

**DOORSTEP SELLING AND COLD
CALLING**

Regulatory Impact
Assessment of Doorstep
Selling and Cold Calling
measures (recommended by
OFT)

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DOORSTEP SELLING AND COLD CALLING

REGULATORY IMPACT ASSESSMENT

Purpose and objectives

In September 2002, the National Association of Citizen Advice Bureaux (NACAB, now Citizens Advice) published a report, "Door to door" which looked at a wide range of goods and services sold at the door and problems reported to Citizen Advice Bureaux (CAB). They saw the main problems in doorstep selling transactions as being:

- lack of awareness about consumer rights;
- consumers being misled and subjected to high pressure sales techniques;
- cancellation rights and cooling off periods being limited to certain types of doorstep sales which can confuse consumers;
- cancellation rights being ignored by salespersons; and
- the goods sold to consumers being unsuitable for their needs or do not meet their requirements.

The report was submitted to the Office of Fair Trading (OFT) as a super-complaint within the terms of the Enterprise Act 2002 and the OFT confirmed in November 2002 that they would investigate the doorstep selling market.

The Office of Fair Trading published their doorstep selling market study report on 12 May 2004. The investigation included looking at practice in other EU Member States and particular problems of bogus and exploitative trading practices. The report included recommendations to better protect consumers from salespersons in the home for consideration and consultation.

In their report on doorstep selling, the OFT recommended consideration of and consultation on measures to:

- (1) improve protection for consumers purchasing goods or services at the door, and
- (2) reduce unfair competition for legitimate business from rogue traders.

The Government responded by launching a public consultation on 14 July 2004, the purpose of which was to canvass as wide a range of views as possible from key stakeholders, including businesses engaged in doorstep selling.

The Government is now considering options to implement the outcomes of the consultation. The proposals take into account the Unfair Commercial Practices Directive (UCPD) and the Consumer Strategy.

Background

The OFT study examined the practice of transactions concluded via doorstep selling and their analysis led them to make recommendations to better protect consumers in this area. Doorstep sales were conservatively estimated by OFT¹ to amount to some £2.4 billion every year in the UK. Of this double-glazing doorstep sales were estimated at £1.6 billion, conservatories at £250 million and mobility products (stairlifts, wheelchairs, powered scooters) at £80 million. During the consultation period representations suggested that replacement windows and doors alone could amount to around £2.5 billion, with conservatory sales amounting to a further £0.8 billion. Kitchens, driveways and insulation are other products typically sold in the home. The vast majority of sales (at least by value) therefore relate to home improvements or property services.

Doorstep selling can be a beneficial means of selling as it:

- avoids the need for consumers to travel, thereby helping those with mobility problems, often the elderly
- can allow more opportunity for discussion of the product and tailoring to the specific needs of the consumer
- can present consumers with new options that they had not previously considered

However, there is evidence from the OFT study that in some cases consumers suffer detriment as a result of pressurised selling techniques and/or lack of knowledge of their rights. Consumers have additional rights when purchasing goods at the door, provided by the 'Consumer Protection (Cancellation of Contracts Concluded away from Business Premises) Regulations 1987' (as amended). Consumers who purchase goods or services over the value of £35 as a result of cold calling (i.e. they did not request the sales visit) have the right to cancel the contract within 7 days. The same cancellation right applies if the sales visit was the result of an unsolicited doorstep or telephone call.

Both the OFT study and our consultation paper recognised the potential significance of the Unfair Commercial Practices Directive (UCPD), which had yet to be agreed. The Directive was adopted last year and must come into force by the end of 2007. The UCPD prohibits unfair commercial practices that harm consumers' economic interests. It introduces a general prohibition on all unfair commercial practices known as a 'general duty not to trade unfairly'. The Directive's general duty is supplemented by additional provisions that prohibit practices that mislead (by action or omission) or are aggressive (by harassment, coercion or undue influence). This means that the Directive will address high-pressure sales and misleading information techniques used by rogue traders in the doorstep selling and cold calling sector.

Background on the Unfair Commercial Practices Directive can be found at: <http://www.dti.gov.uk/consumers/buying-selling/Unfair-Commercial-Practices/index.html>

¹ Doorstep Selling: A Report on the Market Study, OFT 2004, excludes switching energy supplier.

