

# **Analysis of Citizens Advice evidence**

## **Annexe T of the doorstep selling report**

May 2004

## **REPORT ON THE ANALYSIS OF CITIZENS ADVICE *SOCIAL POLICY* BUREAU EVIDENCE FORMS.**

### **Summary of NACAB cases**

*Citizens Advice, was formerly NACAB or the National Association of Citizens Advice Bureaux.*

The information obtained from the NACAB complaints confirms that their original complaint was well founded. Though their analysis and presentation of the issues was less formal than that given below, it proved to be grounded on substantial numbers of social policy report forms with clearly identifiable common features.

- A high proportion of cases involve elderly and otherwise vulnerable consumers.
- There was widespread use of unacceptable sales practice and a proportion of cases involving intimidation and threats.
- The transactions involved high prices potentially leading to high levels of consumer detriment.
- In those cases where the deal also involved credit, the credit deal was concealed from many clients.
- There was potential for even greater welfare impacts as a result of the vulnerable nature of many of the victims

The scope of this investigation is primarily about doorstep and in home selling and this is set out in full in chapter 3, section 1 of the main report. However, the examination of these evidence forms highlighted an important side issue. A substantial proportion of the forms involved cases of high pressure selling of goods and services that took place in places like hotels and conference centres. Though outside the strict remit of this investigation into doorstep and in home selling, it should be noted that such activities have common ground with doorstep and in-home selling as they are also governed by the *Consumer Protection (Cancellation of Contracts concluded away from Business Premises) Regulations 1987*. Recommendations that might impact on these regulations may have consequences for other contracts concluded away from business premises.

# 1 METHODOLOGY

1.1 The process began by examining a large set of Citizens Advice evidence forms. These forms are used by local Citizens Advice Bureaux to draw the attention of their national headquarters to issues of importance or issues that appear to be new or that are considered to have serious policy implications. Office of Fair Trading staff examined 655 forms submitted in 2001 and 2002 drawn from social policy code C00 to C04. More reports were available. The number chosen reflected the desire to examine a sufficient number to produce useful outputs against the time required to reread and evaluate each form. Citizens Advice define social policy codes C00 to C04 as shown in the table below: -

C0	Consumer debts: mail order, HP/credit sale, loans, rental arrears, insurance premium arrears
C1	Discrimination or intimidation in consumer affairs
C2	Goods & Services
C3	Credit & finance ( non debt related)
C4	Insurance

1.2 From this starting point a number of the forms were removed since they did not meet the main criterion of involving doorstep or in-home selling. The most common exclusions were purchases or agreements made not at normal retail premises but at some other location. Holiday timeshare presentations were common in this group, but it also included a variety of other circumstances.

1.3 These other circumstances included purchasing on the street, from temporary stalls in shopping malls, and sometimes by telephone where the whole transaction was completed in this way without any visit by a salesperson to the doorstep or home. The final analysis was based on a total of 390 qualifying forms.

1.4 Since there is no way of knowing in advance the issues or circumstances that might arise in a particular case, Citizens Advice Social Policy Report forms do not attempt to gather large amounts of systematic information, the main exception being a request to provide a full description of the client in all cases. The system relies

on the local bureau to provide a narrative describing the important features of the case. While this is very effective for many purposes, and is especially useful for capturing novel occurrences, it is not fully systematic. This means that in any particular case, not every feature about the in-home or doorstep transaction may be mentioned.

- 1.5 The analysis was based on the development of a systematic report form that was used to record key features about the transaction. This included information such as the initial method of contact, the status of the client, how the transaction was handled, cancellation rights, and more. But as explained above, these facts could often not be determined for a proportion of cases, and where this was the case the information was entered as 'not determined'.
- 1.6 The analysis therefore has limitations. It does not represent any form of properly drawn random sample survey of problems relating to doorstep and in-home selling. It is best thought of as formal analysis of those problems thought serious enough by local Citizens Advice Bureau to warrant attention at its national headquarters.
- 1.7 Generating categorical results from a narrative requires a degree of judgement and interpretation. This procedure is best explained by means of an illustration. Annexe A, shown below, records a variety of comments and short extracts taken from the report forms, alongside the category against which such comments would be recorded. It is not exhaustive, but demonstrates the mechanisms by which this analysis arrives at quantifiable results.
- 1.8 At a later stage in the project, when evidence on the particular problems of repairs to property and bogus trading was emerging, a further group of 740 Citizens Advice forms were examined, drawn from forms classified under policy codes relating to building work, and scams and frauds. These were examined with especial emphasis on evidence relating to bogus trading, as defined in Annexe L. In the event, this analysis did not add any new understanding to the evidence relating to doorstep selling, so the results are not presented in detail.

