House of Commons

Business and Trade Committee

Oral evidence: Consumer protection, HC 1667

Tuesday 3 February 2026

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Watch the meeting

Members present: Liam Byrne (Chair); Dan Aldridge; Sarah Edwards; Sonia Kumar; Justin Madders; Charlie Maynard.

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Witnesses

- Anne Pardoe, Head of Policy, Citizens Advice;
- Rocio Concha, Director of Policy and Advocacy, Which?;
- John Herriman, Chief Executive, Chartered Trading Standards Institute;
- David MacKenzie, CTSI Chair, Chartered Trading Standards Institute.

Examination of witnesses

Witnesses: Anne Pardoe, Rocio Concha, John Herriman and David MacKenzie.

Q1 **Chair:** Welcome to today's session of the Business and Trade Committee as we begin looking deeper into consumer affairs, ahead of our confirmation hearings for the new chair of the Competition and Markets Authority, scheduled to take place in front of this Committee on 24 February. Thank you very much indeed to our witnesses for joining us.

Perhaps I could kick off by asking why everything is so expensive now? For most of us on the Committee our constituents tell us that the spiralling cost of living is the No. 1 issue. Let me show you the slide we have put together ahead of this hearing, with evidence on a basket of goods: on things like margarine, milk, chicken, bread, lager and potatoes, there have been up to 56% increases in prices—there has been a 48% increase in the price of milk. What is going on? What is your view?

Anne Pardoe: That is a really big question, but you are absolutely right: the price of everything—your groceries, energy, water, telecoms—is going up and up, it seems, on a weekly basis. Energy prices have played a big part in a lot of this, particularly over the last couple of years, kicking off with Russia's invasion of Ukraine, which saw energy prices spiral overnight. They have started to come down but have taken a fair bit of time on that front. We also then saw huge inflationary pressures, which again have subsided a bit, but those prices keep on creeping up—for example, the cost of labour.

There are lots of trends, but for many people Citizens Advice support we see huge pressures in the cost of living. Some 50% of our debt clients are now in what we call a negative budget.

Q2 **Chair:** What does that mean?

Anne Pardoe: That is where their income is lower than the cost of all their essential bills. So even once you have stripped out any luxuries, by the time they have paid their rent, utility bills and council tax, their income is gone and more.

I would also say that those problems are becoming more entrenched and complex. The average debt of people who come to us for help is also growing significantly, and their debts are increasing month after month. The complexity of the problems we see is also increasing. On average, people who come to us for help now have an average of more than five issues each. It is not that people are struggling in one area of their lives; they are struggling across the board, and that is a real challenge for us an organisation in supporting them. We do our best, and we do great work, but there is only so much you can do if someone's income is low.

Q3 **Chair:** We all remember when inflation hit 11%, and now it has come down to about 3.4%, which is what it was in December. But food price inflation was actually about a third higher than that—in December it was about 4.5%. These headline inflation figures do not actually mean much to people any more, do they? The real inflation that they are experiencing is actually much higher than the headline rate.

Anne Pardoe: Absolutely. Those big numbers—overall inflation and fractions of a percentage of GDP here and there—really do not mean a lot to people when they cannot afford the cost of their essentials. That is really confusing and difficult for people, and it is definitely something we see through our services.

Q4 **Chair:** Ms Concha, what is the perspective from Which? on why everything is so expensive now? Do these headline figures for inflation mean anything for people? They do not seem to reflect the reality of life for our constituents, that is for sure.

Rocio Concha: As Anne was saying, a lot of this is driven by increases in input costs—labour and energy. This is reflected in food prices, and when people go to the supermarket, they are seeing price increases. But there is also an issue here about failings in competition and consumer protection in relation to regulation and enforcement. For example, if you look in areas like veterinary services.

Q5 **Chair:** Or fuel prices?

Rocio Concha: Or fuel prices. But in the case of vets, an investigation by the CMA showed there were quite a lot of egregious and exploitative practices by some of the vet providers. The same thing can be said about secondary ticketing. This is about a lack of appropriate regulation, but also a lack of enforcement in some areas. We are seeing quite a lot of problems in pricing issues across a number of sectors—for example, fake sales that tell you that something was this price and is now another price, using a misleading reference price. That is illegal, by the way, and the problem there is a lack of enforcement.

Q6 **Chair:** Let me just get this straight. We are saying that rising food prices are really increasing pressure on families right now, but you are saying that a breakdown in regulation and enforcement is making the problem worse?

Rocio Concha: Yes. In some sectors, that is definitely the case.

Q7 **Chair:** John and David, do you have anything to add to this picture of why everything is just so expensive?

John Herriman: Obviously, cost of living is at the forefront of everybody's mind at the moment. We are in broad agreement as to the input factors you have just talked about, whether that is geopolitical instability, energy prices—gas and oil—and those sorts of things. The production cost of raw materials is also going up. Things like weather instability also have an impact on prices of things as simple as coffee. There are also those other factors in inflation relating to wage growth. Those are all factors.

The point that also came out is that it is actually impacting on everyday essentials such as food, but also on other things that people would regard as essentials, such as buying a car or having transportation. The problem is that it is across every layer, and that is why it is so pernicious at the moment.

In relation more directly to our world of trading standards, we would look at supply chains because of all the factors I have just outlined, such as businesses incurring more costs and passing those on to the consumers—legitimately or not, as the case may be.

The last point I would reaffirm is about that inability to always ensure a level playing field for consumers. That is down to market surveillance, enforcement activity and legislation, although that is catching up at the moment.

Q8 **Chair:** So you would say that sharp practice in the marketplace, which regulators are failing to stop, is adding to the pressure on families.

John Herriman: That absolutely adds to it. Examples have been mentioned already around veterinary practices, pricing and secondary ticketing, so there are concrete examples out there of things that should not be happening but are happening.

To specifically relate that to the world of trading standards, trading standards has had a real-time cut over the last 10 or 15 years of about 39% in funding at the local authority level. If you look at trading standards relative to, let us say, other regulatory enforcement, such as environmental health, trading standards has been hit twice as hard, so you have a depletion in capacity at the local level.

The local marketplace is actually really important. There is a lot of stuff that happens that CMA will investigate at the national level, which is really good, but it is also about making sure that the high street is a level playing field, and that is where we need to be able to do more enforcement.

Q9 **Chair:** As we were researching for this session, one of the things that shocked us is that the hit to consumers is not just higher prices; there is now this wide range of harms that cost Britain's consumers £71 billion a year. That is everything from poor-quality goods that you cannot get a refund for, subscriptions that you cannot cancel, deliveries that do not turn up, stuff that is just unsafe, and services that you pay for but never materialise. That £71 billion is thousands of pounds for every house in the country, on top of these increases in prices. From the Which? point of view, what is going on here?

Rocio Concha: Some of the sectors you mentioned are regulated, but enforcement is lacking. The DMCC Act is a big, important step, giving the right powers to the CMA to enforce consumer protection, for example, and the CMA announced the first investigations in key areas in November.

Then we have trading standards, and as John was saying, there is a challenge there. I think you were saying earlier that you are in charge of enforcing more than 200 pieces of legislation.

