



The Money Charity response to the BSP Call for Evidence on Switching Principles

The Money Charity is the UK's leading financial capability charity.

We believe that being on top of your money means you are more in control of your life, your finances and your debts, reducing stress and hardship. And that being on top of your money increases your wellbeing, helps you achieve your goals and live a happier more positive life as a result.

Our vision is for everyone to be on top of their money as a part of everyday life. So, we empower people across the UK to build the skills, knowledge, attitudes and behaviours, to make the most of their money throughout their lives.

We believe financially capable people are on top of and make the most of their money in five key areas:

- Planning (including budgeting)
- Saving
- Debt
- Financial services products
- Everyday money (including wages, cash, bank accounts)

The **MONEY** *Charity*

1. The Money Charity welcomes the Call for Evidence on switching principles. As shown by the table in point 3.6, switching rates are lower than they should be and have changed little in the past five years. In the current market where the government has chosen competition as the tool for keeping prices low and improving services, high rates of switching are a necessity.
2. Overall, we support the proposed principles outlined in the call for evidence, and believe that they provide a good basis for a situation where more consumers switch and competition is improved. In keeping with these principles our consultation response tries to offer practical solutions.
3. Many barriers exist to switching, primary amongst which are inertia, lack of understanding and people's unwillingness to spend large amount of time shopping about.
4. In markets where switching rates are higher: utilities and phone contracts the comparison of like-with-like is relatively easy. On one hand there are prices and on the other a set relatively few, easily comparable features. If you have to get a new mobile phone contract, it is easy to compare minutes, texts and data at different price points.
5. In these markets there is also very significant publicity in both the form of advertising promoting deals and campaigns extolling the benefits of switching. Despite these conditions, rates of switching could be higher, and have not increased.
6. Markets such as bank accounts and insurance are not this simple. The features are much more complicated and numerous. This probably explains why bank account switching is occurring at the lowest rate (aside from digital TV which has relatively few suppliers with very differentiated offers). Despite innovations such as the switching service, little progress has been made on increasing switching rates.
7. The example cited in the first paragraph of the consultation document of lottery tickets illustrates why people are not switching at high or increasing rates. In the case of a lottery ticket, claiming the prize is a simple action with a clear, lump-sum prize that the customer will have hoped for when they bought the ticket. None of this is true with products across the seven markets examined in the consultation paper. The object of switching principles and regulation ought to be to create these conditions:
 - a. A simple and easy process
 - b. Well defined outcomes
 - c. Switching assumed in contracts
 - d. The possibility of a single, lump-sum saving
8. The Money Charity believes that a one-stop switching service across these markets could create conditions closer to those of unclaimed lottery ticket, and makes the following suggestions to that end.

9. Simplifying switching by creating a single switching service across all seven markets where you can shop around and purchase new deals easily. Ofcom and Ofgem already approve comparison sites, but these only exist for individual markets. Though some commercial services such as USwitch do offer comparisons in several of these markets, consumers lack trust in these sites and the comparison tools usually don't integrate consumption data, meaning they are less useful for more complex markets.
10. Differential switching rates across markets highlight an opportunity to use relatively higher (though still too low) rates in utilities to draw attention to other markets with less switching. If customers see the savings they could make in all seven of these areas together, not only would the absolute sum on offer from switching be more visible, people would be able to see the benefits of switching in markets that they had not considered before.
11. This service should have a website where you can input your data and track contracts. For certain markets, private providers have created services that work well and could be used as a model. MoneySavingExpert's Cheap Energy Club¹ allows consumers to input their data and receive a concrete calculation of how much they could save by switching. If a one stop shop with tools like these across markets were created, the savings would be made considerable.
12. For markets with more complicated inputs and outputs such as bank accounts, simple key facts should be used to compare services on the umbrella site. Because the costs of these services are often not clear to people up front (particularly with current accounts where costs are dependent on usage), the comparison tools would have to be interactive, asking consumers for consumption data.
13. Currently, many contracts are indefinite, rolled over from month-to-month. Even in cases such as 24 month phone contracts, the assumption is usually that once the contracted period is over, the contract defaults to a rolling monthly payment at the same rate. Companies may benefit from this, but it takes advantage of consumers' inertia and leaves people paying more. Instead, at the end of defined contract periods, consumers should be reminded to switch or renew the contract on new terms. The 'switching default' would build into the process of purchasing these services the assumption that switching or reconfirming would take place at the end of a contracted period, rather than having customers sign up to a service they have not thought about leaving.
14. Where a lottery ticket will give you your winnings up-front, the savings accrued from switching accrue over a much longer period. You may save £200 over the year, but many people won't feel £17 a month, or see it as a suitably enticing incentive. A switching service should offer consumers the possibility of a savings app, where, if people choose to switch, they can receive the full savings in a lump sum at the end of a 12 month period. This could be achieved by allowing consumers to switch but continue to pay their current rate with the difference being automatically saved. The

¹ <http://www.moneysavingexpert.com/cheapenergyclub>

reality is that many consumers privilege short term gains, and small monthly gains, even if they are cumulatively large, are not as enticing as a lump-sum.

15. With these changes, we believe that the market for all these services could increase rates of switching, allowing markets to function better.