citizens advice

Consumer detriment

Counting the cost of consumer problems

September 2016



OXFORD ECONOMICS

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Foreword

If an economy is to work for everyone, two things must happen: people's incomes must rise as the economy grows and their spending must then translate, though well-functioning consumer markets, into better products and services over time.

This is the living standards ledger and, as things stand, we know far more about one side than the other. For incomes, we have a well-informed debate about wages, taxes and benefits, and an industry of analysts that number-crunch the winners and losers when things change. This feeds a healthy, if heated, argument about cause and effect and about policy responses from the living wage to tax allowances and welfare reform.

The same cannot be said for spending. Yes, incomes can be adjusted to take account of changes in prices over time. But what about the array of scams, shoddy services, unclear prices, and slow switching processes that bedevil our lives as consumers? How much do these cost us overall? Who gains and who loses most? And how is this changing over time? We cannot answer these questions in nearly the same detail and our consumer policy debate is less prominent as a result.

This report helps to put this right by estimating the total cost of consumer detriment in the UK economy and analysing its distribution. Needless to say, this is neither the first nor the last word on the topic. We are building on previous studies, in particular a 2014 study from the Department for Business, Innovation and Skills, without which this new iteration would not have been possible. We've endeavoured to capture as broad a range of detriment as possible, including even more of the very small problems that affect us. Nor does this report answer the question in full. Consumer detriment comes in many flavours, from the known detriment of scams to the unconscious harm from an unswitched bill. Here we focus only on the former - the part of the problem consumers can see.

Even with this focus, the figure that emerges is staggering: consumer detriment costs UK consumers £23 billion a year. This cost per person figure is inflated by high cost problems in areas like construction that affect a relatively small number of people. Whichever way you cut it, the impact is substantial—£446 per adult, almost a week's wages for the average employee. This stands consumer policy alongside the other essential pillars of an economy that works for everyone: good jobs with decent wages, fair systems of tax and welfare, and well-functioning consumer markets that deliver innovation, competition, and redress when things go wrong.

If this challenge sounds big, so is the opportunity. The new government has signalled its intent to strike a better deal for consumers. And there is much that should, and can, be done. Our work on behavioural insights in consumer markets raises the prospect of a new generation of consumer protections that are both light touch and effective, protecting consumers while also making markets more efficient. And, from the million people we help directly each year with a consumer problem, plus the 13.4 million we help through digital channels, we can already identify a suite of practical changes that would be give consumers a better deal.

We would like to thank Oxford Economics for their response to the brief and our partners for their help refining this report. Real progress has been made on the UK consumer landscape in recent years and we look forward to working with colleagues in this landscape, from the Department for Business, Energy and Industrial Strategy, to the Competition and Markets Authority, Trading Standards and the sector regulators, as we rise to the challenge raised by this report.

James Plunkett

Director of Policy & Advocacy

Citizens Advice

Summary

4,200
consumers interviewed for this study.

Average of
2.4
consumer problems experienced per person in 2015.

At least
123 million
incidents of consumer detriment in 2015.

Cost of at least
£22.9 billion
in 2015.

1.2 bn hours
spent by UK consumers due to problems in 2015.

Every year, millions of UK consumers suffer from some form of consumer detriment, be it a delayed delivery, substandard service or the purchase of a faulty item. Such experiences are a familiar feature of everyday lives, but quantifying the scale and impact of these experiences for UK consumers in a systematic way is a complex task.

This research project takes account of the monetary and time costs of consumer detriment, as well as compensation, to arrive at a considered estimate of total net cost for the UK population. This valuation incorporates three core elements. Firstly, it calculates the direct monetary costs borne by consumers who experience problems. These might be cash outlays caused by the problem itself (for example, when a broken toy is simply written off or when a poorly fitted boiler causes knock-on problems that have further costs) as well as any resulting loss of earnings. Secondly, it calculates the value of any leisure time given up by the consumer in experiencing or attempting to resolve the issue, so-called 'time costs', which might include things like time wasted on a delayed train, or time spent in a phone queue to get through to customer services. Thirdly, it calculates any compensation payments awarded in light of any claims made by the consumer, and subtracts these from the monetary and time costs described above. This approach seeks to present a comprehensive picture of UK consumer detriment, both larger and smaller problems.

In order to build up this picture of consumer detriment, a consumer survey was conducted—in total, 4,200 interviews were conducted, of which around 1,600 were conducted face-to-face and 2,600 online. The survey was conducted during February and March 2016 with respondents asked about their experiences of consumer detriment during the past 12 months. The research builds on previous research by TNS on behalf of the former Department for Business, Innovation and Skills (BIS).

Notably, the results from these two formats diverged significantly in terms of the reported frequency of consumer problems, with face-to-face survey respondents citing, on average, 2.4 problems per person compared to an equvialent figure of 7.4 in the online survey. The divergence could be down to a number of factors: the two groups of respondents could be different in unobservable ways that mean one group actually experienced more detriment, or they could have had the same experiences but different thresholds for reporting them according to the mode of survey delivery. It is likely that both of these factors are at play. Throughout, we adopt a conservative approach: we present the findings from the face-to-face survey first and foremost, though the online results do suggest that the number of problems could be very much higher.

Scaling up to the UK population, the face-to-face survey results suggest that in 2015 UK consumers experienced at least 123 million incidents of consumer detriment. In comparison, the equivalent figure from the TNS survey was 18.2 million. As such, even on the basis of the more conservative face-to-face survey estimate, our analysis implies that instances of consumer detriment occur over six times as frequently as previously understood. The results of the online survey suggest that this number could be higher still.

Consumer detriment most often occurs with TV, phone and internet services, which was by some distance the most frequently cited problem area—with at least 27.6 million problems experienced in this problem category, affecting 14.7 million individuals in the last 12 months and costing £4.2 billion. Overall, the top seven product categories by problem frequency were: TV, phone and internet; train services; energy companies; electrical appliances; bus services; catering; and construction.

Across demographic groups, younger people and those with higher levels of educational attainment reported more instances of consumer detriment on average. Most notably, those in the youngest (18-24) age group report 50 per cent more problems than the average individual, while at the other end of the scale, those in the 65-74 age group report little more than half of that benchmark. However, there was no clear evidence of a relationship between problem frequency and other demographic characteristics such as household income, gender or employment status.

Overall, the estimated value of consumer detriment in the UK in 2015 was at least £22.9 billion (after deducting compensation), or £446 per adult UK resident, amounting to 2.0 per cent of consumer spending. The online survey results suggest this figure could potentially be higher. At the product level the most costly problem categories (as measured by total net cost) were: TV, phone and internet; professional services; construction; home maintenance; property services; pension and investment services; and holidays. These amounts only include problems that consumers themselves are aware of, and so exclude the cost of so-called 'hidden detriment' due to, for example, misleading advertising.

In general, detriment in the most costly problem catgeories reflected the pattern of a relatively small number of high value problems having a substantial impact on overall cost. The exception to this was the TV, phone and internet product category where although the average financial cost per problem was relatively low at £80, the very high number of problems reported (27.6 million) meant it made a considerable contribution to the total cost of consumer detriment.

Resolving consumer problems costs UK consumers time as well as money. In 2015 UK consumers spent 1.2 billion hours dealing with such issues, equating to around 22.5 hours per person. Just over 60 per cent (724 million) of these hours represented lost leisure time. Of the remainder, 279 million hours represented at-work time which resulted in a loss of earnings (self-employed people missing business etc.) while the remaining 155 million hours was work time, imposing a direct cost on UK employers.

Despite the time and monetary costs involved, a majority (55 per cent) of consumers surveyed had not sought (and did not plan to seek) a refund or compensation. Moreover, for over a quarter of this group, the reason for not doing so was not because it didn't matter, but rather that perceived features of the complaints process put consumers off, for example it was viewed as too long or complicated or it was not clear how to go about complaining.

