

RADIOCENTRE RESPONSE TO THE FINANCIAL CONDUCT AUTHORITY'S CALL FOR INPUT: REVIEW OF FCA REQUIREMENTS FOLLOWING THE INTRODUCTION OF THE CONSUMER DUTY

Introduction

Radiocentre is the industry body for commercial radio in the UK. We work on behalf of more than 50 stakeholders representing over 90% of commercial radio in terms of listening and revenue. Our remit is to ensure a healthy and thriving radio and audio industry and extends to all kinds of broadcaster-owned and operated audio such as podcasts and on-demand streaming services provided by commercial radio.

Our remit includes responsibility for ensuring advertising messages on commercial radio stations comply with the necessary content rules and standards set out in the BCAP Code of Broadcast Advertising and the Ofcom Broadcasting Code. We have a strong track record of ensuring that all advertisements which are aired, including financial promotions, are legal, decent, honest and truthful so that listeners can make informed decisions. It is in this context that we are responding to this Call for Input.

Background

Radiocentre's response to this consultation¹ relates to Chapter 3 of the Consumer Credit Sourcebook (Financial promotions and communications with customers) and its relation to PRIN Section 2A.5 (Consumer Duty: retail customer outcome on consumer understanding).

An important consideration in our response is radio advertising's role in the context of the customer journey. Commercial radio advertising is at the start of this journey and not the point at which the consumer will make the final decision about whether to take up a credit offer.

The real-time linear nature of radio listening, often as a secondary activity, also means that it is rarely used to communicate detailed and complex information relating to products or services. However, it can be very effective at signposting or directing listeners to other sources, including online or instore, for further information as part of the next stage of the customer journey. It is therefore important that listeners are provided with an appropriate level of detail at this stage of the journey without overloading them with information which isn't going to be helpful to their decision making.

In this context we fully support the principles of the Consumer Duty, particularly in relation to achieving positive customer understanding outcomes. Sometimes however these principles become compromised in radio ads because companies include more information than is required resulting in information overload for the listener. Guidance can play a strong role in this respect. For example, our FCA confirmed industry guidance for motors brands on radio has helped us work with motors advertisers to make their radio ads clearer and easier for listeners to follow.

We have used some of the learnings from our industry guidance together with our own research findings to inform our submission below which covers consultation questions 3 to 6.

¹ <https://www.fca.org.uk/publication/call-for-input/call-for-input-review-retail-conduct-rules.pdf>

Question 3: Are there other areas in our rules and guidance where we should consider simplification or removal?

In its current form CONC 3.5.3, which requires the inclusion of a representative example in a financial promotion where a figure relating to cost of credit is mentioned, together with CONC 3.5.5 which sets out the information to be included, contradict the fundamental principle of “clear, fair and not misleading” under PRIN 2A.5.3R and should be simplified in order to improve communication with customers.

On radio, the current regulation results in around 10 seconds of financial figures and jargon in the form of a representative example which has to be read sequentially at the end of the radio ad. We have found from research² that listeners simply cannot take in this level of detail and as a result vital information such as the total amount payable gets lost, to the detriment of the consumer.

We also found that within a few seconds of lengthy financial terms and conditions (Ts&Cs) being read at the end of a radio ad, listener attention drops away by as much as 60%. Listeners simply zone out and stop listening hence even critical information is not being recalled.

However, our research also indicated that simplifying this rule so that the information provided is clearer, more concise and therefore easier for listeners to absorb can increase recall by as much as three or four times.

Simplifying this regulation would be a positive step towards ensuring customers are better protected by providing them with the right information at the right time and in a way which can easily be absorbed and understood.

Question 4: Do you agree that work towards simplifying our retail conduct rules can help us meet all our objectives, including the secondary objective?

Simplifying regulation under CONC 3.5.3 and 3.5.5 to reduce the level of information which is currently required for a representative example will be beneficial to customer understanding as outlined above. It will also be beneficial to the UK radio sector and growth of the wider economy:

- A representative example can increase the length of a typical 30 second spot ad on radio by 10 seconds, adding an additional 30% to airtime costs. This impacts the motors sector and to some extent the retail sector. Both of these are important sectors for commercial radio (investing £76 million and £78 million respectively in 2023)³. Overall UK commercial radio revenues⁴ for 2023 were £715 million.
- Studies have also shown that too much detailed information or technical jargon in radio ads can negatively impact memory encoding and engagement⁵. Long-term advertising effectiveness and return on investment is reduced for businesses, but with no evidence of additional gains for consumer protection.

² [Protecting consumers: Why long and complex Ts&Cs don't work.](#)

³ Source: Nielsen Ad Intel

⁴ <https://www.radiocentre.org/the-audio-market/ad-revenues-and-forecasts/>

⁵ Listen UP! System 1, <https://system1group.com/listen-up>

- Removing the current requirements for a full representative example would also increase business access to market. Widespread anecdotal evidence has indicated that advertisers sometimes restrict the products they would otherwise have promoted on radio because of the need to include lengthy and complex Ts&Cs.

Question 5: In which circumstances do you think it is appropriate to rely on: a. high level rules; b. more detailed rules, c. a hybrid approach

We fully support the high-level principles set out in relation to PRIN Section 2A.5 (Consumer Duty: retail customer outcome on consumer understanding). However, specifically in relation to CON 3.5.3 and 3.5.5 it is our view that a “lighter touch” level of prescription would be helpful to both customers and businesses:

- It helps consumer protection by ensuring that customers are given the right information to enable them to decide whether to make further enquiries without overloading them with too much detail.
- For businesses it can help remove ambiguity, particularly for smaller firms, by ensuring important information such as the total amount payable is clearly stated whilst at the same time avoiding the inclusion of lots of other figures which aren't are essential at this stage thus risking information overload.

Question 6: What do you see as the main costs and benefits of making changes to the FCA Handbook by simplifying or removing detailed expectations of firms?

Simplifying the detailed expectations of advertisers under CONC 3.5.3 and 3.5.5 would have benefits to both consumer protection and businesses:

- By making it easier for customers to absorb and understand the key benefits and risks of the credit product being advertised on radio to help them decide whether or not to make further enquiries.
- By ensuring that businesses are able to meet the consumer understanding outcomes more effectively by getting the right information to the consumer at the right time and in a way in which they can understand it.
- By removing ambiguity over what is essential information to ensure listeners are not misled, whilst at the same time setting a positive example of communicating important information clearly and succinctly, without unnecessary detail at this early stage of the customer journey.
- Finally by facilitating more effective communication of financial promotions to support long-term business growth.

ABOUT RADIOCENTRE

Radiocentre is the industry body for commercial radio in the UK. We work on behalf of more than 50 stakeholders who operate over 300 licensed radio stations across the UK and represent over 90% of commercial radio in terms of listening and revenue. Our remit also encompasses all kinds of broadcaster-owned and operated audio, including podcasts and on-demand streaming services provided by commercial radio.

We work with government and regulators to secure the best environment in which radio can thrive, and drive industry revenues by promoting the benefits of radio to advertisers and agencies.

We are also responsible for ensuring advertising messages on commercial radio stations comply with the necessary content rules and standards set out in the BCAP Code of Broadcast Advertising and the Ofcom Broadcasting Code and have a strong track record of ensuring that all ads which are aired on radio in the UK are legal, decent honest and truthful so that consumers can make informed decisions.

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October 2024