John Herriman: About 300 pieces, yes.

Rocio Concha: Which is impossible with the resources that it currently has. However, one thing I want to stress is that this is not only about resources; it is also about the structure of enforcement, particularly in trading standards.

For example, at the moment, the national regulators, the Government and the Departments that fund trading standards do not have the data on how many trading standards officers are in each local authority, what they are prioritising in their local areas, what actions are they taking, what issues they are seeing and tackling, and what issues they are seeing that they are unable to tackle. So you do not have a national picture that lets the regulators say, "Okay, we are seeing this particular thing that local authorities are facing, but actually the national regulator should enforce on it."

Q10 **Chair:** I just want to get this straight. First, the cost of living is the No. 1 issue for most people, certainly in our constituencies. Secondly, we have these price rises that are going through the roof. Thirdly, we have £71 billion of extra costs on consumers through a whole host of breakdowns in the marketplace. Is that basically what is going on, John?

John Herriman: Yes. On your point around the £71 billion of consumer detriment, that is up from £54 billion three years ago. I know that the way the figures are calculated has changed, but if you went back to 2014, 2015, it was running at about £25 billion.

Q11 **Chair:** So it has tripled?

John Herriman: Yes, and that is part of the challenge. While I cannot make a causal link in terms of the decline in, let us say, trading standards, we can compare the two and see an impact across both.

We are talking about consumer detriment and financial detriment, but I would also point—you alluded to this earlier—to the broader risk that consumers face. It is not just the financial detriment; there is also the physical harm, because there are goods and products that people can buy—I am sure we will talk about online marketplaces separately—that will and do hurt, harm, and kill them. So there is a safety element to this as well, which makes this a really pressing issue.

Enforcement is about not just making a reduction in the £71 billion—that has to be a target for Government over the next three years, by the time the next survey comes out from the CMA—but looking at those safety issues to make sure consumers are absolutely well protected and can trust the system. At the moment, they probably trust the system a little too much.

Q12 **Chair:** Have we basically got the picture straight now about what Britain's consumers are going through? Anne, is there anything you want to add to that portrait of doom I have just sketched?

Anne Pardoe: It certainly is a bit of a portrait of doom, isn't it? Citizens Advice runs the National Consumer Service, which is a free helpline for people to call for advice about their consumer problems. The two areas where we receive the most calls are used cars and home improvements. Last year we got 57,000 calls from people about the used car market, and 38,000 around home improvements. We have also previously highlighted issues around markets that are smaller but really important to the people who use them—for example, disability aids.

But what really unifies these markets is the fact that they are very lightly regulated and you do not have a sector regulator. Trading standards do a good job with the resources they have, but it feels like a bit of a wild west out there for people in those sectors. You cannot fully regulate all these markets, and that is probably not the answer, but something we are thinking about at Citizens Advice is whether there is a midway point that you could take between this wild west that we have and full regulation.

Within that we need to think about tackling some of the most common issues. Often, that is around identifying quality and legitimate traders. Could we have some kind of register or licensing for traders in those sectors? There is also the quality of the products and work being delivered. Part of that is around advice, so that people are clued up on their rights and what to look out for, but it is also part of that standards and enforcement piece.

Finally, there is alternative dispute resolution; in regulated sectors, we have ombudsmen. When people have a complaint at the moment, they go to the trader and are told, "Yeah, not interested," and that is about it. At Citizens Advice, we are quite interested in what the features are of markets where we can get rid of some of the risks in high-risk markets, without resorting to full regulation.

Chair: Let us get into the way that we enforce competition in some of these markets.

Q13 **Charlie Maynard:** To what extent is market concentration having an impact on a lack of competition, particularly in, say, the food markets, although I am interested in other markets as well. In the supermarket sector, the top four have something like two thirds of the market; the top six have 80% of the market. The CMA looked into that and basically said, "Hmm, looks fine to us." Do you share that view, or is that an unfair framing of it? Would anybody like to comment on that?

Rocio Concha: If you look at competition in supermarkets, it would be fair to say that it is definitely healthy competition. It is when you look at particular products that you may find issues; for example, one of the things the CMA looked at was baby formula. So you need to look at particular products.

There are other markets where actually it looks like there is competition, but there is not. One example, which the CMA looked at, was veterinary services. In your high street you may have three vets with different names, but they may be owned by the same company. That is not proper competition. The problem is not only that there is no competition, but that consumers think there is. They think they are shopping around and getting a good deal so they do not need to continue shopping around. It is quite misleading. So in some sectors there is definitely an issue of lack of competition.

Q14 **Charlie Maynard:** To what extent are the CMA or other bodies covering the pitch and getting around? There seem to be some very long, big, slow studies, but few fast-footed, quick studies into that market, this sub-market or that sub-market. Therefore, the consumer—the person on the street—is potentially getting whacked. I do not see much appetite at the CMA for going after all these things; it is like, "Oh, no, let's stay really slow and heavy," as opposed to being fast and nimble and covering a lot of ground, and that worries me.

Rocio Concha: It worries us as well, and we would like to see more of these studies. But actually, when you look at what has happened over the last few months, there is definitely political pressure on regulators to be careful about regulation and enforcing regulation. So in a way, it is not surprising that regulators are being a little more careful in taking action in some markets—unnecessarily careful, we would say, on consumer protection and competition policy—because they are not being encouraged by the Government to take action, and are actually being encouraged to be careful about upsetting businesses.

Q15 **Charlie Maynard:** I completely agree, and what spooks me is that the Labour Government are saying, "Hey, we are really pro-business and pro-growth." But if you are seriously pro-growth, you want to have a strong, competitive, fair market. You therefore need to have the CMA going like the clappers around all those markets and whacking people who are cheating. My vibe is that the Labour Government are doing the opposite; they are saying, "Hey, big players, come and eat our market alive, sit on top of it and drown out all the little competitors who are the innovators." It seems like they have competition completely backwards. Is that an unfair framing?

Rocio Concha: I agree with you about the way this Government think about growth. One enabler for growth is competition; I am an economist, and that is a fact. But when you think about growth, you look not only at the supply side, but at the demand side. If you have a demand side where people feel they cannot trust markets because they are going to be ripped off, there is no hope for them to try new services and innovations. Some people will try them, but you will never get the right potential. So from my perspective, I agree with you that competition is an enabler, but well-designed, evidence-based consumer protection, is also an enabler for growth.

Q16 **Chair:** David and John, what is your perspective on whether we are allowing competition to be vigorous enough to bring down prices?

John Herriman: I agree with the points that have been made. It is different for different sectors, and it is absolutely key to understand which sectors have healthy competition—supermarkets, probably—and which do not, like veterinary services. It is about how you get underneath that so that you understand what the issues are.

That partly goes to the heart of the question: how do you know? That comes down to intelligence, the role of Citizens Advice and consumer redress, so that consumers can actually report stuff when they feel that they have not had a fair deal, or that something is faulty or not working.

Q17 **Chair:** Who do they ring, John?

John Herriman: They would ring the Citizens Advice consumer advice service. There are challenges right now, and I would fully support putting more funding into Citizens Advice, because there need to be better mechanisms for consumer redress so that somebody can make a complaint. That then feeds into Citizens Advice, which will collate. This used to sit in trading standards, by the way, but a number of years ago it moved across; there was a postcode lottery, so it moved across for the right reasons.