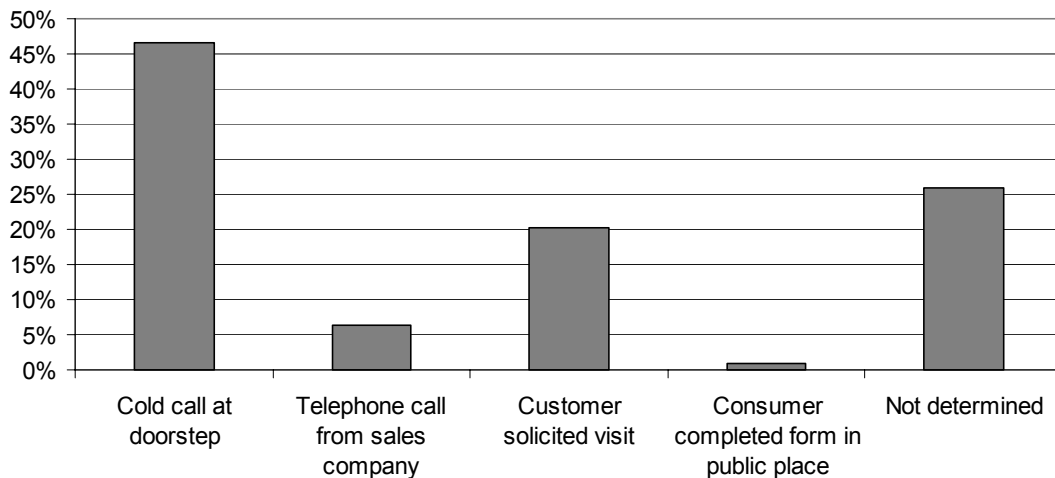
- 1.9 It is worth noting, however, that the results contained a number of serious cases where Citizens Advice clients were the victims of seriously unfair trading and had suffered major detriment as a result, but where the nature of the problem was neither directly the result of, nor contingent on the sale being in the home or at the doorstep.
- 1.10 There may be important messages here that problems with the quality of building work, even when sold in the home or at the doorstep, are not exclusively the result of problem with the sales channel. Such problems, however, remain outside the direct remit of the study.

## 2 RESULTS

### First contact

- 2.1 In this sample, nearly half of all contacts were the result of cold calling at the doorstep. However, instances in which the client had solicited the visit were still common, and by making up around 20 per cent of the total, are present to a degree that refutes any argument that problems with the doorstep and in-home selling are confined purely to unsolicited visits. In so far as can be judged from the written descriptions in these client reports, the sales visits that were the result of cold calling at the doorstep or the result of a telephone call from a sales company to the client appear to be unsolicited under the regulations.

CHART 2.1: Mechanism by which first contact was made between salesperson and client



### Status of consumer

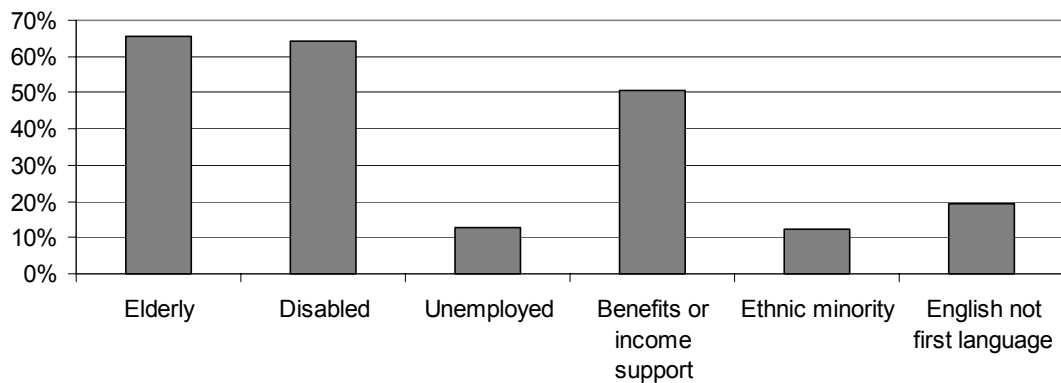
- 2.2 The reports provided strong confirmation that the clients involved contained a high proportion of vulnerable people. The clients were single people more often than couples, and were female more commonly than male. In isolation, such imbalances might be of no great concern. However, other related information about the client reveals that they were very often also elderly or disabled. While the clients included a wide range of demographic types, elderly single women were the most common single group.