Rationale For Government Intervention

Whilst current regulations do afford consumers more protection when they purchase goods and services on their doorsteps, there are a number of reasons to believe that they are not working as well as they could.

Firstly, consumers are currently unaware of their rights. A survey carried out for OFT found that only 6% correctly identified that they had more rights when purchasing goods and services on the doorstep. Once they were told of their additional rights, only 7% correctly identified what those rights were. Evidence collected by Citizens Advice suggests many people try to cancel their contracts, but are told they cannot, often as a result of abuse of the current distinction made in the Regulations between unsolicited and solicited calls.

A survey carried out by LACORS, and included as an annex to the OFT report, obtained data from authorities that collectively represent 26% of the UK population. In an 18-month period there were over 5,500 doorstep selling complaints recorded. A large number of these complaints related to selling practices. Given the low level of awareness amongst consumers of their rights, this sort of level of complaints might be under-representing the scale of any problem.

A consumer satisfaction survey carried out as part of OFT's study found that 39% of adults have purchased from a door-to-door salesperson, whilst 61% had never done so. Over half of people who had made high value purchases on the doorstep (e.g. double-glazing, property services) felt that specific sales techniques had been adopted. This does not necessarily mean they suffered consumer detriment. Indeed, three quarters of those who had bought goods or services were satisfied at least to some extent with those goods or services. This still leaves a significant minority who were not satisfied, but of those, only 25% complained, further evidence that complaints data would be underestimating the extent of the problem.

In a number of cases, companies undermined the seven-day cooling-off period afforded to customers following unsolicited doorstep sales. Whilst this is not widespread, where it does happen it is often the same firms repeatedly acting in this way.

There are an estimated 15,000 reported cases of rogue trading (i.e. the sale of overpriced and/or substandard goods or services) every year. Many more go unreported. OFT estimate that the average amount of money paid to these rogue traders is £2,000, so it is possible that in excess of £30 million is handed over to rogue traders every year. Consumers do not get value for money, and legitimate businesses suffer, as they have to put increased resources into distinguishing themselves from dishonest traders.

Consultation

Following the publication of the OFT's report the Government's response undertook to consult publicly on the seven main options for change they had recommended. These were:

Option 1: Extending to solicited visits the cooling-off period and cancellation rights which currently apply to unsolicited visits by traders.

Option 2: Amending regulation 7(2)(iv) of the Doorstep Selling Regulations 1987, which enables a trader to recover costs of fitting or installing goods if a contract is cancelled within seven days. This protection for traders applies only in cases where a customer asks for work to commence as soon as possible and is aware of the effect on cancellation rights.

Option 3: Prohibition on goods being delivered or work being carried out under a contract before the seven-day cooling-off period has elapsed in the case of unsolicited visits.

Option 4: Prohibition on money being paid or taken before the seven-day cooling-off period has elapsed.

Option 5: A ban on cold calling to offer property services with possible necessary exceptions.

Option 6: Requiring cancellation notices to be more prominently and clearly displayed in the contract, providing a clear indication of the circumstances in which cancellation rights may be lost.

Option 7: Firms trading via doorstep selling to provide consumers with greater transparency on prices for their products and demonstrate greater willingness to provide written quotes.

The consultation closed on 15 November 2004 when it was necessary for us to consider our response in light of the Unfair Commercial Practices Directive and the Consumer Strategy, primarily the pilot of regional 'Scambuster' teams.

A Statistical Summary of the responses received and the Government's response to the consultation can be viewed on the DTI website at: www.dti.gov.uk/files/file25481.pdf

We received 2,866 responses to the consultation from the following groups: Academics 1; Business 49; Consumer bodies 20; Government 4; Private Individuals 161; Private Individuals responding to coupons and websites 2,573; and Regulatory bodies 58. Not all people who responded necessarily answered or gave an opinion on each and every option.

The following table sets out a summary of all responses received:

Option	1	2	3	4	5	6	7
Those in Support	343	71	71	74	2,579	365	333
Those in Opposition	7	18	19	16	82	7	10

The option which received the most support was option 5: A ban on cold calling to offer property services with possible necessary exceptions. 2,734 of

responses were received from private individuals, 94% (2,573) of these were generated directly from newspaper campaigns and websites, which raised only single issues.

