

Self-regulation and industry-led compliance – results of external feedback

In order to provide a sound basis for the development of our policy statement on self-regulation, we sought to develop and test our thinking by initiating a public debate involving the many stakeholders with an interest in self-regulation.

In March 2009 we published two papers on which we invited comment from stakeholders: a discussion paper 'Business leadership in consumer protection' (OFT1058) examining the range and opportunities for consumer protection offered by self-regulation; and an accompanying paper 'The economics of self-regulation in solving consumer quality issues' (OFT1059). This was followed by an OFT conference on self-regulation, also in March 2009, which was well attended by a wide range of stakeholders.

Both in our discussion papers, and through means of the conference, we examined, in depth, the questions:

- What are the circumstances in which self-regulation and industry-led compliance can offer potential solutions to market problems?
- What are the principles that underpin, and what elements are required for, successful self-regulation?
- What type of support from the OFT might be appropriate in encouraging self-regulatory and industry-led initiatives in achieving and raising standards and helping markets to work well?
- What impacts for self-regulation are created by the current economic climate?

The two discussion papers, transcripts and other materials from the conference, and all written responses to our discussion papers can be viewed on our website. We summarise below the key messages that emerged from the conference and the written responses:

- The OFT's leadership in this area was widely welcomed by stakeholders from business, other regulators and public bodies, and consumer organisations.

- There was a general consensus that the debate initiated by the OFT was both relevant and timely, and a clear endorsement of our view that there would be value in the publication of a formal statement of our policy in relation to self-regulation.
- It was very clear that business welcomes opportunities to work with government and regulators to solve market problems, especially where this results in a means of reducing the need for statutory enforcement.
- There was a strong consensus that formal regulation is not necessarily the only solution to market problems, and that self-regulation remains a valuable additional tool.
- There was also wide recognition that, despite its many benefits, self-regulation could not always provide a complete solution to every problem, and will not be appropriate in every case. Identifying the right ingredients, and having the right checks and balances, in any given situation is therefore key.
- It was also recognised that self-regulation will usually require the backstop threat of enforcement action by regulators in order to be fully effective. However, the existence of an effective self-regulatory mechanism may ease the enforcement burden on regulators thus allowing them the ability to target their resources more effectively where they are most needed.
- The thinking already done by the OFT, as set out in our two published papers, was widely endorsed

Feedback received from the conference and the written responses was extremely useful in helping us to test and confirm our thinking about self-regulation. In particular, it helped us to expand the detail in our 'factors for success'. These factors were fundamental in the further development of our original model of self-regulation to produce a tool which not only shows what a scheme looks like but can also now be used for more objective consideration of its likely success.

The feedback received also allowed us to further refine our views on the nature and value of self-regulation through better understanding, in particular, of the views of industry.

We hope that publication of an OFT policy statement will provide benefits by increasing our transparency, providing clarity over why we work with self-regulation, and helping others to understand how it fits within the range of OFT's work.