Q18 **Chair:** But to Mr Maynard's point, do you think the CMA is monitoring prices closely enough and then acting quickly and vigorously enough? During the early days of covid, when I was calling in about the way people were hiking Calpol prices, for example, that appeared to be complete news to the CMA.

John Herriman: I think they are becoming more aware. It comes back to my point about intelligence: how do you gather the intelligence from consumers—the data about those sorts of issues—and how does that then get fed back into trading standards. Trading standards work closely with the CMA in terms of providing intelligence around market issues.

Q19 **Chair:** But what if there are no trading standards inspectors left?

John Herriman: That is the point I was coming to, so you have made it for me: if you cannot do enough market surveillance, you will not have the intelligence, so you cannot make the informed decisions as to where you need to go with the market investigations.

Q20 **Dan Aldridge:** To follow up on that point first, you mentioned looking at specific products. In my constituency of Weston-super-Mare, drivers are currently paying 9p more per litre for petrol than they are just 30 minutes up the road in Bristol. The Government launched the transparency tool yesterday, and I am interested in the panel's perspectives on whether that is going to drive competition in any way. Is it going to be effective? Is it going to drive the change we want to see for consumers in places like Weston?

Rocio Concha: That is a measure that we support, because it gives you transparency. If you want competition to work, you need to make sure consumers have easy access to prices. Having that data and encouraging companies to use it to help customers compare prices should help, if that data is provided on time, there is lots of guidance on when it needs to be updated, and all of that. That could be a very good step, but we will have to see how it works in practice.

Q21 **Dan Aldridge:** Does anybody else have any views on that?

Anne Pardoe: I definitely agree with all of that; transparency is very good. The slight issue with those kinds of tools is that petrol and where people need it is quite locally based. This tool can help you to save a little money within your local area; it depends how far you want to drive to get that lower-priced petrol.

This is about giving people access to the information that is most relevant to them and that allows them to make that choice, but if all the prices in your constituency are higher than outside it, that is perhaps less helpful. So you also need those market studies from the CMA and others to make sure the market as a whole is delivering competition.

Q22 **Dan Aldridge:** It drives me insane that that is the case, and it feels very punitive. David, did you want to say anything?

David MacKenzie: This is a perennial issue, isn't it? We have particularly noticed that in hard times people care about prices; they care about the display and the communication of prices. But people care about petrol prices in good times as well as hard times, so there is a double whammy going on there.

Like the rest of the panel, we support this initiative; it is certainly not a bad thing. We are going to have to wait and see how effective it is going to be. It seems to us that, ultimately, some of these things—the petrol sector, and the grocery sector, which was raised earlier in terms of whether there are enough supermarkets or there is enough competition—come down to competition law, rather than the consumer protection stuff we deal with. That is a CMA-only thing and not something we get directly involved in. We are very interested in everything around the contribution of consumer protection to effective competition, and we are obviously directly involved in that. But these pure competition issues are harder to deal with and, without wanting to pass the buck, they are for the CMA really.

Q23 **Chair:** This problem of unit pricing is significant, isn't it? When I was shopping for Mrs Byrne's roast on Sunday, there was no unit pricing on any of the meat in the local Tesco. Who is responsible for making sure proper unit pricing is displayed so that shoppers can actually understand what is good value and what is not?

David MacKenzie: The easy answer to that one is that the local trading standards department has the responsibility; there is no doubt about that. The way it tends to work most of the time nowadays with big organisations like that is that they will have a primary authority, which is usually the local authority closest to the head office of the big organisation, and that will advise them on how to set up their system so that they are complying with everything. But in terms of that local individual enforcement, it is the people local to the shop.

We were talking about the 300 pieces of legislation, and a theme from us today will be all the pressures on local authority departments that have literally a handful of officers.

Q24 **Chair:** That is true, but Tesco makes £4 billion profit a year, and if it cannot get unit pricing on meat right, then something is going wrong.

David MacKenzie: Absolutely, and local trading standards might not be prioritising that as an issue because they have to do vapes and all these other things that are all urgent and have to be dealt with that day. It goes back to the earlier theme about there being some failings in the way we have the whole regulatory landscape set up at the moment.

Rocio Concha: The issue with Tesco that you mentioned is the issue we are facing with the current structure of the regime. You have the local trading standards responsibility to say, "There is no unit price," but you do not know if another official, in another local authority, is looking at the same problem. We are talking about Tesco—a major retailer—so should it be the responsibility of local authorities to hold Tesco to account, or should it be for the national regulator to hold it to account, with the intelligence that you can get at the local or regional level? For example, at the moment, we have a local authority in charge of Amazon.

Chair: That is obviously crazy.

Rocio Concha: Exactly. So we need to take a very serious look at what trading standards is being asked to do, because the world has evolved in a way that means that that does not make sense. Actually, as I said before, Government do not really have a full picture of what is happening—they do not have the data—so it is impossible for someone to say, "There is something happening in Tesco," and then for the CMA say, "Let's do an investigation about why Tesco is not complying with the law." That conversation cannot happen, because there is no data.

Q25 **Chair:** So we are blind, basically?

Rocio Concha: Yes, there is no accountability.

David MacKenzie: To come back in on that specific example, the local trading standards probably will not know about that and will not get it reported to them. They are not doing routine visits like we did 20 or 30 years ago, because they have nowhere near the resources to do those types of cyclical, routine visits, so these things are just not known about.

It ties in with the earlier point about the £71 billion, which we think is a significant underestimate, but it is a useful figure to compare with figures that have been worked out in the same way in the past. There is serious under-reporting of all these things; people do not know where to go or who to speak to.

Chair: Mr Aldridge, did I interrupt your line of questioning?

Q26 **Dan Aldridge:** No, it is fine, I got the stuff I wanted on the petrol issue. As constituency MPs, the thing that is front and centre of many of our minds is, what are the main challenges being faced by families and individuals on low incomes? We talk about the poverty premium, but how can the that be reduced? What other levers should the Government and retailers be using to make life a bit easier, if possible, when it comes to the cost of living?

Anne Pardoe: We talked a bit in the first question about affordability being top of families' minds at the moment. They are being hit by price rises left, right and centre across all their essentials. Just last week we saw water go up by more than inflation, and we still see mid-contract price rises in the telecoms sector. There are some unfair practices there, but it is also just the sheer weight of that.

The solutions quite challenging. The balance sheet is fundamentally not working; people's incomes are not matching their essential outgoings. At Citizens Advice we have been pushing heavily for quite a long time for improved social tariffs across essential markets—within energy, water and broadband, in particular—which would give a discount to families on the lowest incomes within those sectors. It is not a solution to the whole cost of living crisis, but it is a measure the Government could take to help people in those areas.

We can also look at the income side of the equation to find ways to improve employment prospects—good jobs, investment, that kind of thing. But social tariffs are definitely something we have been pushing quite heavily.

Q27 **Chair:** Any other observations from the panel?