The following three options received the next highest and similar amount of support from stakeholders across the board:

Option 1: Extending to solicited visits the cooling-off period and cancellation rights which currently apply to unsolicited visits by traders

Option 6: Requiring cancellation notices to be more prominently and clearly displayed in the contract, providing a clear indication of the circumstances in which cancellation rights may be lost

Option 7: Firms trading via doorstep selling to provide consumers with greater transparency on prices for their products and demonstrate greater willingness to provide written quotes

The remaining three options received the least amount and similar amount of support from all stakeholders:

Option 2: Amending regulation 7(2)(iv) of the Doorstep Selling Regulations 1987, which enables a trader to recover costs of fitting or installing goods if a contract is cancelled, so that this protection for traders applies only in cases where a customer asks for work to commence as soon as possible and is aware of the effect on cancellation rights

Option 3: Prohibition on goods being delivered or work being carried out under a contract before the seven-day cooling-off period has elapsed in the case of unsolicited visits

Option 4: Prohibition on money being paid or taken before the seven-day cooling-off period has elapsed

Options

The OFT report suggested a number of measures to reduce the existing consumer detriment associated with some doorstep selling practices. There are a number of options the Government considered pursuing:

1. **Do Nothing.** Doing nothing would leave the legislation unchanged and existing consumer protection in place, but fail to tackle known examples of consumer detriment. In this instance, regardless of changes made to domestic regulations, some of the problems identified in the rationale may be addressed through the implementation of the Unfair Commercial Practices Directive (UCPD) into UK law in 2007.

2. **Extend to solicited visits the cooling-off period and cancellation rights which currently apply to unsolicited visits by traders.** The rationale for existing consumer protection is that unsolicited calls may catch consumers unawares and make them more vulnerable to pressure selling techniques. But there is evidence from the OFT study that such techniques can have the same effect in both solicited and unsolicited calls. This would remove opportunities to exploit the distinction between the treatment of solicited and unsolicited visits.
3. **Amend regulation 7(2)(iv) of the Doorstep Selling Regulations 1987, which enables a trader to recover costs of fitting or installing goods if a contract is cancelled, so that this protection for traders applies only in cases where a customer asks for work to commence as soon as possible and is aware of the effect on cancellation rights.** Regulation 7(2)(iv) is intended to protect legitimate traders from frivolous orders. Consumers have to pay if installation work (e.g. for a fitted kitchen) is done within seven days and then they decide to cancel the contract. However, there is evidence that some traders use this to undermine the cooling-off period itself. Removing this regulation would close what is seen by some to be a loophole in existing protection although some protection for legitimate traders would need to be considered.
4. **Prohibit goods from being delivered or work carried out under a contract before the seven-day cooling-off period has elapsed in the case of unsolicited visits.** Prohibiting work or delivery of goods within seven days would address the same problem and help prevent the cooling-off period being undermined. In addition, these measures combined with increased consumer awareness could help in dealing with bogus traders by enabling consumers to resist pressure for work to be performed or payment made quickly. Some types of emergency work would still have to be allowed within the cooling-off period. However, further analysis of the impact of the UCPD on the UK reveals that the UK would be in breach of its obligations if it were to pursue this option.
5. **Prohibit money from being paid or taken before the seven-day cooling-off period has elapsed.** This option would have similar effects as option 4, but as for option 4 it would not be possible to implement this option as a result of the UCPD.
6. **Ban cold calling to offer property services with possible exceptions.** Firms would be prevented from cold calling (i.e. making unsolicited visits) for property services sales. This would address the problem of rogue and bogus traders more directly. It has been argued that a ban would send a clear message to consumers that cold calling to offer property services is against the law. In practice, some exceptions to a ban are likely to be necessary. It has also been suggested that enforcement of a ban would be simpler and cheaper than bringing prosecutions against rogue traders using existing legislation. However, it could have a serious impact on some businesses and as highlighted above there are benefits to consumers from purchasing on the doorstep. Although this option

received the highest amount of support, 94% of these responses were generated directly from newspaper and website campaigns that often asked only whether respondents wanted a ban. As with the previous two options, the development of the UCPD has meant that it will not be possible to take forward a number of the options recommended by the OFT and then put to public consultation.