Banking and the energy sector emerged as industries that typically awarded relatively generous compensation packages following instances of detriment. Across both surveys, both energy and banking were identified as

sectors which awarded compensation payments that were significantly more generous than average. In contrast, compensation payments in sectors such as professional services and vehicle servicing were negligible in comparison to the costs imposed on consumers.

People aged 35 to 54 suffered from the highest average costs of consumer detriment, compared to individuals of other ages. Primarily this reflected a much higher level of lost earnings per person—a function of the higher employment rates and average earnings of this group. This group also reclaimed a low level of compensation (relative to total costs endured), possibly reflecting the fact that these people typically have less spare time (due to longer working hours and family commitments) to follow up on these issues.

Graduates were found to suffer from much higher levels of average detriment compared to non-graduates. They reported more problems, and had higher net costs per problem. The latter effect was primarily driven by much higher levels of lost earnings and time costs per person.

1. Introduction

Every year, millions of UK consumers experience problems of one kind or another when purchasing goods and services. Whether it is a misdirected parcel, a product that breaks too easily, or a service that falls below a standard that could be reasonably expected, experiencing these problems, and seeking to resolve them, costs UK consumers in time, money, and energy.

These problems are known as consumer detriment. Quantifying the scale and nature of consumer detriment, and the sectors in which it is most prevalent, is essential in guiding consumer protection policy. To this end, Citizens Advice commissioned Oxford Economics to produce a quantitative analysis of consumer detriment in the UK.

1.1 ABOUT CITIZENS ADVICE

Citizens Advice is a charity which provides advice to people on how to solve their consumer problems face-to-face, over the phone and online. Last year they helped people with 900,000 consumer enquiries through their network of local offices and consumer helpline. Additionally, their consumer webpages providing information on how to deal with problems received 13.2 million hits.

1.2 THE RESEARCH PROJECT

Specifically, the research had three core objectives:

- to provide an up-to-date assessment on the scale of consumer detriment in the UK, in terms of both monetary and time costs;
- to shed light on how consumer detriment is spread across different demographic groups and alternative product types; and
- to examine the nature of the detriment that consumers experience and how they seek to resolve problems encountered.

While consumer detriment will be very familiar to people in their everyday lives, quantifying it systematically is a complex task. In the UK, the most notable attempt to do this came from the work carried out by TNS in 2014 on behalf of the former Department for Business, Innovation and Skills (BIS)[1], which concluded that around 22 per cent of UK consumers experienced consumer detriment in the course of a 12 month period. The study put the total annual monetary cost of these problems at £4.0 billion.[2]

As with the TNS study, the foundation of this work is a large-scale consumer survey, conducted in early 2016 by Ipsos MORI.[3] Two different survey methods were used: a face-to-face survey of more than 1,600 individuals; and an online survey completed by 2,600 respondents. Overall, the TNS survey from 2014 and the 2016 Ipsos Mori survey used here followed a broadly similar analytical

[1] BIS has now been subsumed into the Department for Business, Energy and Industrial Strategy (BEIS)
[2] TNS, "Consumer Engagement and Detriment Survey 2014" (Research Report, Department for Business, Innovation and Skills, 2014).
[3] Although the fieldwork was undertaken by Ipsos MORI, the analysis undertaken to arrive at the key results—including, for example, decisions about 'outlier' responses—is entirely the responsibility of Oxford Economics.

framework, albeit with some notable differences which captured a broader range of detriment. These are summarised in the box below.

This study uses a definition of consumer detriment as an incident that the survey respondent regarded as 'worthy of complaint'. Such a definition is subjective and open to different interpretation among survey participants, underscoring the importance of working with a large random sample. It is also worth noting that the focus of the work here is on what is called 'known' detriment—calculated based on the perceptions of individuals themselves of the issues they have experienced. The report does not explore the nature and costs of 'hidden', often structural, detriment that consumers might be not be aware of but have nonetheless been affected by. Examples of such hidden detriment might include the impact of monopolistic pricing policies or as yet undiscovered incidences of mis-selling. Calculating this hidden element would be a worthwhile topic for investigation in future to complement this analysis.

The survey questionnaire divided problems between 43 categories of items or services. These, in turn, were allocated to six broader sectoral groupings (as outlined in Appendix 4). Where sample sizes are too small to permit meaningful analysis, we assess differences across the broader sectoral groupings.

The box overleaf provides a high level overview of the survey methodology with the survey questionnaire in full outlined in Appendix 4.

METHODOLOGICAL COMPARISON OF OXFORD ECONOMICS AND TNS STUDIES

Overall the consumer surveys used in both studies followed a broadly similar methodology. However, there were some notable differences which are summarised below:

- **Survey mode:** one of the most obvious differences in approach was that the TNS survey was purely conducted face-to-face whereas our project employed both online and face-to-face methods.
- **Product categories**: the TNS survey included 70 categories and this was consolidated to 43 categories in our survey, although the six more aggregated groupings were retained as follows: house fittings & appliances; household goods, utilities & services; personal goods & services; professional & financial services; vehicles & transport services; and leisure. These changes were implemented to make the process less onerous for participants, avoiding overlap and potential duplication. When reviewing the categories efforts were made to use more consumer-friendly language where appropriate and include relevant examples as a subtext below the category description.
- **Multiple problems within product categories**: the TNS survey asked respondents whether they had experienced a problem in each of the product categories listed, but did not explicitly ask whether multiple problems had been experienced within a given category, and if so how many. Our survey did ask about that explicitly.
- **Problems asked about in detail**: in the TNS questionnaire the detailed follow-up questions were only asked for a maximum of two problems. In the case of those with multiple problems participants were asked to select the two that were the most serious (i.e. caused them the most trouble or cost). In our survey, the most recent problem in each product category with one or more problems was asked about, up to a maximum of five. Where problems were reported in more than five categories, the five categories were chosen at random.
- **Survey wording:** our survey adopted a more succinct and direct approach to screening compared to TNS. In our survey, examples of types of consumer detriment (faulty or inadequate good, poor quality service etc.) were included in the initial screening question whereas they only formed part of follow-up questions in the TNS survey. In addition, our survey asked consumers to recall issues they had 'complained about, or felt like complaining about' – compared to the TNS survey which asked about issues where consumers felt there was 'a genuine cause for complaint'. This may have set a lower bar and encouraged respondents to recall more problems than previously.

SURVEY METHODOLOGY

In February and March 2016 Ipsos MORI undertook 1,613 face-to-face interviews with individuals across Great Britain, and conducted 2,600 online surveys using the same questionnaire from residents across the same area. The results that this generated were scaled up to the whole of the UK's adult population in order to identify the true scale of the issues that consumers face.

The aim of the surveys was to understand the scale of consumer detriment, the kinds of problems faced by consumers, and the distribution of problems and associated costs by demographic group, product category, and cost banding. Initial questions concerned whether the respondent had or had not experienced a problem with an item or service purchased in the previous 12 months, in each of 43 specified product categories, and, if they had, how many separate instances of a problem they had encountered for that product type. Respondents reporting one or more problems were then asked follow-up questions about the single most recent incident in each product category, up to a maximum of five incidents in five different categories.

The surveys sought to understand both the costs of problems and the approach taken by consumers to seek redress, as well as the extent to which problems were resolved, and the emotional impact of these experiences on consumers. Follow-up questions therefore concerned details about cash outlays, loss of earnings, hours spent as a result of any identified problems and any compensation received.

In order to provide further insight into the scale of consumer detriment nationwide, the survey findings have been scaled up in this report, to show the estimated impact on UK residents aged 18 or over in aggregate.[4] To aid transparency and understanding, we also benchmark our findings against results from previous studies in the literature, including the TNS project.