John Herriman: I look at the whole consumer protection landscape as a triangle, with three elements to it. You have consumer education and advice; then you have business education, support and advice; and then you have legislation, regulation, market surveillance and enforcement. When all those three are in balance, the system actually works effectively. The issue at the moment is that the system is out of balance, essentially, for the reasons we are outlining here.

Q28 **Chair: O**n all three points of the triangle?

John Herriman: I would say on all three points at the moment. The legislation is catching up. There has been a lot of legislation recently—

secondary legislation under the Product Regulation and Metrology Act on online marketplaces. So regulation is starting to catch up.

But it is then down to the market surveillance and enforcement activity, as well as the other really important area, which is consumer education and advice. If you go back to that triangle, I always think you need well-informed and enabled consumers, businesses and regulators, all working—not necessarily—in harmony with each other; the system itself should have a healthy tension that means that consumers are protected at the end of the day. At the moment, it is not in balance, and that is the fundamental problem.

In terms of practical things that can be done, the Government announced the warm homes plan last week, which will be particularly targeted. So there are schemes like that, but it is about making sure that they do not fail like previous schemes, which have lost tens of millions of pounds. There are some really good ideas and initiatives out there that will support the least well-off, but the issue is the opportunity for a huge loss of public money on the back of them if you do not have the right processes and governance in place. It is those sorts of things that we are particularly focused on.

Anne Pardoe: To follow up on one point that John made, advice is hugely important. Obviously, we believe that at Citizens Advice, in terms of helping people both to understand their rights and be confident, and to resolve their problems.

One thing we have not touched on is that, from the phone calls we get, and through web chat and face to face, we get a huge amount of real-time frontline data, which gives us a finger on the pulse of where problems are arising and where people are experiencing most harm. We already do a lot of work feeding that in to regulators, Government, and trading standards as well, including through the Consumer Protection Partnership, which trading standards are part of. That is something we call the advice-advocacy-feedback loop, and there is a huge amount of value in giving regulators and Government Departments, which are quite removed from people, that very quick insight into what problems are arising and allowing them to tackle it more quickly.

Chair: Yes—insight into the people who pay their wages, in other words.

Q29 **Dan Aldridge:** Is that advice-advocacy-feedback loop working? It would be useful to know if it is.

Anne Pardoe: Yes, there are certainly examples where it works really well. To give one example from a couple of years ago, when energy prices spiked, we saw a huge rise in the number of calls we were getting from people on prepayment meters for their energy. People were being forced on to them when it was inappropriate and unsafe to do so, and they also could not afford to keep them topped up. We were able to feed that data quickly through to the regulator. Unfortunately, it did not act quickly enough, so we did quite a vocal public intervention around that, drawing heavily on our data and the real stories that people were telling us, as well as those numbers and some research on the scale of the problem. Through that we were able to put pressure on Ofgem and the Government, and that lead to action. Unfortunately, we often see regulators taking too long to act.

Q30 **Chair:** What is going on with this? Why are regulators not moving faster?

Anne Pardoe: That is a great question, and it varies from regulator to regulator. There are a few things: one is what we fed in, around the pressure on regulators, with Governments wanting to be seen as pro-business and not putting costs on business.

Also, regulators can often be quite afraid that firms will take them to court to judicially review their decisions. We see regulators being super-cautious when they are bringing regulations in. It takes such a long time between organisations such as Citizens Advice and Which? raising an issue, and regulators and Government taking it seriously. They take a really long time to gather all the evidence that is needed, although I understand that they need evidence. Then they come up with draft proposals, which they will consult on—rightly—but that takes a really long time. Eventually you will get some regulations, but there is often a lag before implementation. Then you have the regulations, but by that point firms have often moved and the problem is elsewhere. At Citizens Advice we call that regulatory whack-a-mole: by the time a regulator does this here, the problem has popped up over there.

Q31 **Chair:** Are we spending billions of pounds on regulators that are basically moving so slowly that they are useless to consumers?

Anne Pardoe: The way that regulators are currently set up and the way that regulation works make it very difficult for regulators to act quickly and decisively. There always has to be a balance with these things, but we have seen markets move online and technological advancements move so quickly—we have AI proliferation, and we are already seeing consumer protection issues around people getting financial advice from AI—and it is very difficult for regulators to keep up with that.

One way to get around this is to look at the types of regulation we use; we can perhaps move towards a more principles-based way of regulation, and we have seen some moves towards that in financial services. Rather than having to introduce a detailed new rule and regulation to cover every single eventuality—to be clear, we still need some of those—you can have a principle around demonstrating that you are treating your customers fairly, and the regulator can use that as a way to perhaps act more swiftly.

David MacKenzie: I would not take issue with the broad points there, and in terms of some of the bigger regulators, those points are absolutely fair.

In terms of trading standards, though, it is slightly different. I would say our people are effective almost all the time.

Q32 **Chair:** There are just not many of them?

David MacKenzie: Exactly. My officers today are dealing with illegal vapes and tobacco, they are helping local business with some complicated weights and measures stuff, and there is a small toy manufacturer that is being helped today. That is all effective, and we have the numbers: we have this £11 for every £1 spent, and sometimes it is a lot more than that for every £1 spent. Our guys are practical, pragmatic and effective, but they cannot do everything every day, if you know what I mean.

Chair: But they are also on the frontline, right?

David MacKenzie: Yes.

Chair: So they are tackling the problems in front of them?

David MacKenzie: They absolutely are.

Rocio Concha: I want to comment on what Anne said about principle-based regulation and how that works in financial services. That is not the holy grail. We recently did a super-complaint—that is a power we have—to the FCA on the insurance market. We had spent a long time on that issue; the way we approach these things is that we provide evidence, and there is then a lot of discussion behind the scenes to try to push the FCA to act because we are seeing the harm. For us, a super-complaint is almost the last resort, because it is quite a big step for us. We had to make a super-complaint to the FCA for it take seriously our concerns about problems for consumers in the insurance markets. This is despite the fact that it has the consumer duty—that is an outcomes-based regulation. So we need to be careful when we say that having a principle-based regulation or outcomes-based regulation will give us the solution, because that is not always the case.

Chair: Mr Maynard, do you want to follow up on this? Then, I will move on.

Q33 **Charlie Maynard:** In terms of the set-up of trading standards, the thought of trading standards going up against Amazon, and Suffolk's trading standards being in charge of Felixstowe, feels very unbalanced. Are there any recommendations—I am not saying root-and-branch reform—where you think someone has the best ideas on reform? Are there things that will improve the structures? I know that you have lost 25% of your inspectors in the last 10 years, which is a problem, but in terms of the system and adapting to the world, is there anywhere to look?

John Herriman: As you can imagine, that is the sort of question that is at the forefront of our mind. Actually it was 39%, not 25%. We are open to conversations around looking at the system. There are a lot of things happening in the landscape at the moment, with local government reorganisation, devolution, changes to the Food Standards Agency and its national food standards regulatory model, and potential changes to police services as well.

So there are some fundamental, big shifts in the landscape, which means we also need to adapt, to make sure there is an alignment between all those things. You can imagine intelligence, in particular, sitting at the heart of a lot of that, as well as the market surveillance and enforcement that comes on the back of it. So there is that side of it.