7. **Require cancellation notices to be more prominently and clearly displayed in the contract, providing a clear indication of the circumstances in which cancellation rights may be lost.** This option would make consumers even more aware of their existing rights to cancel contracts. This may help further empower consumers when dealing with doorstep salespeople.
8. **Non-legislative measures:** Non-legislative changes, such as measures to improve consumer awareness via an OFT campaign, the use of voluntary codes, self-regulation and increased price transparency may tackle at least some of the existing consumer detriment, by further empowering consumers to use their existing rights.

The super-complaint made by NACAB² which triggered the OFT's market study recommended extending the cooling-off period to 14 days and establishing a "doorstep preference service" similar to the telephone preference service currently in existence. As a seven-day cooling-off period is common throughout Europe, consistency would be achieved by retaining the same length of time in the UK. (Some companies/trade associations do offer a 14-day cooling-off period on a voluntary basis.)

The doorstep preference service suggestion was considered by OFT, but rejected because of the logistical difficulties and potential for being ignored by unscrupulous traders. The smaller the sales organisation the more difficult it would be to cross-check house numbers against a database, so it would have a disproportionate impact on small businesses.

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http://www.citizensadvice.org.uk/index/campaigns/social_policy/evidence_reports/er_consumerandebt/door_to_door

Business Sectors Affected

All businesses that make sales on the doorstep would be affected by changes in the doorstep selling regulations. By value, the most doorstep sales are achieved by double-glazing companies, for which more than 90% of sales are conducted on the doorstep. Other goods and services commonly sold on the doorstep include property services (such as kitchens, driveways, garden services, insulation, etc.), mobility products (for instance, stairlifts) and energy provision. A wide variety of businesses will therefore be affected by any change in the doorstep selling regulations.

Benefits

Altering the doorstep selling regulations may improve competition in markets that utilise doorstep selling. This will benefit legitimate businesses, protecting them against unfair competition from rogue traders and reducing the costs of distinguishing themselves from such traders. One consultee was aware of at least one case per month of rogue traders trying to impersonate their legitimate business. Each case typically involved £5-8,000 of expenditure by the consumer who falls victim to the rogue.

1. Do Nothing

The Unfair Commercial Practices Directive (UCPD) is due to be transposed into UK law in 2007. This Directive addresses high-pressure sales and misleading information techniques which can be used in this sector. Articles 6 & 7 prohibit misleading commercial practices by actions or omissions. Articles 8 & 9 prohibit aggressive unfair commercial practices, which by "harassment, coercion or undue influence" could significantly impair a consumer's freedom of choice, all of which could cause a consumer to take a transactional decision which they would not have otherwise taken. This means that the Directive will improve protection for consumers from pressure selling and misleading information suffered on the doorstep. This will occur even if no other changes are made to existing UK 'doorstep selling' regulations.

2. Extend to solicited visits the cooling-off period and cancellation rights which currently apply to unsolicited visits by traders:

Removing the distinction between solicited and unsolicited visits should make the law simpler and clearer for the consumer, business and enforcement agencies.

Businesses will be able to work with one contract for both solicited and unsolicited visits, reducing ongoing costs in production of contracts and training of sales staff. The simpler rules will ensure that businesses do not need to spend time establishing whether their sales visit is solicited or unsolicited.

Enforcers will not have to use resources on determining whether a visit was solicited or not as the same rules will apply, making it easier to follow up complaints and enforce the regulations.

Consumers will be at less risk from the possibility of traders exploiting the different treatment of solicited and unsolicited calls. Furthermore, they will be protected in the event that they are subject to high pressure selling and talked into a purchase that was not appropriate for them. The UCPD will also act to protect consumers against high pressure selling following its implementation in late 2007.

- 3. Amend regulation 7(2)(iv) of the Doorstep Selling Regulations 1987**
- 4. Prohibit goods from being delivered or work carried out under a contract before the seven-day cooling-off period**
- 5. Prohibit money from being paid or taken before the seven-day cooling-off period**

These options may further reduce consumer detriment and contribute to tackling bogus traders, at least to some extent. It is not possible to quantify this benefit.

There is the potential for some environmental benefit as a result of this measure as it may reduce the incidence of poor quality workmanship on buildings.