CALCULATING COSTS

Previous research has sought to assess the monetary cost of consumer detriment and, separately, the amount of time spent on such problems by UK consumers. The key emphasis has been on quantifying the costs and time involved in seeking to resolve them. Compensation payments have tended not to be clearly integrated into calculations, e.g. the TNS study does not factor compensation into its final estimates.

This research seeks to arrive at a comprehensive calculation of known consumer detriment. Our key measure of this detriment is the 'total net cost' of consumer problems experienced in the course of 12 months. This is made up of three elements, each based on survey results: monetary costs incurred (before taking compensation into account, but netting off refunds), plus the value of lost leisure time ('time costs'), minus the value of compensation received.

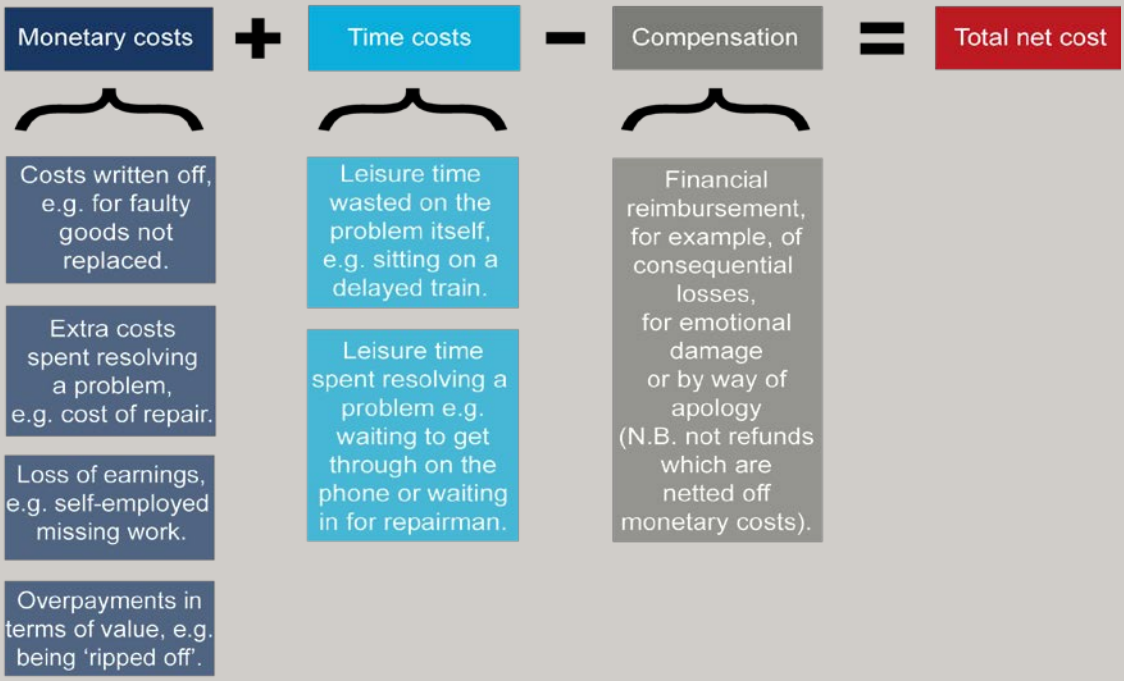
To arrive at total monetary costs at the national level, three steps were applied:

(1) Results from the various questions on monetary outlays and lost earnings were added up separately for each product category.

[4] Values are scaled up to all incidents of a problem in each product category. This was calculated by multiplying the value for the specific problems asked about by the ratio of the total number of problems in the category to the number of problems asked about in detail. These results are then aggregated to the UK level by multiplying by the ratio of the UK population aged over 18 to the number of individuals covered by each survey. Note that although the survey itself covered Great Britain and excluded Northern Ireland, the national results presented have been scaled to the UK as a whole.

(2) These totals were scaled up to arrive at an assumed total monetary cost for all problems in that category whether asked about or not.
(3) These totals were scaled up to a UK-wide monetary cost, based on the ratio of the UK population aged 18 or over to the survey sample.

Fig. 1. How our estimate of known consumer detriment is calculated



Source: Oxford Economics

Estimates of compensation were arrived at in the same way, while time costs were calculated as follows:

- For each individual problem asked about in detail, non-work time was calculated by combining the result for total time with that for the proportion that was work time.
- These hours were totalled for the problems asked about and scaled up, within each category, to arrive at the assumed total for all instances relating to that product type, and then to the UK-wide estimate of non-work hours spent due to problems.
- A uniform value of £7.05 was applied to arrive at the money value of leisure time used, this being the value placed by the Department for Transport on the use of non-work, non-commuter time, for 2015, in its assessments of the potential benefits of an 'average' transport improvement scheme.

Total net costs were then calculated as monetary plus time costs net of compensation.

Our findings affirm the view that a significant part of consumer detriment is characterised by a handful of instances of problems which result in very high costs. This natural 'skew' in the distribution naturally increases the uncertainty around our final estimates of the cost of detriment and makes the final estimates more sensitive to outliers. We discuss the issue of outliers in more depth in Appendix 1 but, in general, it is important to consider this limitation when interpreting the headline findings. As with previous surveys, apparent 'outliers' were not excluded from the results set (with the exception of a handful of results relating time spent where the question appeared to have been misinterpreted).

2. Key findings: consumer detriment in the UK

At least

123 million

incidences of consumer detriment in 2015.

At least

18.1 million

consumers in the UK affected in 2015.

More than

35 percent

of respondents had experienced some form of consumer detriment in 2015.

Cost of at least

£22.9 billion

in consumer detriment in 2015.

Total of

1.2 bn hours

spent by UK consumers due to problems in 2015.

2.1 THE SCALE OF CONSUMER DETRIMENT

In total, our research shows that upwards of 123 million separate instances of consumer detriment were experienced by the UK population in the last year. Overall, we estimate that in the last 12 months 18.1 million UK adults have experienced some form of known detriment. This figure could potentially be higher given the evidence of greater incidence of detriment found in the online survey, detailed in Annex 1.

We find that the incidence of consumer problems is on a much larger scale than previously identified. Overall, 35 per cent of respondents said they had experienced one or more consumer problems of any kind during the 12 months prior to being surveyed—this is sometimes referred to as the 'problem incidence'. The remaining 65 per cent recalled no problem they regarded as worthy of complaint. This is greater than the problem incidence of 22 per cent problems identified in the 2014 TNS survey. A full analysis of the difference in the difference between these two studies, including the impact of our attempts to further improve survey methodology, is included in section 8.

Fig. 2. Overview of problem incidence and frequency

Survey respondents	Face-to-face
Percentage experiencing one or more problems ('problem incidence')	35.3%
Average number of problems reported per person	2.4
Average number of problem product categories reported per person	0.8
Average number of problems reported per problem product category[1]	2.8
Results scaled up to UK population	**Face-to-face**
Individuals experiencing one or more problems (millions)	18.1
Total number of problems ('problem frequency') (millions)	123.1

Base sample: 1,603 respondents.
[1] I.e. where an individual reported having one or more problems in a product category, the average number of problems experienced in that category by the individual concerned was 2.8.