There is also an opportunity to look at the duties that are carried out at a local versus the national level. That conversation is going to have to happen in relation to the FSA anyway, in terms of what happens about the supermarkets versus smaller food outlets.

That is also happening in the space around construction products, for example, in terms of where those boundaries are. So some really important discussions need to happen so that there is absolute clarity on what local authority trading standards are doing.

Another example would be serious and organised crime impacts. Trading standards do not tackle serious and organised crime, but we have to deal with the consequences of it, and it ties up a lot of our time when we want focus on the other stuff to create a level playing field for businesses.

There are lots of opportunities. Within the context of local government reorganisation, there are many different models out there for how these things delivered. For example, if you go down to the south-west, four councils have combined under the Heart of the South West to take a strategic approach across those four areas.

Q34 **Chair:** We are kind of at a turning point now.

John Herriman: There is an opportunity now to ask some fundamental questions, which we naturally want to do. Trading standards as a profession is 144 years old; it has adapted a lot over that time, and it will continue to adapt. The reason it adapts is that it has the consumer right at the heart of what it does.

Q35 **Charlie Maynard:** But is there anywhere whose reports you would recommend, and where the best ideas are? Somebody has probably done one.

Chair: We may have to write one, if there isn’t.

John Herriman: I am not saying there is a formal report, but there are some good models. I have been down to the Heart of the South West, and they do some fantastic work with a more strategic approach.

If you wanted a case study, albeit under a slightly different model, because the trading standards are based in the civil service, there is

Northern Ireland. It is a much smaller service. It has had a lot of investment because of the border protocol matters. I am not saying this is the model for the rest of GB, but Northern Ireland consumer advisers have always been based in their trading standards teams, and the model works over there.

Chair: That is very helpful. Let us move on to the online world now.

Q36 **Sonia Kumar:** I am going to change direction a little to the risks that people face in doing online shopping. We have had lots of fads, including Ozempic and Ozempic pens, with unlicensed injections for weight loss. We have had counterfeit products, from beauty to electrical goods. We have fake reviews online making people buy certain goods, especially on social media—we spend around £23 billion, just as a result of being influenced by reviews. We have subscriptions, and also lots of standards and safety issues. I want to have a really good understanding to set the scene on what the main issues are for online shoppers. We started the conversation with Citizens Advice so, Ms Pardoe, could you go first?

Anne Pardoe: Absolutely. We have not done a huge amount around the safety aspect, but I know that trading standards can talk about that. We have done a lot of work around how online design tactics can be used to push people into making quick decisions or buying things they might not otherwise have bought. That is things like those little tickers on your screen that say, "250 other people have looked at this today, and 10 of them have put it in their basket"—it is sort of, "Hurry, hurry." There are also those limited-time-only, only-available-for-an-hour sort of prices.

In 2023, which is when we did our research, we found that 8.5 million people had ended up buying things they did not want, did not need or regretted because of the way those pricing options had been presented, and wasted more than £270 each over the year. Another example is subscription traps, although we have seen some action on them through the DMCC, which is good.

But again, as with all these online tactics, it is a real challenge for regulators. In the supermarket sector, you have a limited number of supermarkets; they have physical offices, and you can go and bonk them on the head. But online, anyone can be a seller, and we have seen a huge proliferation; they can be global as well. So there is a massive question for regulators about how they can be more nimble and how we can use different types of regulation. There is also the issue of education for consumers.

Q37 **Sonia Kumar:** What action do you think needs to happen? What recommendations would you want to see to make consumers doing online shopping safer?

Anne Pardoe: The CMA, in particular, needs to take a strong role in this. We have seen it do that, and it has new powers through the new legislation. It will be really interesting to see how that evolves over the next couple of years, and how those powers work out and have an impact in practice. Consumer education needs to be part of this picture as well, because there will always be limits to what regulations can do. We need to educate people about what the common pitfalls are and how to avoid them.

Q38 **Chair:** I am just going to ask this question, because it is a difficult one. The interim chair of the CMA is obviously a former Amazon executive. Amazon is one of the companies that was required to make a formal undertaking to do more about the threat of fake reviews. Do you think that is a great credential for a chair of the CMA?

Anne Pardoe: We do not tend to make a call on decisions about the personnel of the CMA. The proof will be in the pudding in terms of how they perform within that role. Overall, we would like to see the CMA be more active.

Rocio Concha: We have spent an enormous amount of time over the years on product safety on online platforms. We are continuously finding unsafe products. It is not that we decide that they are unsafe; it is that UK standards say they are unsafe. We continuously ask the online platforms—Amazon, eBay, all of them—to take them down. They take them down, but they appear again. That is why we now have the PRAM Act, but it will not really deliver results until it is implemented. There is a regulator in charge of safety online, which is OPSS.

By the way, now that we have AI it should be used by the regulators and the companies to monitor, identify and prevent unsafe products and the dark practice Anne mentioned. We recently did an exercise using AI, where we found things that OPSS had already said could not be sold and should be recalled, such as baby bags that can suffocate a baby. We just looked at the online marketplaces and found loads of them.

What is a little frustrating for us is that we have been at this for years—sending this evidence to the Government. We finally have an Act, but the Act is nothing until the secondary legislation is in place. That secondary legislation should already have been out there for consultation, but we are still waiting for it.

There is a role here for regulators; there is also a role for the companies. The companies have to take responsibility. If Amazon is putting something in the online platform, it has a responsibility to make sure that it meets UK standards if it is going to be sold to UK consumers.

Chair: Let me bring in Sarah Edwards on this question of online safety.

Q39 **Sarah Edwards:** I am particularly interested in exactly what you are describing. We have high streets that are dying at the moment, but thank you very much to trading standards for the work that you are doing—two vape shops in my area have closed in recent weeks. However, as the high street dies, we get the online giants coming in. We have already mentioned some—Amazon, TikTok, eBay, Temu—but are there particular companies that you can say are the worst offenders? At the top of this conversation we heard that consumer detriment to the UK is £71.2 billion. One-tenth of that, £7.1 billion, is on counterfeit goods, and about 9 million people have purchased those, so it is a huge problem. Where does this responsibility that we have just been talking about lie? Who are the worst, and what can be done?

Rocio Concha: It is difficult to say who is the worst, because every time we do an investigation, we find the same problem everywhere, with them all. Nobody is holding them to account, so why would they comply? Actually if they comply, they spend more money on trying to make sure they are doing the right checks before these products are available for sale, while the others are not investing that money. There is no incentive because there is no regulation; nobody is telling them, "You are going to have this huge fine unless you do this." So it is all of them.

Q40 **Sarah Edwards:** Would it ordinarily be trading standards that has to go in and look at these things? Do you go into warehouses? Do you walk into Amazon warehouses and test things there, or is it mainly at the ports? Is that where this happens? Where in the process do you try to intervene?

John Herriman: I will let David talk about that, as he is more of an expert on it than I am, but I would say that there is a risk of a bit of a race to the bottom at the moment. We have new market entrants into the online marketplaces, who are selling cheaper, potentially more dangerous goods. If they are getting a market share as a result of that because of the cost of living crisis, it forces other platforms to do the same thing if the mechanisms are not in place to prevent that. So there is a potential risk of a race to the bottom, and this secondary legislation is really critical.