As emergency work would need to be done within the seven-day period there is a risk that the benefits would be reduced by the potential for traders to get round the legislation. Furthermore, some consumers, having decided to pay for goods and services will want to go ahead with that purchase sooner than the seven days. There is a risk of interfering with legitimate consumer choice.

6. Ban cold calling to offer property services

Banning cold calling for property services may create certainty for the consumer, business and enforcement bodies. A number of enforcement agencies currently devote considerable resource to dealing with doorstep sales complaints. Where enforcement agencies are engaged in this activity, costs can amount to £2-3,000 per investigation. The prosecution of rogue traders may increase costs in the short-term, while the problem persists, but it is argued that deterrent effects would operate, such that over time enforcement activity could be reduced in this area. This measure would be most likely to tackle rogue traders or bogus callers, and would go some way to reducing the potential £30million consumer detriment caused by this every year.

Often, rogue traders are not only causing consumer detriment but are also avoiding VAT and income tax. Further limiting their operation could reduce tax avoidance, though such activity may switch to other areas.

- 7. Require cancellation notices to be more prominently and clearly displayed**

This option could give greater protection to the consumer and consumer detriment may be further reduced. Regardless of their general awareness of rights, prominent display of cancellation rights in written contracts may inform consumers and empower them to invoke this right. Many companies already clearly display cancellation rights, but most stakeholders felt that extending this practice would reduce consumer detriment. If option 2 of this document is taken forward, this option would enhance its effectiveness.

8. Non Legislative Measures

By working to raise consumer awareness of rights, this option is likely to empower consumers to use their existing rights more effectively. In turn this will improve the competitive environment, as it will make it more difficult for dishonest practices to continue, thus helping legitimate business. Measures to increase price transparency would allow consumers to take more informed decisions; this in turn will make this business area function better.

The extent of the benefit arising from non-legislative measures depends on the success of consumer awareness campaigns, and the extent to which consumers exercise their rights and companies successfully self-regulate or follow their own voluntary codes of practice. There is a risk that even though consumers may be aware of their rights, they do not exercise them when a salesperson is in their home.

Furthermore, it is likely to be legitimate businesses that sign up to voluntary codes. Self-regulation is unlikely to catch those apt to operate against existing legislation.

Costs

1. Do Nothing

There would be no additional costs as a result of maintaining the status quo. But existing levels of consumer detriment and frustration to legitimate businesses identified by the OFT study would remain until the UCPD is implemented into UK law. But even then the UCPD will not replicate all of the protections envisaged in other options.

2. Extend to solicited visits the cooling-off period and cancellation rights which currently apply to unsolicited visits by traders

There is evidence that some customers currently try unsuccessfully to cancel their contracts, with the distinction between solicited and unsolicited visits being unclear. An increase in cancellations after doorstep sales would be expected. Assessing the impact on the businesses engaging in doorstep selling is difficult because there is no reliable data available on how many companies engage in doorstep selling. A number of those traders that use

cold calling may be rogue traders or bogus callers , adding further difficulty to getting accurate data.

The costs involved in adopting this measure are:

- Re-printing contracts to include cancellation notices
- Informing/training salespeople of the cooling-off period
- Potential additional cancellations

At the current time, doorstep salespeople may use different contracts depending on whether their visit was solicited or unsolicited. This measure would allow salespeople to use the same contracts. Costs involved are likely to be negligible for this reason and probably outweighed by the ongoing benefits of using the same contracts. These costs are related to those incurred for option 7 on having more prominent cancellation notices.

Doorstep salespeople will need to be informed about the changes to procedures, but as the procedure will not be new to them, this will again be negligible.

The major impact on firms of introducing a cooling-off period for solicited sales visits would be in time spent on sales subsequently cancelled, for example the salesperson's time, administration time, potentially work by designers/technicians – time that the firm could have spent on pursuing other sales.

Time spent by salespeople in people's homes can result in a sale, a sale that is later cancelled or no sale at all. Success rates vary across different types of doorstep selling. Cold calling yields roughly 1 in 10-12 sales, whilst professional salespersons with a pre-arranged appointment might achieve 1 in 2-3³. Extending cancellation rights therefore might have the effect of slightly reducing the success rate of doorstep sales. As a result, additional sales and administration time may be spent on achieving the same number of sales.