2.2 THE TOTAL NET COST OF CONSUMER DETRIMENT

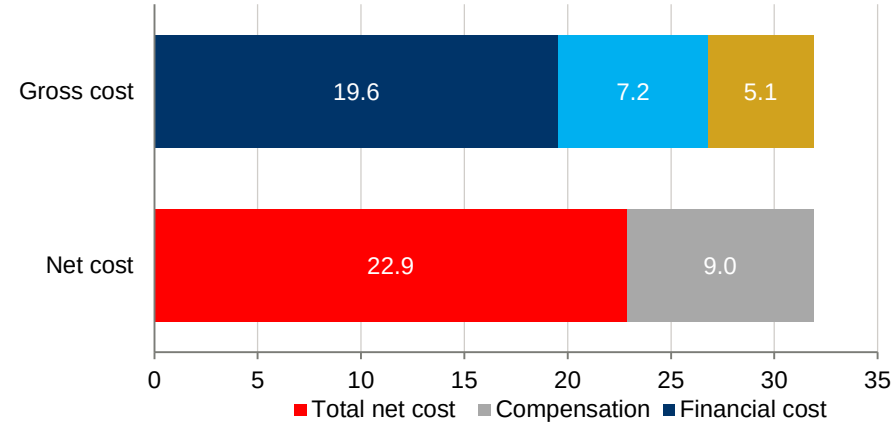
Our headline measure of the value of consumer detriment in the UK during 2015 is arrived at by subtracting compensation payments from total costs to individuals (both time and money). For example, presented with a problem, such as faulty boiler, the costs a consumer could face in resolving it include the money they had to pay to a repairman (cash outlay), the loss of earnings they suffer by having to stay at home instead of working (lost earnings) and the leisure time spent sitting on the phone to the company who sold it to them in the first place (time costs). These three together would represent the gross cost of the problem. However, the consumer might subsequently receive compensation from the manufacturer in acknowledgement of the trouble caused by the fault, and this would be subtracted from the gross cost to give a

total net cost, which is our headline measure. A description and depiction of our methodology is given in the Chapter 1, with further detail in the technical appendices that accompany this report.

Our calculations reveal that consumer detriment cost the UK public £22.9 billion in 2015. The scale of consumer detriment in the UK is of a magnitude greater than shown in the 2014 TNS study. We estimate that the value of UK consumer detriment in 2015 amounts to upwards of £22.9 billion, or £446 per head (equivalent to 2.0 per cent of UK consumer spending)[5]. The figure could be as high as the £42.9 billion found by the online survey results.

Fig. 3. Estimated annual value of known consumer detriment in the UK

£ billion



Source: Oxford Economics

Base sample: 1,613

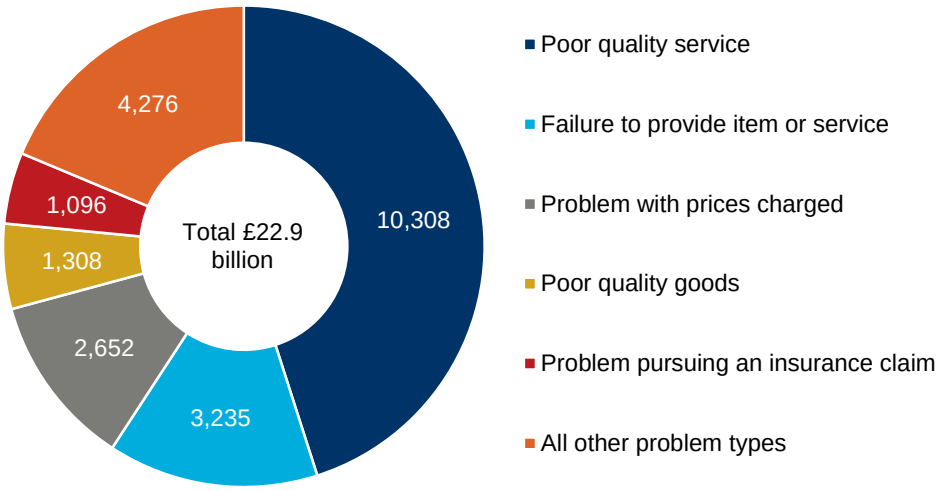
2.3 THE KINDS OF PROBLEMS CONSUMERS FACE

The provision of substandard service was the most important source of consumer detriment accounting for around 45 per cent of the cost to consumers (£10.3 billion). A complete failure to provide the item or service was also a notable cause of detriment at £3.2 billion (14 per cent of the total cost), as were problems with prices charged at £2.7 billion.

[5] Results in this study have been scaled up based on the size and composition of the UK adult (18+) population in 2015. When results are presented on a per head basis they are done using this reference group.

Fig. 4. Distribution of consumer detriment by problem type

£ millions



Source: Oxford Economics

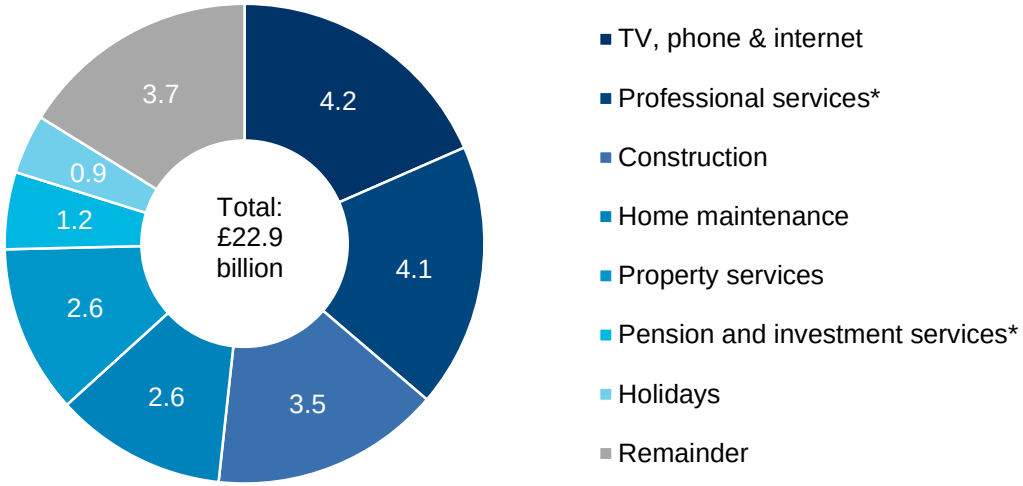
Base sample: 1,613

2.4 THE PROBLEM CATEGORIES CAUSING THE MOST FINANCIAL DETRIMENT

Five product categories contributed three-quarters of the £22.9 billion net cost associated with consumer detriment. As well as generating the highest number of problems (27.6 million), the TV, phone and internet service industries were also the most significant source of detriment, with these problems costing UK consumers £4.2 billion in 2015. Issues in the professional services sector cost a total of £4.1 billion, driven by a small number of large-cost incidents. This is followed by construction (3.5 billion), home maintenance (£2.6 billion), and property services (£2.6 billion).

Fig. 5. Distribution of consumer detriment by problem category

£ billion, UK total



Source: Oxford Economics

* Result heavily influenced by one large and unusual response.