Q41 **Chair:** On Ms Edwards's question, who is walking into the warehouses to sort out this problem?

David MacKenzie: The direct answer to your question is that most of the checks that are done will be done at ports and borders. We have done some research on that, and our guys really target the checks that they do. Around 45% of the products they have checked are found to be unsafe, and they remove them from the market. Hundreds of thousands of dangerous products are removed from the market every year. The problem is that, although you are obviously not going to test everything—there is far too much stuff—we are talking about a fraction of 1% of items. That is being done in a very targeted way, but we could look at a lot more in a targeted way.

Q42 **Chair:** You had better just tell us what fraction it is.

John Herriman: Let me give you an illustration. We do not generally talk about this publicly, because it is intelligence-led surveillance and inspection. You could go and see the trading standards team up in Felixstowe, and it is well worth a visit. About 40% of UK container trade comes through Felixstowe; it is about 4 million containers, or the equivalent of the 20-foot containers. When I went up a couple of years ago, trading standards teams were looking at about 500. That was interesting, because this was when the high streets were being flooded with single-use disposable vapes, so it was very obvious where things were coming into the country.

Because this is intelligence-led and also about trying to create frictionless trade, you have all those challenges and barriers. It is a real issue: at the end of the day, the UK is an island, and we can protect our ports and borders, but we have to get the balance right with frictionless trade, and that balance is probably wrong in relation to the protections it affords consumers.

Chair: So it is 0.01%.

Q43 **Sarah Edwards:** You said there were 500-odd containers at Felixstowe. We have data from 2022-23 that says 49% of consignments examined—so almost 250—had unsafe products in them, including toys, electrical goods and e-scooters.

John Herriman: Yes, and I have seen figures higher than that. The intelligence-led process works, because most of the things looked at are harmful in some way, shape or form, and should not come into the country. But there are opportunities, which we have talked about, to ensure we have the right protections at ports and borders, or the right level of market surveillance and intelligence to make sure things are done in a targeted way.

David MacKenzie: Maybe we will come on to this, but there is a slightly more positive story to tell here as well, in that a lot of these problems have been identified, and some good law has been made recently. As mentioned, the Product Regulation and Metrology Act is an excellent piece of enabling legislation.

Sarah Edwards: I was going to ask you about that, so well done.

David MacKenzie: Sorry, I anticipated—

Q44 **Sarah Edwards:** I was going to ask whether the Product Regulation and Metrology Act has given enough powers to the Secretary of State?

David MacKenzie: It has, but they have not been implemented yet. This is the big thing; we need them to come in. The secondary legislation needs to be extensive enough to make sure online marketplaces, in particular, and other influential intermediaries in the supply chain, have extensive and specific obligations put on them. If not, these provisions will continue to fail in the way that colleagues have laid out. We cannot stress that highly enough. We need clarity over the rules, and clear liabilities and obligations on the range of businesses concerned.

John Herriman: To illustrate David's point, there should be no ambiguity in the obligations placed on businesses. There is no ambiguity if you are a bricks-and-mortar high street trader; we know where to go to, and they are accountable and liable. We need to create similar mechanisms, albeit in a different environment. That will avoid situations like the one we had before Christmas, where an advent calendar, which was obviously targeted at children, had a craft knife in it. That should never be allowed to happen. Eventually, it was taken down, but the point is that these things should never happen in the first place. There should not be that greyness; that is the point about having no ambiguity. That is where we need to end up.

Rocio Concha: I completely agree with all that. Secondary legislation is key, but it has to evolve to new business models. We have not talked about AI, but in the US, you have a ChatGPT checkout, where you do a search—for example, I want to buy some shoes—and I buy them in ChatGPT; I do not go to the retailer. Obviously, there is another possibility there to have unsafe products. So it is important that we implement legislation that is fit for purpose for a world that is changing.

Chair: We will come back to that risk in a second.

Q45 **Sonia Kumar:** I want to go back to social media. Lots more people are buying off social media platforms like Instagram and TikTok, which then becomes quite addictive. There are a lot of mental health and social isolation issues that come from being online, so people want to be a part of that community, and then they buy into the trends that are happening. How can we tackle that and the addictive nature of constantly buying online in a more holistic way?

Rocio Concha: I do not have an answer to that. This is not only about shopping; it is about addiction in general and how social media makes you be online all the time. This is much broader than consumer protection. But I do not have a clear answer in terms of how we stop that.

Q46 **Chair:** Are there any other comments?

David MacKenzie: Again, we do not have an answer to that. It is a really difficult question. One thing I would say is that, for a long time now, we have pushed to recognise that stuff sold through social media is also available on traditional e-marketplaces. Social media platforms fulfil a similar role, and they should have similar obligations, responsibilities and so on. That is probably where we are with the PRAM framework. Again, the proof of the pudding will be in the eating in terms of secondary legislation and how that applies. It will help, but the addiction is a separate and more challenging thing.

Chair: That is very helpful. Mr Madders, over to you.

Justin Madders: First, can I just say what an excellent Act it is?

Chair: Yes. Congratulations on a widely commended piece of legislation, expertly steered by the Minister.

Q47 **Justin Madders:** I look forward to seeing the regulations. Can I ask a slightly broad question? Taking your comments earlier about second-hand cars and home improvements being the big issues—that would certainly be my take—what options are left for a consumer who remains dissatisfied, once you have given advice, written letters and so on?

Anne Pardoe: There are not a lot, honestly. We feed intelligence through to trading standards, who can build a case and take enforcement action, but at the moment there is not a lot consumers can do. We tell them what their rights are, and they could try to go to the small claims court, but that is very difficult for a consumer to do. In these markets, people's options are very limited.

We do not want a regulator for second-hand cars, but markets like this, where we see high instances of consumer problems, are really complex. I went to buy a second-hand car last week. I work on consumer policy, and I was totally lost. I mean, I found a car—so far, it seems to work. *[Laughter.]* But these are technical markets. It is the same when getting builders round. I have no idea whether what they tell me is the truth. Huge amounts of money are involved as well.

At the moment, there is very little protection for people. In those markets, there needs to be some kind of middle ground. Things might look different in different markets, but a cornerstone is some kind of register, whether for licensing or registering, where people can see whether someone is signed up or not. At the moment, those tend to be voluntary. We also need some kind of alternative dispute resolution. People need access to advice. We also need to see investment in enforcement in areas like trading standards. In those markets, people are so exposed to harm—hundreds of thousands can be spent on home renovations.

Q48 **Justin Madders:** Do the other panel members think that some sort of ADR scheme, and standards to apply, would be a step forward in these markets?

John Herriman: We are probably in broad agreement. The most important thing is for consumers to see where their complaint or issue goes, and get some form of feedback, so they can see it is resolved. At the moment, there is a risk of things not being resolved, because of all the different issues in the system.