In the case of double-glazing (which accounts for the majority value of doorstep sales), information from stakeholders suggests that around 4% of unsolicited doorstep sales currently result in cancellation (this figure is quite variable, and often cancellation can result due to failure to qualify for credit facilities). The extension of this right to solicited visits might be expected to result in a similar or lower percentage of cancellations. An estimate for what this might cost business is between £2.9 - £11 million⁴ per year. However, there are many reasons to believe that the costs will not be so high. Often, work on the customer's order will not commence in the seven-day cooling-off

³ Doorstep Selling: A Report on the Market Study, OFT 2004, excludes switching energy supplier.

⁴ This is based on sales of £1.85bn (estimate of annual value of double glazing and conservatory doorstep sales from OFT report), an average purchase price of £4,000, which suggests 462,500 sales visits concluding in a sale. OFT report estimates that 62% of high value doorstep sales result from solicited visits, suggesting 286,750 successful solicited sales visits. The industry indicates that 4% of unsolicited sales are currently cancelled, but this is highly uncertain, hence we continue this estimate using an assumption of 2-8% additional cancellations. This leads to between 5,500 and 23,000 additional cancelled visits, taking a generous assumption of each unsuccessful visit costing £500 leads to a range of additional costs in double glazing and conservatory sales of £2.9 - £11.5 million.

period, in which case costs incurred are just the salesperson's time and potential foregone sales. In addition, many companies in this area already offer cancellation rights on solicited visits, so for them there would be no additional costs, further limiting the impact on them of this measure.

Ultimately, it is often the case that where customers cancel a contract they still want the product but decide to go with a different supplier. Alternatively they will be deciding to cancel following high pressure selling. Arguably, the risk of greater costs from cancellation could incentivise companies selling in the home to resist pressure selling and ensure the customer really wants their product. However, there will always be a minority of consumers who will genuinely change their minds.

The measure will not impose costs on enforcement agencies beyond informing officers of the changes.

3. Amend regulation 7(2)(iv) of the Doorstep Selling Regulations 1987

4. Prohibit goods from being delivered or work carried out under a contract before the seven-day cooling-off period

5. Prohibit money from being paid or taken before the seven-day cooling-off period

For businesses these measures could have a number of implications. Consultees have suggested that it would not be appropriate for those carrying out work to also collect money. This would mean a further visit to the customer's home would be required to collect money. In some cases invoices can be sent out to mitigate costs, although this does lengthen the time before the business receives money.

If work is allowed to be conducted within the seven-day cooling-off period but payment is not allowed this could increase risk for businesses. Any combination of the measures could affect business planning. Some consultees have suggested that on implementation of such measures, a gap in activity of seven days would have to happen.

The number of cancellations would be likely to rise as a result of these measures. As explained above this can cost double-glazing companies up to £500 for every cancellation, a similar magnitude of costs would be faced by other sectors. However, as also argued above, the customer may just switch to another supplier, or may have been subjected to pressure selling and welcomes the chance to cancel as they regret their decision.

These measures would involve further resource needs for enforcement agencies. Training of enforcement staff would be needed, whilst if an effective awareness campaign accompanies the measure then complaints may be expected to rise. Some of this risk is mitigated by the recent full national roll-out of Consumer Direct, which is a first point of contact for consumers. The burden on enforcement agencies is likely to depend on how exemptions are

made for emergency work to be done within the seven-day period because, if traders were able to exploit them, enforcement would be more difficult.

6. Ban cold calling to offer property services

Firms that relied upon cold calling for sales would be most affected by this measure. In excess of 60% of double-glazing sales are made by cold calling, usually an unsolicited telephone call followed by a visit agreed to by the customer. Double-glazing doorstep sales have been estimated at between £1.6 billion (OFT study) and £2.5bn (evidence gathered during the consultation) and conservatory sales at between £250 million (OFT study) and £800m (evidence gathered during the consultation). Even on the lower estimates banning this sales route would have a very significant impact on the businesses involved.

Many other businesses rely on this sales route, as a more cost effective route and were concerned that their sales would fall dramatically. In businesses where the product is tailored to the particular house, other sales routes can be very expensive and generate far fewer leads than calling at homes. Reduced sales would threaten some businesses and upstream manufacturing businesses.