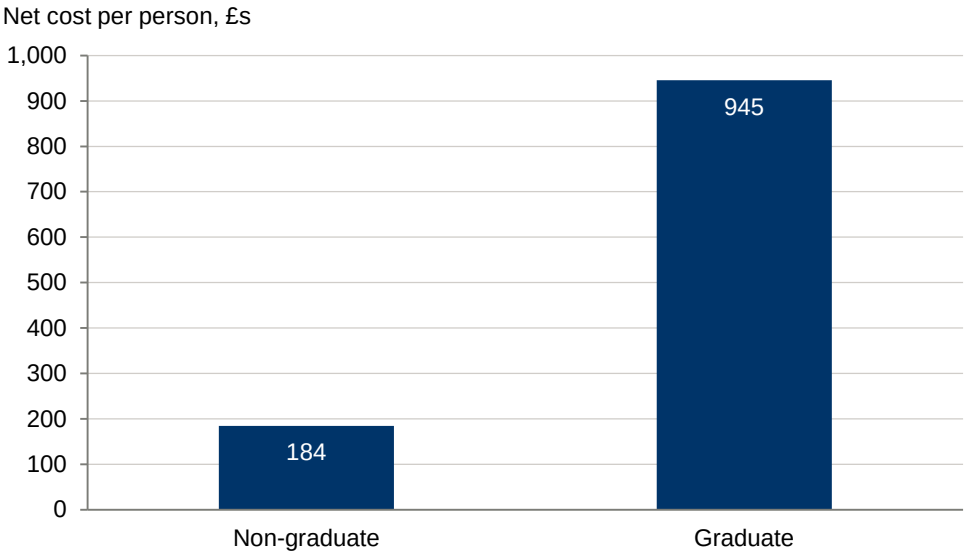
2.5 HOW DIFFERENT DEMOGRAPHIC GROUPS ARE AFFECTED

The level of consumer detriment reported by graduates was over five times as large as that by non-graduates. Overall, graduates suffered a net

cost from consumer detriment of £945 per person compared to just £184 per person for non-graduates. This difference is primarily the reflection of three factors which are investigated further chapter four:

- Much higher reported problem frequency—graduates experienced 3.9 problems per person during 2015 compared to an average of 1.7 problems for non-graduates;
- Significantly higher levels of lost earnings per problem; and
- A much lower level of compensation awarded given the level of total cost.

Fig. 6. Annual average net cost of consumer detriment per person for graduates and non-graduates



Source: Oxford Economics

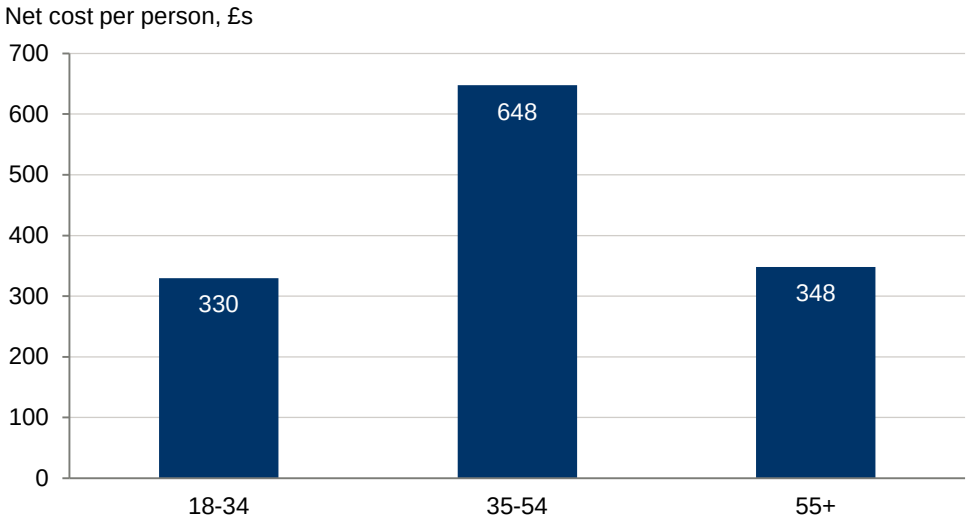
Average net cost per person was found to be highest among people of middle-age (35-54). On a per capita basis, consumer detriment was found to most severely affect those aged 35 to 54, who experienced an average loss of £648 in 2015.[6] This was around 85 per cent higher than the average loss of those aged 55 and above (£348) and 95 per cent higher than those aged between 18 and 34 (£330). This difference is primarily the reflection of three factors which are investigated further in chapter four:

- Problem frequency was above average, although not as high as reported by the 18 to 34 cohort;
- Financial costs as a result of lost earnings were substantially higher than average; and
- Middle-aged consumers were much less effective on average at claiming compensation and refunds given the scale of reported detriment.

[6] The difference between average cost per person in these age bands is driven up significantly by a single outlier response. However, even when this is excluded from our analysis, average net cost per person for those aged 35-54 is still 33 percent higher than for those aged 55 and over and 40 percent higher than for those aged 18-34.

While young people reported a higher number of problems, middle-aged individuals bore a higher share of the cost, as the average cost per problem experienced was that much higher. The higher total cost is likely at least in part to reflect the above-average spending power of the middle aged group.

Fig. 7. Average annual net cost of consumer detriment per person by age group



Source: Oxford Economics Base sample: 1,613

2.6 RESULTS FROM THE ONLINE SURVEY

As indicated above, the reported results from the face-to-face survey are already substantially higher than previous estimates of consumer detriment, at £22.9 billion. The online survey also conducted as part of the research suggested that the incidence and cost could be much higher still, with 380 million problems costing a net £44.9 billion. It should be noted here that this is the first time that an online survey has been conducted as part of research into UK consumer detriment, whereas face-to-face surveys are a well-established method.

For the face-to-face interviews, quotas were used ensuring that interviewers spoke to a certain number of individuals in each demographic category (e.g. women under 35). These interviews took place in the respondents' own homes. The online survey meanwhile involved a panel of respondents who had signalled a willingness to take part in exercises of this kind and who had been pre-screened to ensure accuracy and consistency and to avoid duplication. Both sets of results were then weighted to reflect the demographic characteristics of the UK population aged 18 and over—or in the case of the online survey the UK population aged 18-74, as those aged 75 and over were excluded.

Differences in the results cannot therefore be explained by differences in demographic characteristics such as age, gender, region of residence or educational attainment. Nor is it possible to explain these differences in any other definitive way. However, after discussion with Ipsos MORI, we suggest two possible explanations.

Firstly, an individual choosing to take part in an online survey may have a different outlook on life, and/or different experiences, to an otherwise identical individual who is less inclined to interact online. They may, for example, have higher expectations about the standards of goods and services which made them more likely to report issues in our survey, or their pattern of spending may differ in such a way as to make them more vulnerable to detriment.

Secondly, it is possible that the same individual will answer in a different way when responding to an online survey than participating in a face-to-face survey. That is, someone experiencing a fairly minor inconvenience might decide to record that as a 'problem' when filling in a questionnaire online, when they would not report it as a 'problem' when being interviewed by another person face-to-face.

We are not in a position to make a judgement on which of the surveys provides a more accurate picture of the frequency of consumer detriment. However, for ease of exposition we have opted to use the face-to-face results as the basis for our analysis. To this end, figures quoted in this report reflect findings from the face-to-face survey. As such, the results presented on the incidence, frequency and cost of consumer detriment in later chapters should be viewed as conservative and may in fact be very much higher, although there is some ongoing debate about the extent to which an online sample may differ in representativeness to a face-to-face sample. The online results are reported in Appendix 1.

3. The nature and frequency of UK consumer problems

More than

41 million

incidences of poor quality service in 2015.

Close to

28 million

problems with television, phone and internet services in 2015 affecting 15 million consumers.

Nearly

10 million

problems with train services in 2015 and a further 9 million with energy companies.

Those aged 18-24 report

50 percent

more problems than the average individual, while at the other end of the scale, those in the 65-74 age group report little more than half of this benchmark.

Our research indicates that 35 per cent of UK adults suffered at least one experience of consumer detriment in 2015. This compares to a much lower figure of 22 per cent, arrived at from survey work by TNS in 2014 on behalf of BIS.

