

25<sup>th</sup> October 2018

Attn: Financial Services Royal Commission  
By email: [FSRCenquiries@royalcommission.gov.au](mailto:FSRCenquiries@royalcommission.gov.au)

Dear Secretariat,

The Consumer Policy Research Centre (CPRC) is an independent research organisation which undertakes research to inform policy reform and business practice change. Our goal is to achieve a fair outcome for all consumers. We conduct research across a range of consumer markets, with a focus in 2018 on consumer decision-making, housing, consumer data and the online marketplace. We work collaboratively with academia, industry, government and the community sector.

Outlined below are two key reports produced this year to improve the performance of consumer markets. We would like to submit these reports as submissions to the Financial Services Royal Commission and hope the Commission will give these reports regard in developing policy responses to the findings of their inquiry.

### **Five Preconditions of Effective Consumer Engagement**

Across a range of markets consumer trust has been eroding, with trust in Australian businesses falling another consecutive year in 2018 from 48 to 45 percent according to the 2018 Edelman Trust Barometer. In addition to the Financial Services Royal Commission, the Federal Government recently launched another Royal Commission into the aged care sectors, while the Australian Competition and Consumer Commission and Victorian Government both have completed separate reviews of electricity and gas markets in recent years.

Practical, meaningful reforms to ensure consumers are empowered, protected and best-placed to exercise choice are key to rebuilding trust and securing positive outcomes for the community.

To develop a clear, outcomes-focussed framework to guide such interventions, CPRC undertook a 6-month investigation into the fundamental preconditions required in markets for consumers to secure products and services that adequately meet their needs. The report also outlines targeted, meaningful interventions available to policymakers and regulators within each of the five preconditions to improve consumer outcomes and agency.

CPRC is currently discussing with policymakers the report along with the design and delivery of initiatives within each of the five preconditions:

- **Removing barriers for vulnerable consumers:**
  - Partnerships with community organisations to improve awareness and empowerment of vulnerable consumers;
  - Simple, low-cost product design requirements for vulnerable consumers.
- **Improving information disclosure & comprehension:**

- Regulators and policymakers undertaking consumer testing of disclosure requirements to ensure that they aid comprehension;
- Public disclosure of service quality information reported to regulators and ombudsman to aid consumer choice (such as star rating performance of retailers or 'Top 10' poor performers from enforcement action).
- **Making comparisons accurate & simple:**
  - Reforms of both government and commercial comparator websites to improve accuracy and transparency;
  - Providing consumers with greater access to and portability of, their own data to enable accurate comparisons.
- **Lowering switching costs (time & financial):**
  - Analysis of exit fees or lengthy, confusing documents acting as a barrier to switching.
- **Raising awareness:**
  - Ongoing promotion of all above tools and resources;
  - Nudges at key points in the decision-making process (such as text message alerts at end of contracts or bill prompts to visit government comparator sites).

### **Service Quality Information Report**

Our recent report, "*But are they any good?*", examines the benefits of service quality information disclosure for consumers, and considers the impact of a lack of trusted, transparent information about the service quality consumers can expect from businesses in complex service sectors. The lack of this information often means consumers may rely on inappropriate proxies such as brand name recognition and marketing, which often commonly favours incumbents and may in fact inhibit competition to provide good customer service to consumers.

Our report notes that following widespread recommendation, the UK Department for Business, Energy & Industrial Strategy's [\*Modernising consumer markets: green paper\*](#) outlined the implementation of a variety of customer facing measure of service quality by regulators of water, energy, banking and insurance, and telecommunications in the UK would develop by December 2018 – providing a 'sunlight remedy' to improve consumer choice and industry practice.

The publication of CRPC's discussion paper coincides with the commencement of our research partnership with RMIT's Behavioural Business Lab - with support from the Essential Services Commission (ESC), the Department of Energy, Land, Water and Planning (DELWP), and the Energy and Water Ombudsman Victoria (EWOV) - to investigate the opportunities to make meaningful service and quality information available to energy consumers. This project may have transferable learning to other essential service markets, including the financial services sector.

Though the Australian Banking Association's recently revised Code of Conduct provides a good starting point to improve consumer outcomes, in our view a consumer facing measure might provide a useful tool to help rebuild accountability to consumers and trust in the banking and financial sector in light of the findings of the Financial Services Royal Commission.

We would welcome an opportunity to further discuss our research and application to the implementation of banking sector reform. If you have any questions about either research report, please contact Research & Policy Officer Ben Martin-Hobbs on [ben.martinhobbs@cprc.org.au](mailto:ben.martinhobbs@cprc.org.au) or (03) 9639 7600.

Yours Sincerely,



Lauren Solomon  
**Chief Executive Officer**  
**Consumer Policy Research Centre**