- 2.3 Other reported factors about the status of the consumer confirmed a high presence of consumers reported to be suffering from some form of disability. Note that such classifications were not based on any formal medical assessment or formal registration information. The nature of the reports did not lend itself to such a rigorous classification. The disabled group is fairly loosely defined and includes those where the general comments on the reports indicated health problems affecting mobility, eyesight, hearing, frailty due to old age, and the like.
- 2.4 In the charts presented below charts 2.2 and 2.4 present similar analyses but the former is based on all cases where full information was available, the latter on all cases. It is understandable that for a topic like disability the report are likely to record disability but may not always make a positive assertion the client was not disabled. The second chart is therefore rather more conservative
- 2.5 However, even taking this conservative perspective based on all cases disability was reported in more than 20% of cases, and being in receipt of benefits in about 15%. Vulnerable consumers are clearly present in substantial proportions in the reports and Citizens Advice appears fully justified in highlighting this feature of the results.

CHART 2.2: Basic status of the client

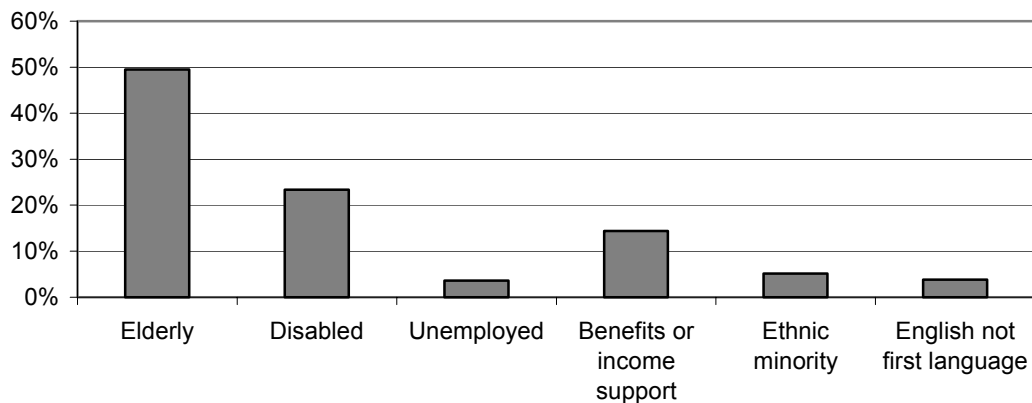


CHART 2.3: Status of client: further information



Base: Excluding cases where status was not determined

CHART 2.4: Status of client: further information: all cases



Base: All cases

2.6 While vulnerable consumers are involved in a high proportion of these cases, it should be noted that the results are not additive. Factors like being elderly or having some form of disability or being in receipt of benefits are characteristics that can and do occur concurrently for some unfortunate individuals. A count of cases where at least one such factor is definitely present reveals 59.5% overall.