3.1 SUMMARY OF MAJOR FINDINGS

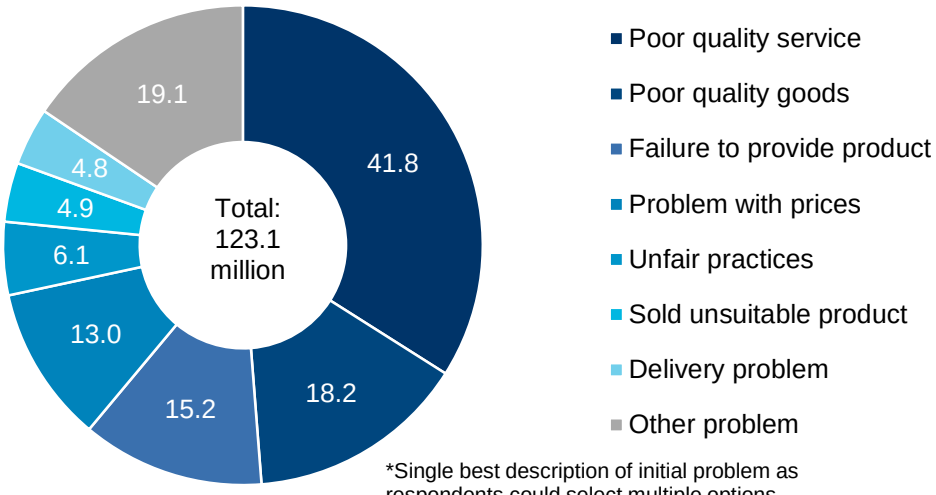
- In total, 35 per cent of consumers experienced at least one consumer problem in 2015, with over 123 million problems reported in total.
- Poor quality service provision was the most frequently cited problem category, accounting for almost one third (41.8 million) of total problems.
- Consumer problems were focused in a small group of industries, most notably TV, phone and internet services, where 27.6 million issues were identified.
- The youngest age group (aged 18-24) reported the most problems in terms of number (although these were generally of a low cost nature), while those aged 65 and over reported fewer problems per person than the average.
- Those with higher levels of educational attainment also reported a higher-than-average number of problems.

3.2 THE NATURE OF CONSUMER PROBLEMS

The most significant type of problem reported was poor service—accounting for a third of all cases. The survey results indicate that UK consumers suffered from 41.8 million incidents of poor quality of service. A further 18.2 million problems were associated with the provision of substandard goods, amounting to 15 per cent of the total. Failure to provide the purchased products accounted for one in eight problems faced (15.2 million), followed by a problem with prices which represented one in 10 (13.0 million).

Fig. 8. Distribution of UK consumer problems by nature of problem

Millions of instances experienced by nature of problem* Base sample: 1,613



*Single best description of initial problem as respondents could select multiple options.

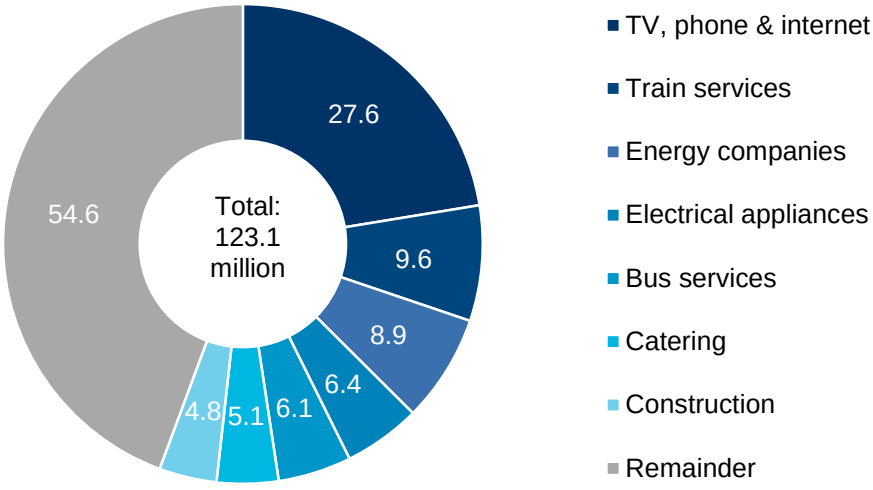
Source: Oxford Economics

3.3 THE SECTORAL DISTRIBUTION OF CONSUMER PROBLEMS

Television, phone and internet service provision was the worst-offending problem category, with the results suggesting at least 27.6 million problems of some kind across 14.7 million individuals during the 12 months. This equates to 22 per cent of all incidents of detriment identified by survey respondents. This is followed by train services which caused 9.6 million issues (7.8 per cent) and energy companies which caused 8.9 million issues (7.3 per cent). Of the 43 different products and services we asked whether respondents had an issue with, 56 per cent of problems were caused by the 'top seven' of these categories.

Fig. 9. Problem frequency by problem category

Problem frequency, millions



Base sample: 1,613

Source: Oxford Economics

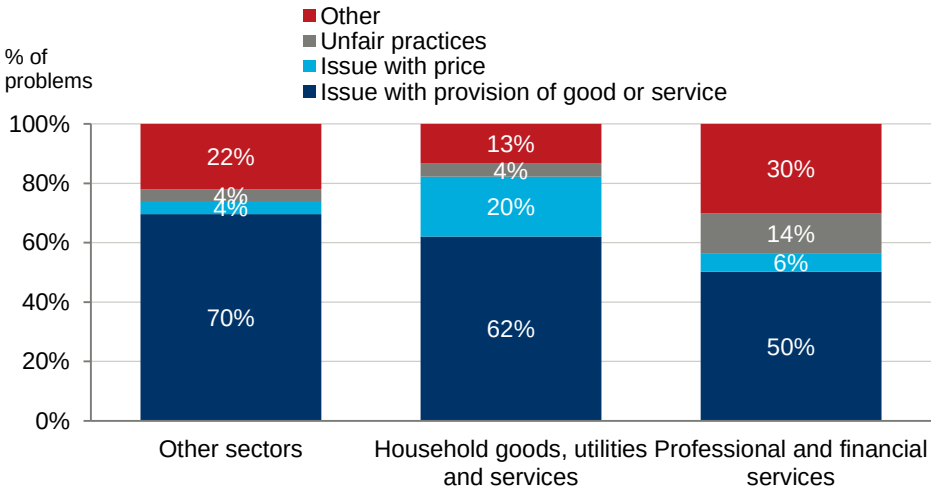
There was also considerable variation across the six broad sectors in terms of the nature of consumer detriment. In general, the most common problems centred on the provision of a good or service—be it an issue with

product quality, delivery or simply a complete failure to supply the product agreed. The proportion of all problems taking these forms varied from 50 per cent for professional and financial services to 78 per cent for personal services and 79 per cent in the leisure sector.

While misleading pricing tended to be a minor footnote in most sectors, it was found to be significant in the utilities sector. In most sectors, issues with price—such as misleading pricing structures or not being sold the cheapest available option—were not identified by those surveyed as frequently problematic. However, this was notably not the case in the household goods, utilities and services sector, where such problems accounted for over a fifth of all instances of detriment. Drilling down deeper, this result was principally driven by energy suppliers, where just under half of problems related to misleading pricing. Such a pattern would seem to chime with anecdotal experience with this sector, in particular, which has recently been the subject of much public scrutiny around pricing policies.[7]

Meanwhile, other problems with sales practices were much more prevalent in the professional and financial services industries. There was also a notable variation between sectors in the relative incidence of unfair practices such as the specification of unclear terms and conditions or inadequate notice of cancellation. Such cases were relatively much more prevalent within the financial and professional services industries, where they represented 14 per cent of problems reported.

Fig. 10. Distribution of problems by type by broad sector[8]



Source: Oxford Economics

Base sample: 1,613 problems

[7] For example, in June 2016 the Competition and Markets Authority (CMA) published a report on the energy market in Great Britain, following a referral by the Gas and Electricity Markets Authority two years earlier. CMA, *Energy Market Investigation: Final Report* (London: CMA, 2016).