Whilst in the long run this may reduce costs for those Trading Standards Departments (TSDs) that currently put a lot of resource into dealing with rogue traders, in the short run it may require increased resources.

There may be unintended consequences as a result of banning cold calling. The criminal element may divert to alternative forms of criminal activity. Rogue traders and bogus callers might make a call to offer services not covered by the ban.

Some have argued that whilst the vulnerable are most often victim to practices used in doorstep selling, selling in the home is also one of the only ways to reach vulnerable groups. In cases like Government schemes to improve energy efficiency of homes, where the vulnerable may qualify for grants for insulation or improved heating systems, doorstep selling can be an effective way of getting the message across.

7. Require cancellation notices to be more prominently and clearly displayed

The cost of displaying cancellation rights in written contracts will be negligible for business given that these rights must already be provided in writing for unsolicited visits. Some businesses may need to re-print their contracts to include the notice. However, plenty of advance notice would need to be given of the new requirements, allowing existing stocks to be run down and new contracts phased in.

Enforcement agencies would also not see a rise in costs because of the existing requirement to provide written cancellation rights following an unsolicited visit.

8. Non-legislative measures

Greater self-regulation and following voluntary codes would cause firms to incur costs in complying but by definition such costs would be voluntary and would assist legitimate firms in their quest to distinguish themselves from non-legitimate traders. There are already a number of existing trade association codes of practice for doorstep selling.

Equity and Fairness

Vulnerable groups such as the elderly may be particularly at risk from rogue traders and bogus selling practices and they feature prominently in evidence of consumer detriment and doorstep crime. However, it needs to be kept in mind that a range of consumers, of varying ages and backgrounds might be described as “vulnerable” at certain times and in particular circumstances. As a general principle, and acknowledging that certain consumers may benefit from additional protection, no consumer should be put at a disadvantage when purchasing goods or services in their own home.

Consultation with small business: the Small Firms’ Impact Test

During initial consultation we contacted a number of small firms in the building and double-glazing sectors. All the firms contacted said that they did not undertake unsolicited visits and instead relied upon their local reputation and private recommendations to obtain business. This has made it difficult to identify additional costs to small business.

Small Business Service (DTI/SBS) responded to our original consultation and we have liaised further with them since the consultation ended. Their latest view is that many legitimate small businesses in relevant sectors could face increased costs and some loss of business, and that the proposed measures may have limited impact on the real rogues. However, they accept that these measures are more proportionate than the alternatives, in particular the proposed ban on cold calling to offer property services.

A short questionnaire on the impacts on small business of the preferred options was sent to small businesses that conclude at least some of their business on the doorstep. The replies we received suggested that extending consumers rights to solicited visits and requiring cancellation notices to form part of written contracts were positive moves. However, it was raised that in some cases there could be some cost implications such as handling charges when returning goods to the supplier and associated administrative costs.

It is understood that there could be some loss of business in the future, however we believe this loss will be because consumers did not really want the goods in the first place. We believe our proposals give significant new protection to consumers without placing a disproportionate burden on business.

Competition Assessment

The proposals for change will affect all areas where a contract is concluded away from business premises. The majority of doorstep sales are made up of double-glazing, conservatories, other property services, mobility aids and hearing aids. None of the options are likely to have a detrimental impact on competition. There may even be a positive impact on competition in the sense that illegitimate traders may find it more difficult to operate, thus making competition fairer.

Those firms making sales on the doorstep would be little affected by the proposed changes. However, regulation is already different where sales are made on the doorstep, and the additional burden involved in the options is minimal. In double-glazing, over 90% of sales are made on the doorstep, so within this market the majority of firms will be affected in the same way.

Some affected markets are more concentrated than others, for example the five-firm concentration ratio for double-glazing is roughly 50%, other markets have many firms. The proposed changes are likely to have a similar effect on all types of firms within markets, be they small, large, new or old, so the structure of markets is likely to remain unaffected.

The majority of markets where sales are made on the doorstep are not characterised by rapid technological change. If a ban on cold calling for property services were introduced this would restrict firms involved in these activities from one form of sales method, but the other options will not affect firms' choices of price, quality and location.