## **Unacceptable and dubious sales practices**

- 2.7 The report forms were examined to identify a range of common features in the way the transaction had been conducted. These included types of behaviour that were at best dubious, some that would normally be regarded as unacceptable, and at worst some that would be regarded criminal. Basic results are presented below in table 3.1.
- 2.8 A very high proportion of cases reflect, in one way or another, an entirely reckless approach to selling where the objective seems to be to secure the sale regardless of anything else. Such instances are typified by high pressure selling techniques, and securing the deal regardless of whether the product is suitable for the client, or even the client's ability to pay. It is also reasonably typical of such cases, for the consumer to receive goods or services and for the supplier to have a registered business address.
- 2.9 Less common, but also present in substantial numbers, are cases where there is clear evidence of deception. In such cases it is rather more common for no goods or service to be provided, or if they have been supplied to be obviously unsatisfactory.
- 2.10 There is no absolute distinction between these two scenarios, and overlaps do occur. Only a limited number of report forms (89) mentioned contact with an enforcement agency, and full descriptions of enforcement agency actions were very limited.
- 2.11 However, in a few cases there was narrative on the report forms to indicate that cases in the first group can be hard to pursue since the victim has to prove that he or she has been the victim of unfair trading and has not simply made an unwise purchase.

TABLE 2.5: Reported features of the transaction

Reported features of the transaction	% where determined	% of all cases
Unreasonably long stay	38%	17%
High pressure selling	80%	63%
Selling regardless of unsuitability	55%	48%
Selling regardless of ability to pay	66%	48%
Selling regardless of client's status	33%	11%
Falsified (or improperly obtained) signature	28%	24%
Failure to provide goods	5%	2%
Failure to provide service	9%	4%
Post contract change of price	7%	5%
Verbal misrepresentation: Product	21%	18%
Verbal misrepresentation: Contract	35%	30%
Verbal misrepresentation: Company	8%	7%

### Products and prices

2.12 While the price of the goods was not obtained in all cases, sufficient information was obtained to establish that the goods or services involved in these cases, would generally be described as expensive or very expensive purchases. These cases did not generally involve the low value household items that are sometimes sold door-to-door.

2.13 There may be even greater welfare impacts than is immediately apparent since the victims in many cases are elderly, disabled or in receipt of benefits. It is likely that such consumers have lower than average income and less able to afford the losses. There is also a strong possibility that the psychological impact of falling victim to some of the sales techniques may be greater for the very elderly.

2.14 The product range contains most or all of the goods and services that have been identified in other OFT research as generating problems. The most common single category in this analysis were repairs to the home, but also prominent were credit linked to services, beds and chairs, double glazing and no win no fee compensation claims.

TABLE 2.6: Products and prices

Product	No. products	% of all	Average price
Repairs to the home, including drives gardens, patios etc	64	14%	£3,023
Double glazing or conservatories	42	9%	£4,635
Financial services/shares/etc	8	2%	£1,021
Kitchen	7	2%	£3,949
Bathroom	6	1%	£995
Heating systems	14	3%	£4,931
Training courses	28	6%	£1,422
Phone or telecommunications	20	4%	£134
Satellite TV or cable	3	1%	-
No win no fee compensation claims	38	8%	£883
Legal advice	26	6%	£893
Wheelchairs	8	2%	£1,967
Stairlifts	4	1%	£1,974
Funeral plans	5	1%	£1,956
Beds (and chairs)	45	10%	£2,750
Fire or burglar alarms	12	3%	£2,141
Vacuum cleaners	6	1%	£1,149
Gas and electricity supply	3	1%	-
Credit linked to goods	21	5%	£2,467
Credit linked to services	53	12%	£1,316
Not determined	8	2%	-
Other electrical goods	1	0%	-
Loan	6	1%	£2,500
Other goods and services, price known	28	6%	£1,905

- 2.15 Across the full set of goods and services, the price of the products averaged nearly £2,400. Where the purchase was unwanted or inappropriate most or all of this may be detriment. This figure contracts strongly with the average level of consumer detriment identified in the OFT's study of published in 2002, in which the detriment associated with many complaints was quite modest, often no more than the postage, time and transport costs necessary to return goods.
- 2.16 In the absence of full information on the quality of the goods supplied, further commentary on the price levels is difficult. However, at face value, some of the prices seem extremely high with beds and chairs averaging £2,750 and vacuum cleaners at more than £1,000 looking distinctly out of line with high street prices.

#### **Credit and credit linked to other goods and services**

- 2.17 Credit was a common feature of many of these cases. Issues concerning credit were mentioned on about 40% the reports or some 160 out of the 390 examined here. In 46 cases, or nearly 30% of those involving credit the agreement was concealed from the client. It is implicit in these instances, that correct information was not provided. In a further 40 cases (25%), the report provided enough information for it to be clear that proper information on the credit deal was not provided to the consumer.
- 2.18 The remaining cases involving credit did not appear to involve concealment or incorrect provision of information. The terms of the deal were not always described on the report form in enough detail to determine if the arrangements represented good value for money. A few cases pointed out that the interest rate or APR looked high by comparison with some of the offers available in the credit market, although no attempt was made to analyse the limited data available to this effect.