The key is then consistency relative to the risk to the consumer. In terms of home improvement and second-hand car sales, we advocate that you have strong assurance and accreditation, alongside strong redress systems. CTSI was involved in a consumer code scheme that came across from the OFT a number of years ago. For slightly lower-risk cases, there are alternative dispute resolution and ombudsman services, and it is about making sure consumers know where to go. Obviously, they have recourse to the courts, but the courts can take years.

So it is about making sure there are alternative routes to redress, as well as promoting other schemes out there online, such as Resolver and other mechanisms, which can all be successful. It is a more complex landscape, but the most important thing is that consumers feel they have that route to redress, and they will get success.

Q49 **Justin Madders:** Home improvements are probably the area that, certainly on a constituency basis, I have had the most involvement in with trading standards. What proportion of those cases are you able to take on?

David MacKenzie: Quite a low proportion, if I am honest. In my authority, we look at every complaint that comes in through Advice Direct Scotland, which is the same as Citizens Advice in England and Wales. If there is evidence of criminal offences, we will investigate that. But if it is breach of contract and it is a civil matter, there will need to be a pattern before we can put any resources into it. If it is not a pattern—if it is isolated—we are unlikely to have the resources to go near it at the moment, hence the need for comprehensive ADR.

Q50 **Justin Madders:** If a builder does this on a regular basis but across different local authority areas, how easy is it to spot that pattern?

David MacKenzie: That is one thing we are quite good at. We share Intelligence, with a capital I. To a degree, we copy what the police do. We share information through our networks quite well, so the information goes back and forth.

Dealing with a case like that can be more difficult, but it can certainly be done. National Trading Standards might pick it up, if it is big enough; Trading Standards Scotland might pick it up in Scotland. We are not bad at doing that; we could be better, and it would be good to do more. But, again, it has to be at scale.

None of those cases touch on complaints that might be rare for that business but that are just as serious for that consumer, who is in dispute and who feels they are owed money. Hence, it comes back to the point that enforcement has to work with ADR. The two need to be there for the landscape to work effectively.

Rocio Concha:. Not all ADR works.

Justin Madders: That was my next question.

Rocio Concha: In aviation, you have ADR, with different providers. It is voluntary, so the bad actors will never use ADR. In areas like home improvement and aviation, you need one ADR, and it has to be mandatory.

John Herriman: To reiterate a point I made earlier on home improvement, which is linked, we need to be aware of wider systemic issues. That is why there needs to be the right investment at the right level. If the Government invest in the warm homes plan at the one end, but we lack a skilled workforce—we know that—that creates the opportunity for rogue traders. The demand is there because it has been stimulated by funding, so we know there will be a problem. Therefore, there needs to be a mechanism to ensure that market surveillance and enforcement activity can prevent it; otherwise, we end up in exactly the same system we were in several years ago.

Q51 **Justin Madders:** On the overall picture, where are the biggest gaps in enforcement at the moment?

John Herriman: We have probably talked about this already, but some of the biggest risks are in online marketplaces, which is where we need to see secondary legislation coming through, because it will have a huge impact. The other illustration was around the home improvement and home retrofitting spaces, which come out top in the consumer detriment survey. Second-hand car sales is another one. That is not to say that legislation is the answer to all those problems; voluntary schemes are also solutions.

Q52 **Justin Madders:** What I was getting at was, where are the gaps between you, rather than in terms of sectors?

John Herriman: Oh, I see. There is an obvious one in the system. When a consumer reports something to Citizens Advice, it is collated. David has explained what then happens when that comes through to trading standards. So we end up with gaps in the system. Is that an effective system for the consumer? The answer would probably be, no, it is not as effective as it needs to be.

Anne Pardoe: We cannot meet all the demand on our consumer helpline. We take all the calls we can, with the resources we have, but there are some we do not answer. The whole sector is under-invested in. Of course, there are problems in those essential services markets where we have regulators—energy, water and telecoms—but outside of those, people are almost left to their own devices. Citizens Advice, Which? and trading standards do their best, but the sector does not get much attention, and it is very under-invested in.

Q53 **Charlie Maynard:** Just running with that, I did a comparison with various other countries. Australia and the Nordics have a super-ombudsman, rather than tiny sectoral ones that are funded by their own sectors, which makes it very hard to go up against those sectors. The super-ombudsman can take things directly to court, they have real teeth and they are better funded. Is that something you are interested in the UK taking on? What are the barriers to doing that?

Anne Pardoe: That is an interesting and useful model to think about. We have not done any research to understand how effective that is. A fullblown legal ombudsman is certainly the gold standard for us in terms of ADR. In terms of where it works best, in energy we are the statutory advice provider. We take calls from consumers and, where appropriate, refer them directly to the ombudsman service. We also have direct referral routes through to energy suppliers, with specialist teams. Although we do not have a direct referral route for consumers through to the regulator, we can feed our intelligence directly back to the regulator. In terms of how responsive they are, I must admit that they have got more responsive since we did the prepayment meter work.

The ombudsman is definitely the gold standard, but there is a question mark over whether you can have that model in an unregulated sector. But I definitely agree it has to be mandatory; otherwise, it is not worth it. Firms that try to do the right thing in general—the good apples—will be part of the scheme and use it to advertise and give people peace of mind, but you will never get the bad apples. You also need to get people to a stage where, when they shop around, they are looking to see if this a member of an ADR scheme. We are a long way from there.

John Herriman: I am broadly supportive. We have said that there needs to be a rationalisation. Essentially, whether it is ombudsman or ADR, it is just consumer redress at the end of the day, and it needs to be simple. There is an opportunity to make it simpler, whether through rationalisation or having one ombudsman, but the questions need to be asked. There is a single consumer ombudsman in Belgium, so there are models of how it can be done. We may be on a different scale, and this may need to be looked at slightly differently, but the key point is that it can be simpler.

If you look at consumer awareness of redress schemes, "ombudsman" is a generally well-known title, and people know what it does, but research shows there is about a 5% level of awareness of what ADR is. There is an argument to say that consumers do not need to know about it until they need it, but that level of consumer awareness is key to know they have redress when they need it.

Rocio Concha: I agree with that, but having different ADRs in one sector does not work, as we know from aviation. This is where competition does not work because you as a company have a choice: you can choose this ADR or that one. Which will you choose? The one that is nicer to the businesses. That is not the right model. Whether we need one for the whole economy is a separate question.

Q54 **Charlie Maynard:** Coming back to the conversation we had earlier, I have just looked at the CMA's strategic steer from May last year. Under the heading of "Delivering investment, consumer benefit and economic growth" , it talks about using tools "proportionately, with growth and investment in mind." It could not be stronger messaging, and basically says, "Please sit on your hands and do nothing, particularly if you're talking about taking on big companies."

In November, the first firms were being investigated under the DMCCA, which has real teeth. What is notable is that these are not exactly the big, scary targets. The weird one is the secondary ticketing sites. We have looked at Ticketmaster and Live Nation. But, no, the CMA are not looking at those companies; they are looking only at their competitors, StubHub and Viagogo, which are owned by Eric Baker. I do not know him from Adam, but it is weird that, after the Oasis stuff, we go after the opposite.

What should the CMA do under a new chair? If we are to have a functional CMA that goes after people in a hurry, so that we are helping consumers, what it should do?