Enforcement, sanctions and monitoring

Any proposed regulation would be enforced by Trading Standards as with the current 'doorstep selling' Regulations in co-operation with other authorities such as the police.

Failure to provide the consumer with a written notice of cancellation, which contains all the relevant information requirements, makes the contract unenforceable. A trader guilty of the offence of failing to provide the consumer with a notice of cancellation is liable on summary conviction to a fine not exceeding level 4 (£2,500) on the standard scale.

The effectiveness of changes to the Regulations can be monitored via the Office of Fair Trading who collate statistics of consumer complaints about unscrupulous traders via local Trading Standards Departments and Consumer Direct.

Post Implementation Review

The European Commission is reviewing the eight consumer Directives, including the 'doorstep selling' Directive, that make up the consumer acquis in the EU. This review will evaluate the extent to which the Directives, as a whole and individually, meet the Commission's consumer protection and internal market goals, including looking at how they are applied in different countries. The aim is to modernise the Directives, and where possible to simplify and harmonise them. The review is being carried out in parallel to a wider review of contract law in general.

To enable the DTI to feed into the Review it commissioned research from a consortium of academics to look at the law implementing the eight Directives in the UK. The aims of this research were to: (i) consider where the UK law goes further than required by the corresponding EU Directive and, (ii) provide a detailed analysis of the extent to which the Directives might be simplified and rationalised. In addition, the research identifies which of these additional measures identified in (i) fall within the scope of the Unfair Commercial Practices Directive. The DTI has published this research and sought views on its findings.

The outcome of the Review of the consumer acquis may have implications for our 'doorstep selling' Regulations.

Background about the consumer acquis can be found at:
www.dti.gov.uk/consumers/policy/eu/review/index.html

Summary and Recommendation

As explained in the Statistical Summary and Government Response, the implementation of the Unfair Commercial Practices Directive (UCPD) into UK law should help address some of the existing problems associated with doorstep selling. It is recommended that to complement the differences UCPD will bring, options 2, 7 and 8 of this paper are taken forward. Ensuring that cancellation rights are the same for solicited and unsolicited sales will make the law clearer and simpler for consumers, businesses and enforcers, whilst requiring written contracts to include cancellation rights will complement this change, helping to ensure that consumers are well aware of their rights. Legitimate businesses following approved codes will give consumers greater confidence. We believe our proposals give significant new protection to consumers without placing a disproportionate burden on business.

Summary Table of Costs and Benefits

Option	Benefits	Costs
1. Do nothing	<ul style="list-style-type: none"> • UCPD will address some consumer detriment 	<ul style="list-style-type: none"> • No additional costs
2. Extend cancellation rights to solicited visits	<ul style="list-style-type: none"> • Simpler procedures for business • Enforcement and sales made easier by not having to determine whether visit was solicited or unsolicited • Consumers protected against pressure selling by the right to cancel the contract 	<ul style="list-style-type: none"> • Re-printing contracts and informing salespeople (negligible) • Additional cancellations impose costs (under £11 million per year)
3. Amend regulation 7(2)(iv) of doorstep selling regulations 4. Prohibit goods/service delivery in cooling-off period 5. Prohibit money paid or taken in cooling-off period	<ul style="list-style-type: none"> • Some reduction in consumer detriment if consumers understand new rights 	<ul style="list-style-type: none"> • Complex, time required to train enforcers and salespeople • Causes problems where emergency work is needed within seven days • 4 and 5 would not comply with UCPD
6. Ban cold calling to offer property services	<ul style="list-style-type: none"> • Simple for consumers to understand • Reduce detriment caused by bogus traders 	<ul style="list-style-type: none"> • Removes a cost effective sales method that can benefit consumers, with a potentially severe impact on property services industry • Activity of rogues may just be moved elsewhere • Would not comply with UCPD
7. More prominent display of cancellation notices	<ul style="list-style-type: none"> • Consumers can have clear understanding of their rights, increasing confidence 	<ul style="list-style-type: none"> • Re-printing of contracts (negligible)
8. Non-legislative measures	<ul style="list-style-type: none"> • Consumers more aware of rights • Resulting increase in price and product transparency helps consumers to take better decisions 	<ul style="list-style-type: none"> • Voluntary costs to comply with code requirements