## Attempts to cancel transaction

2.19 Generally speaking, in these reports, a substantial proportion of consumers attempted to cancel the transaction. This amounted to 52% overall, and, excluding cases where the circumstances were not determined, some 202 out of 284 or 72%. However, the circumstances also suggested that for a substantial number of these people, the visit had been solicited, and therefore under the terms of the *Consumer Protection (Cancellation of Contracts concluded away from Business Premises) Regulations 1987*, they did not have a right to cancel. This covered about one fifth of cases in all. The table below sets out the relevant results.

TABLE 2.7: Attempts to cancel and solicited visits

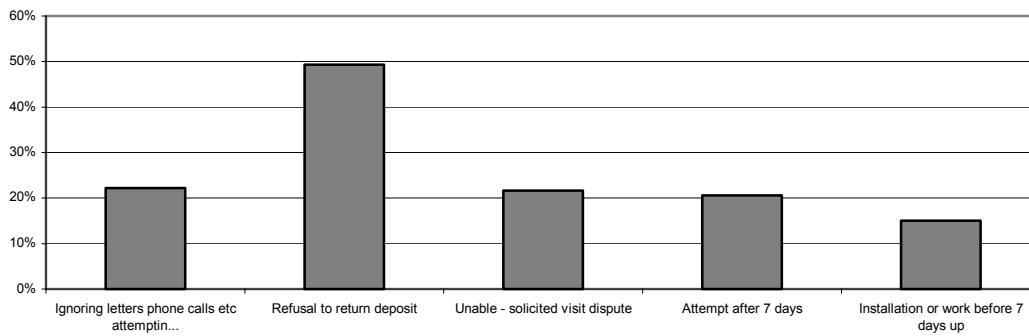
				Number/column %
Was the visit solicited?				
Attempt to cancel?	Yes	No	Not determine d	All
				202
Yes	53 (67%)	81 (41%)	68 (61%)	(52%)
No	18 (23%)	46 (23%)	20 (18%)	84 (22%)
				104
Not determined	8 (10%)	73 (37%)	23 (21%)	(27%)
	79	200	111	390
All	(100%)	(100%)	(100%)	(100%)

2.20 Few active attempts were made by sales people to avoid cancellation problems by questionable actions at the time of the sale. Though present in isolated cases, pressure to sign forms waiving rights, providing instructions to do nothing or entering incorrect dates on forms were only identified collectively in less than 1% of cases.

2.21 For consumers, the problem at the point of sale mainly concerned the sales person not providing any information about cancellation rights or providing misleading information. Where the visit was unsolicited, and the regulations require the provision of information about cancellation rights, this was often not provided. Some reports highlighted problems with cancellation information for solicited visits. In such cases, the regulations do not apply and failure to provide information is not a problem in itself. However, in this group cases were found where false or misleading claims were made – typically a pretence that cancellation rights existed. Taken together such activity was identified in 144 cases, with 67 cases where the provision of information was handled properly or did not mislead, and another 179 cases where specific detail was absent. Poor information provision was therefore a feature in 37% of cases overall, and some 68% of cases where the client reports contained a suitable material to make an assessment.

2.22 The 311 cases where the visit was either unsolicited or where such information could not be exactly determined were examined in more detail. This group contained 149 cases where an attempt was made to cancel the transaction. An analysis of these cases revealed that consumers had major problems securing any degree of co-operation from the traders involved. Various outcomes are shown in the chart 2.8 below. Note that these outcomes are not mutually exclusive. The most common response to any attempt to cancel was a simple refusal to return any deposit, though simply ignoring letters or phone calls was also a common tactic. A number of the cancellation attempts were made after seven day has elapsed. In such circumstances a consumer may still have cancellation rights under the regulations if they have not been provided with correct information on about such rights.