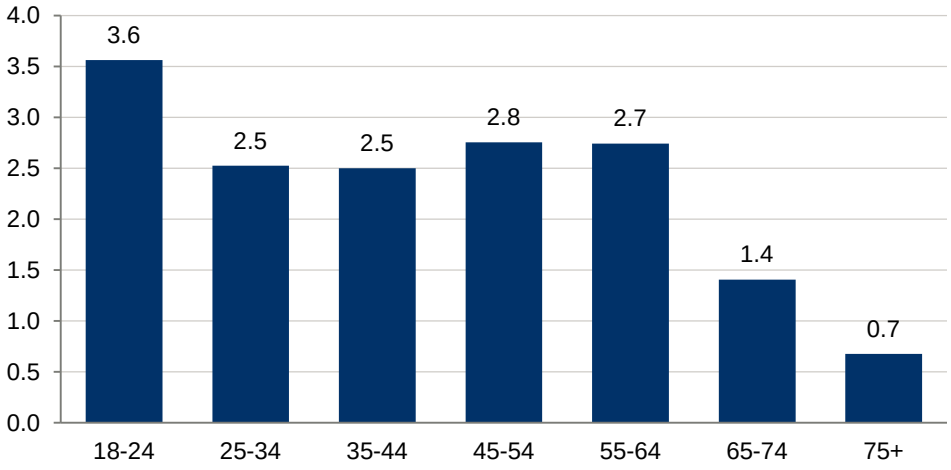
[8] Other broad sectoral groups are excluded from this chart because the distribution of problem types is close to the economy average, and, as such, are of less analytical interest.

3.4 THE DEMOGRAPHIC DISTRIBUTION OF CONSUMER PROBLEMS

The clearest pattern in the data is that young people report the most problems. Those in the youngest (18-24) age group reported 50 per cent more problems than the average individual, while at the other end of the scale, those in the 65-74 age group reported little more than half the average number of problems. The observed relationship between age and detriment could be driven by a range of factors, including greater susceptibility to detriment, superior recall, and/or having a lower threshold for regarding an incident as 'detriment'. In contrast, no clear relationships were discernible in relation to income, region or gender.

Fig. 11. Annual average problem frequency by age group

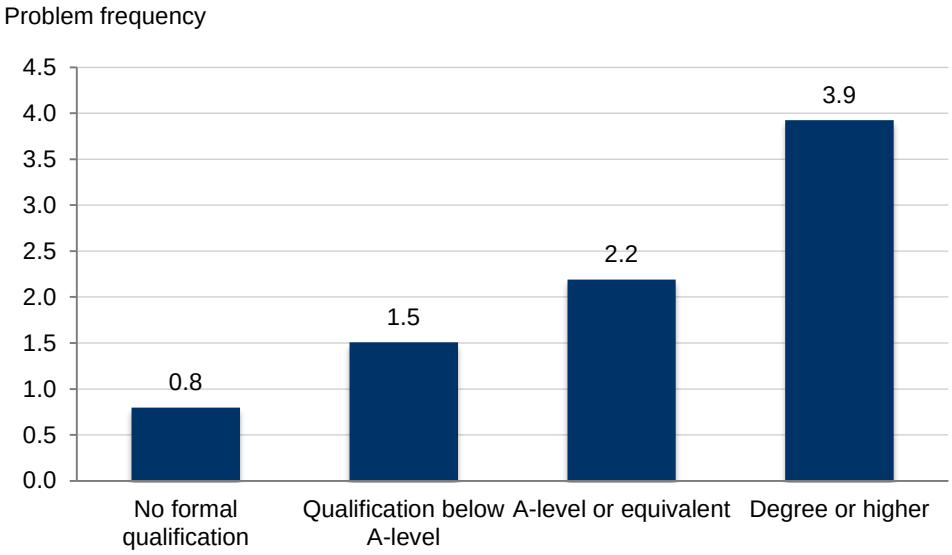
Problems per person



Source: Oxford Economics Base sample: 1,613

The one other clear pattern found was that higher level of educational attainment was associated with reporting more problems. Respondents with no formal qualifications reported fewer problems on average, with the highest frequency of consumer detriment reported by those with a degree qualification or higher. A clear pattern emerged between the educational status of the respondent and problem frequency—those with higher levels of educational attainment reported, on average, a greater number of problems. . One possible explanation for the relationship with educational attainment is that more educated respondents are, on average, better aware of their own consumer rights and therefore more able to identify incidents of consumer detriment.

Fig. 12. Annual average problem frequency by educational attainment



Source: Oxford Economics

Base sample: 1,613

4. How much does consumer detriment cost?

Gross financial cost of
£19.6 billion
in 2015 imposed on UK consumers.

Average cost of
£159
per problem in 2015.

Consumers lost more than
£7.2 billion
in earnings in 2015 as a result of consumer problems.

Consumers lost more than
£5.1 billion
as a result of time costs 2015 experiencing or resolving consumer problems in 2015.

Consumers received around
£9.0 billion
in compensation in 2015.

But this was less than
30 percent
of costs incurred on average.

The previous chapter reviewed the implications of our survey findings in terms of the scale of consumer problems that occur. This chapter presents the results of analytical work that puts a monetary value on UK consumer detriment during 2015, the headline findings of which were set out in chapter two.

Here we explore each of the four elements that go into our calculation of the total net cost of consumer detriment in turn—namely, financial costs (money spent before refunds), lost earnings, time costs and compensation. Further detail about how we calculate costs is set out in the methodological introduction and the appendix.

For each element we review the costs in detail, examining how they vary across different problem types, sectors and demographic groups, where there are identifiable patterns.

4.1 SUMMARY OF MAJOR FINDINGS

- The gross financial cost of consumer problems in the year was £19.6 billion, with over 40 per cent of that accounted for by poor quality service delivery.
- The direct financial cost of consumer detriment is concentrated in a handful of industries, with the seven most costly problem categories accounting for over three-quarters of this aggregate figure. Among these, construction and home maintenance proved to be the most costly by some margin.
- Older consumers and those with higher levels of educational attainment reported higher financial costs on average.
- On top of the direct financial costs, UK consumers were also hit by a further £7.2 billion in associated lost earnings and lost leisure time which we value at £5.1 billion.
- Similar to financial costs, both lost earnings and time costs were concentrated in a handful of problem categories.
- Across different age cohorts, higher employment rates among those of middle-age drove their disproportionately high share of lost earnings costs, but conversely they suffered relatively low time costs.
- All of these costs were only partly offset by compensation, which at £9.0 billion was worth less than 30 per cent of the total gross cost.

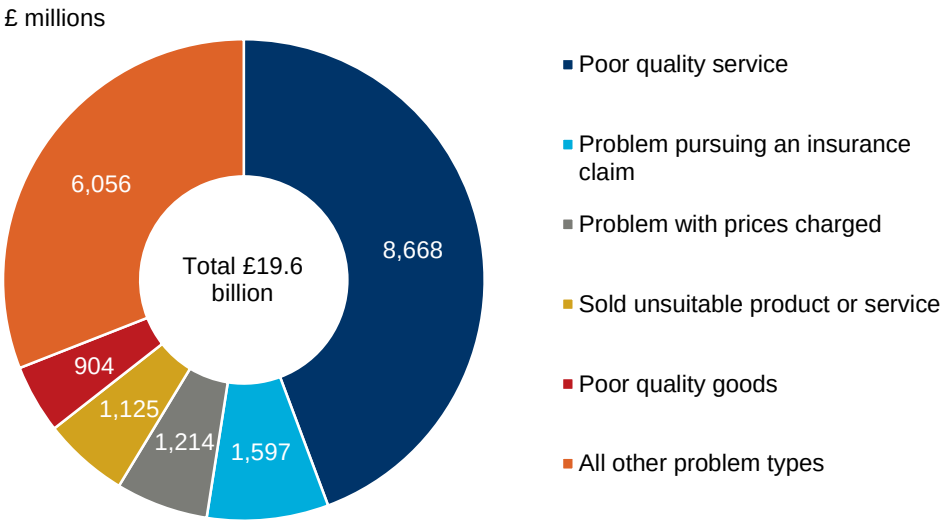
4.2 THE GROSS FINANCIAL COST OF CONSUMER DETRIMENT

Issues of consumer detriment are estimated to have imposed a gross (before refunds) financial cost on UK consumers of £19.6 billion in 2015. Such costs include cash outlays on substandard goods and services, money spent on repairing items, payments for goods or services that were not consumed as a result of the incident (e.g. missing a concert because of a delayed train) and money spent seeking redress (e.g. on legal fees). In this subsection we review these costs in more detail.