Rocio Concha: I will answer that question, but before that, I have a clarification on the secondary market. They looked at Ticketmaster and Oasis, and undertakings were given. Within their investigation, they could have gone further. The secondary ticketing market does not work, which is a separate issue. The Government agreed that we need legislation in the King's Speech to deal with that.

You referred to the investigations that were announced in November. As you say, they went for things that are definitely illegal, if that makes sense. They did not take a risk on things that may need more work—for example, reference prices, where you would be taking more risk. We would like them to take more risk. By risk, I mean, looking for places where there is evidence and going after businesses with bad practices.

But as I said, at the moment, that is not the message from the Government. Regulators need to feel that the Government support them in delivering their duty, which in the case of the CMA is competition and consumer protection.

Q55 **Charlie Maynard:** The CMA publishes its investigations and market studies. What about asking for information on lower-level things, just to see what it is doing? At the moment, we only see the odd investigation list but no other information about what it does. The thing we all want comfort on is, "Are you doing anything?" Would that be helpful?

Rocio Concha: That would be helpful.

Anne Pardoe: Certainly, more transparency is needed, but I definitely echo what was said about the need for a clear steer from Government to regulators that, when they take action, it will be welcomed. We have heard a lot of quite strong language from the Government in terms of business; the Chancellor even said she will put her foot on the neck of regulators to make sure they do not over-regulate.[1]

The language around growth and regulation is a little simplistic. Again, I echo what Rocio said. Without consumer confidence, we will not get

[1] The witness subsequently wished to clarify that the Chancellor had actually said that rules and red tape 'are a boot on the neck of businesses'.

growth, or definitely not the type that will lead to improvement in living standards. People need the type of growth that makes them have more money in their pockets and invest in their communities. Within markets, we need people to be confident enough to spend, and regulation is a crucial part of delivering consumer confidence.

It would be great to have more transparency around the CMA, along with all the other regulators, and to see them move more quickly when evidence emerges of consumer harm. But, overall, regulators just need the confidence that when they take action, it will be welcomed.

Q56 **Charlie Maynard:** Given what the Government state—you are an economist—do they understand the laws of economics and competition? Because their actions are exactly the opposite.

Rocio Concha: I sometimes doubt that that is the case because, as Anne said, it is too simplistic to say there is a trade-off here between consumer protection and growth. They forget that markets have a demand side that has to feel confident to engage in the market, and for that you need the right regulation. By the way, not any regulation; bad regulation is bad not only for businesses but also for consumers. Competition is a no-brainer: more competition delivers more growth. Sometimes, when I see some of the narrative from the Government about this, it does not make economic sense.

Q57 **Chair:** John and David, do you have any observations on whether the CMA are fully using their powers at the moment? Or are they pulling their punches?

David MacKenzie: Briefly, going back to your previous question on what we think the CMA should do, they have opened up good cases, which I welcome. We think they should make full use of the powers from the new Act.

Q58 **Chair:** It is too early to judge whether they are doing so. Is that true?

Charlie Maynard: It came in in April last year—

David MacKenzie: The Act is in its early days. We want them to make full use of those powers in an effective way that benefits consumers, and to focus on the big players.

Q59 **Chair:** You are not telling us that what you have seen in the first year is a muscular use of those powers.

David MacKenzie: I am not saying it is, and I am not saying it isn't.

Can I make another point, Chair? There is a second piece of the jigsaw that is often overlooked. Under the new Act, trading standards were given significant extra powers too. We cannot directly impose fines and other penalties, but we can go to court to get them, and we are in a much stronger position than we were before. The CMA needs to deal with all the big national players, and we deal with regional and local ones.

Both things need to happen in order for the market to work properly for consumers. There are all the resourcing problems we talked about earlier, but we are still keen to use these powers. For a modest investment into trading standards, there is a potential for a very significant return in that context.

Chair: We are slightly over time, but I want to wrap up with a quick view of the future, with Mr Aldridge.

Q60 **Dan Aldridge:** Some of you have already mentioned consumer protection issues relating to artificial intelligence. I am sure there are a number of issues that might be coming over the hill in the next five to 10 years. AI is already here. Could you quickly summarise the situation for us?

Anne Pardoe: In terms of horizon scanning, most of our focus is on AI. It is an entirely new thing for regulators to get their head around. We already see the harm to people seeking financial advice online. There are new, even cleverer forms of scams. A number of regulators—for example, the FCA and Ofcom—are already doing some work around that, and we are engaging with them on it. It is definitely a huge challenge to overcome.

I want to quickly flag that we are not only doing some work around AI, but about to put some research into the field around second-hand cars and home improvements. The results should be back fairly soon, and I will share them with the Committee once we have them.

Rocio Concha: I do not think AI is coming in the next five to 10 years; it is here now. We need to start thinking now. Also, from the time you start thinking about regulations until you have them, it takes lots of years—five, six or seven years. So we want regulators to already be thinking about what could happen. It is not science fiction, because this technology already exists. I mentioned that ChatGPT checkout is already available in the US. We need to make sure that any safety regulations also cover these kinds of business models.

We see scams; deepfakes are already here. The Online Safety Act has to cover that situation, and Ofcom has said that it does. Then we have agentic; people talk about these agents that will be used by consumers. We do not know if consumers will use them, or how many will use them, but the technology is already there. If an agent provides financial services advice, is that covered under the current regulation? That is the type of work that I hope the FCA does in terms of its review.

Also, in e-commerce, if consumers use an agent to buy things for them and give it a lot of personal information, what does that mean for the regulations that are in place at the moment? Where are the gaps? Are the regulations fit for purpose? Regulators need to actively look at this scenario, have a proper debate, and continue evolving, because the technology is moving fast.

Q61 **Chair:** David and John, do you have anything quick to add?

David MacKenzie: There are three themes for us: one threat, and two opportunities. The threat, which has already been touched on, is deepfakes, and false images and videos that enable scammers to scam people in new and different ways. We are already seeing that, and we and the regulators have to try to tackle it.

The first opportunity is for us, like everyone in the world, to do our job better, to investigate more cleverly, to be more efficient and so on. We are actively looking at some stuff, and some has been trialled, and we are quite interested in that.

The second opportunity is not talked about so much: there is a real opportunity for businesses—especially the small businesses we deal with all the time—to use AI to reduce the time spent on compliance, so that they can spend most of their time buying and selling, and doing the things they are good at. There is a real opportunity for them to improve compliance and to reduce the time spent on it.

There are some really exciting opportunities there for businesses, and we are already talking to them about that. As with every technological change, it brings pluses and minuses. AI is not going away, so we have to deal with it.

Chair: This has been a really good session. You have basically told us that prices are rocketing, but there is a £70 billion bill for consumer harm on top of that. Online risk is proliferating in marketplaces that account for about a third of retail spending. Surveillance is tiny. Enforcement is under-financed. We spend billions of pounds on regulators that do not move fast enough to solve problems. Alternative dispute resolution is almost non-existent and very complicated. It is not clear the CMA uses its full powers. And AI is about to make things much worse. That is a very good summary for our Committee to get stuck into, and we will start that when we have pre-appointment hearings with the CMA chair in a couple of weeks’ time. But for now, that is it.