CHART 2.8: Problems cancelling contracts: excluding solicited visits



Base: Minimum 60, maximum 117 cases: Excluding cases where absence not determined

2.23 Also notable in these results was a group of cases in which installation work had taken place before the 7 day cancellation period was up, making it effectively impossible for the consumer to cancel. Goods particularly likely to be associated with this behaviour included fire and burglar alarms and telecommunications systems. While beds are not an installed product, a number of the report forms described how new adjustable bed were delivered and existing beds removed before seven days had elapsed. Aside from any consideration of the consumer’s rights under the regulations, this had added considerably to the practical problems of many elderly and disabled clients taking cancellation action against an uncooperative supplier.

**Serious actions on the part of the trader**

2.24 Much of the behaviour by the sales people or suppliers described in the Citizens Advice reports forms appears to breach consumer protection regulations. However, some actions also appear to constitute more serious breaches of the law. Among such actions the analysis grouped together the use of threats or intimidation to secure payment, the consumer being taken to the bank under duress or intimidation, or the trader providing no contact details or false details so the consumer was subsequently unable to trace the trader.

- 2.25 Such instances were, regrettably all too common, and a total of 63 were identified in the data set, amounting to 16% of all cases. Not all the actions occurred in isolation –sometimes two or more such actions were apparent in a single report.
- 2.26 The commonest single occurrence was simply the use of threats or intimidation to secure payment (11%). In cases where this feature was absent the main tactic used by the traders was to avoid revealing any contact details (4%) or to give false details (3%) so that the consumer had no hope of tracing and taking any effective action against the trader. In another 2% of cases the consumer was taken to the bank under duress.
- 2.27 There was evidence to support the view that such occurrences are more likely to be linked to household repairs than other types of goods and service. Threats were made in 14 out of 64 cases (22%) involving repairs to the home compared with 44 out of 390 (11%) of cases overall. However, fifteen out of the twenty other types of goods or service had at least one case of this type. Arguably if the intention is secure payment by extreme means with no real intention of providing goods or services in return, the nominal item of goods and service may be immaterial.

Annexe A: Illustrations of how narrative information was used to generate categorical data

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Reported features of the transaction	Illustrative verbatim extracts
Unreasonably long stay	'salesman stayed more than four hours'
	'would not leave until I signed'
	'Sales person arrived before 7:30pm and was still present after 11pm'
High pressure selling	'He would not take no for an answer'
	'The client reported that the salesperson was very persistent and bullying'
	'The client was very distressed when the sales person refused to leave until she had signed the agreement'
Selling regardless of unsuitability	'The client was pressured into taking out a loan for house repairs despite living in a council property'
	'The client had very limited English and seemed unlikely to get any benefit from a home learning IT course
	'A mortgage advice company sold professional services to an elderly retired couple. The advice concerned their right to buy their council house, but was clearly of no value or use to them as they had limited income - insufficient to make such a purchase.'

Selling regardless of ability to pay	'The client explained that he had no income but was encouraged to sign a loan agreement. Client got into immediate difficulties as he was clearly unable to make any repayments.'
Falsified (or improperly obtained) signature	'Client was told she was signing a receipt for the goods, but it was actually a credit agreement'
	'The client, who was waiting repairs to his council house, was visited by a man who explained he was there to 'speed up the repairs'. Assuming he was from the council the client signed forms that later proved to be loan agreements to support a 'no win no fee' case.'
Verbal misrepresentation: Product	'he said the course was taught, but it turned out to be self-tuition'
Verbal misrepresentation: Contract	'The salesman said 'Use it for a month and if you don't like it send it back', but returning the item after ten days the client was told she was outside the cancellation period.'
Verbal misrepresentation: Company	'Implied they were from the council'  'Company made contact with client on pretext of checking prescription charges. Implied they were working for the client's hospital to ensure personal safety but were only trying to sell other products.'

Reported features of the transaction	Typical quote
Credit	
Failure to provide proper information	Client with poor eyesight had been unable to read terms of agreement. Interest rate was 34.9% APR and this had not been mentioned to her.
Supplier of credit requiring payment regardless of other issues.	Client advised they would be held to the credit agreement even if they returned the goods
Concealed credit agreement	'Client understood she was signing only for a free 28 day trial, but the forms later proved to be a sale agreement and credit agreement'

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