available and ensuring they have enough information to decide whether to investigate further. In the case of radio advertising, any additional qualifying information (often referred to as Terms and Conditions or Ts&Cs), has to be read aloud in real-time, usually at the end of the ad. This can lead to over 10 seconds of complex messaging which research studies demonstrate that the listener cannot absorb or retain. The resulting outcome is that the listener simply zones out.¹

As an example, the retained provisions of the Consumer Credit Act (CCA) lead to some of the most complex Ts&Cs in financial promotions. Four of our studies to date have looked at the impact of CONC 3.5.3R which requires a representative example where a financial promotion indicates a rate of interest or an amount relating to the cost of credit. In every case this has demonstrated that the full representative example results in unacceptably low levels of recall of important figures by listeners.

We are pleased that on page 49 (para 9.14) of the consultation document the FCA references their intention to work with the Government to bring forward the necessary legislative change relating to these rules.

¹ [Protecting Consumers: Why long and complex terms and conditions on radio don't work](#)



Radiocentre has a good working relationship with the FCA and is already in contact with the FCA's consumer credit and retail lending policy and supervision teams who are fully aware of our endeavours to make the information in financial promotions on radio clearer and easier for listeners to understand and recall.

Our *FCA confirmed industry guidance for motors brands on radio*² published in January 2020 has been a very positive step in recognising that too much information at the start of the consumer journey can be counterproductive to consumer understanding. This has helped us persuade advertisers to minimise the use of unnecessary terms.

However, more steps are needed in order to ensure the current regulations for financial promotions achieve the desired outcome of better informed consumers. We would like the prescriptive rules in CONC.3.5.3 to be reviewed as a matter of urgency, particularly in the light of the current review of the Consumer Credit Directive (CCD) by the EU Commission, as well as the related recommendations in the Digital Radio and Audio Review³ that *"the FCA should consider working to simplifying rules governing terms and conditions in radio ads to facilitate clearer messages on financial products and services"*.

Longer term we also believe there is scope for developing a new framework for communicating Ts&Cs which would be shaped around today's consumer journey in order to deliver a higher level of consumer understanding outcome.

In summary, we fully support the FCA's new Consumer Duty initiative and the principles outlined in the draft Handbook text and section 7 of the draft non-Handbook guidance. However, we remain concerned that without significant changes to the current regulatory framework for financial promotions, the benefit of an approach which is centred on a consumer understanding outcome will not be fully realised.

We would very much like to work with the FCA to explore this further and, as mentioned above, are already in contact with the consumer credit and retail lending policy teams.

For further information contact :

Judith Spilsbury
Head of Special Projects
Radiocentre
email : Judith.spilsbury@radiocentre.org

2

<https://www.radiocentre.org/wp-content/uploads/2020/02/Radiocentre-FCA-confirmed-industry-guidance-for-motors-advertising-on-radio-final-14.01.20.pdf>

3

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1027206/Digital_Radio_and_Audio_Review_FINAL_REPORT_single_view.pdf