4.2.1 Distribution by problem type

Poor quality service was, by a distance, the most costly problem category, accounting for £8.7 billion of gross financial costs. This figure represented 44 per cent of the total costs that consumers incurred as a result of detriment in 2015. No other problem type stood out as being particularly costly, although problems with goods delivery stood out as a particularly low-cost category (from a monetary perspective) at just £142 million.[9]

Fig. 13. Financial cost of consumer detriment by problem type

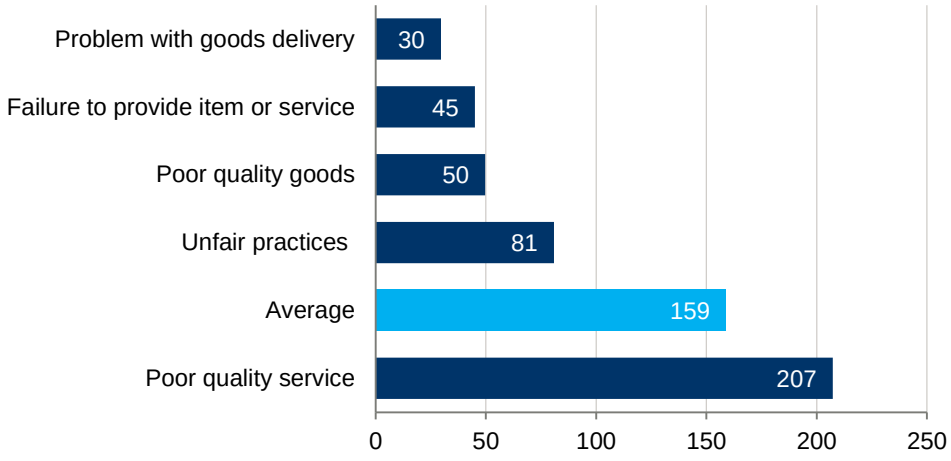


Source: Oxford Economics

Base sample: 1,613

Fig. 14. Average cost per problem by problem type[10]

£s per problem



Source: Oxford Economics

Base sample: 1,613

[9] The fact that other miscellaneous problems accounted for a significant proportion of total financial cost indicates that there is scope for investigating the nature of these costs in any future research.

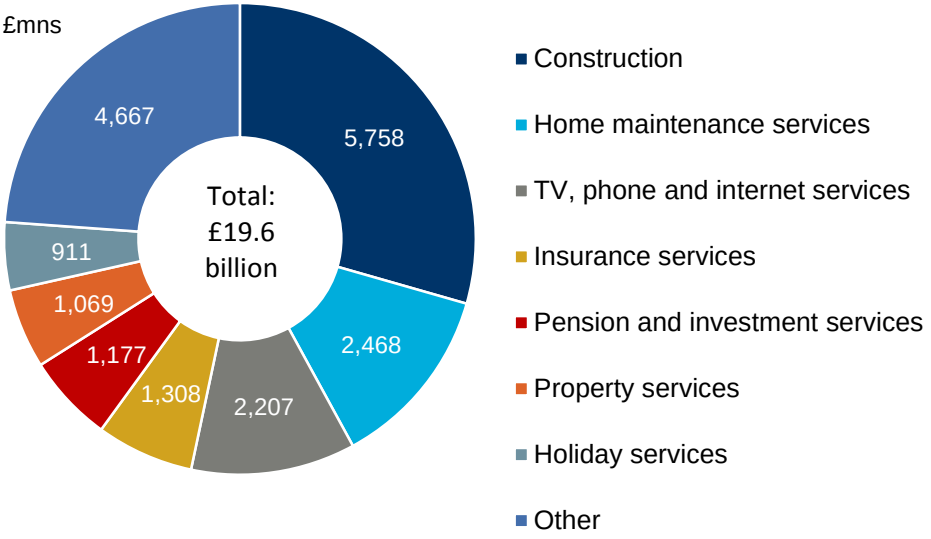
[10] We have excluded three problem categories: problem pursuing an insurance claim; failure to honour a warranty or guarantee; and being sold an unsuitable product or service from this analysis because of low sample size.

Poor quality service also stood out as a high cost category on a per problem basis. Overall, each problem is estimated to have an average gross financial cost of £159. This value varied considerably across problem types with substandard services costing £207 per problem on average, compared to £30 in cases where there was an issue with the delivery of a good.

4.2.2 Distribution by problem category

The direct financial cost of consumer detriment is concentrated in a handful of industries, with the seven most costly problem categories accounting for over three quarters of the £19.6 billion total. Construction and home maintenance services proved to be the most costly problem categories, with problems in these industries requiring cash outlays of £5.8 billion and £2.5 billion respectively. Problems in TV, phone and internet services (£2.2 billion), insurance services (£1.3 billion), pension and investment services (£1.2 billion), property services (£1.1 billion) and holiday services (£0.9 billion) also proved to be a source of significant financial costs.

Fig. 15. Distribution of financial cost of consumer detriment by problem category



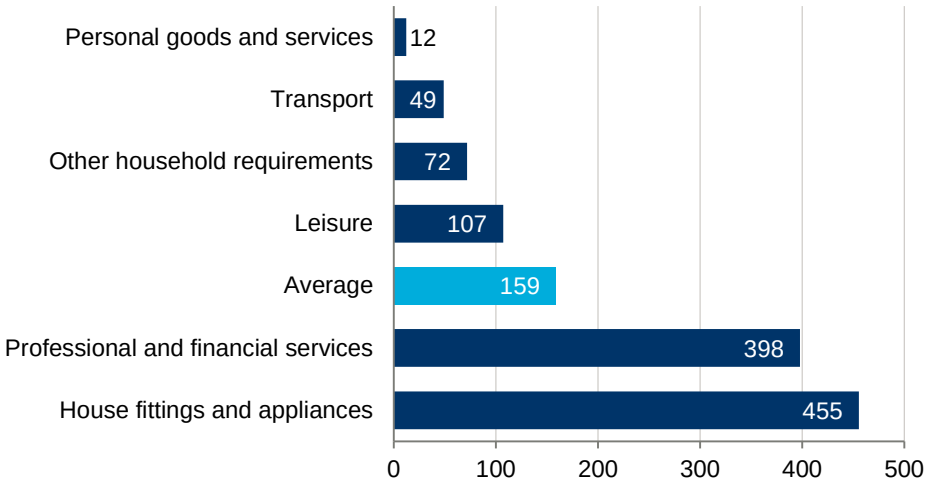
Source: Oxford Economics

Base sample: 1,613

Both house fittings and appliances, and professional and financial services, also stand out as broad sectoral groups where the average financial cost per problem was significantly higher than average. On average, each incident of consumer detriment caused a financial cost to UK consumers of almost £160, but this figure was far from uniform across sectoral groups. The average financial cost of problems in the house fittings and appliances sectoral group was £455. On the other hand problems in the personal goods and services sectoral group tended to be much less costly (in financial terms) leading to, on average, a cost of just £12. One likely driver for this difference is simply that the average price of goods and services purchased in the former broad sectoral group is significantly higher than in the latter.

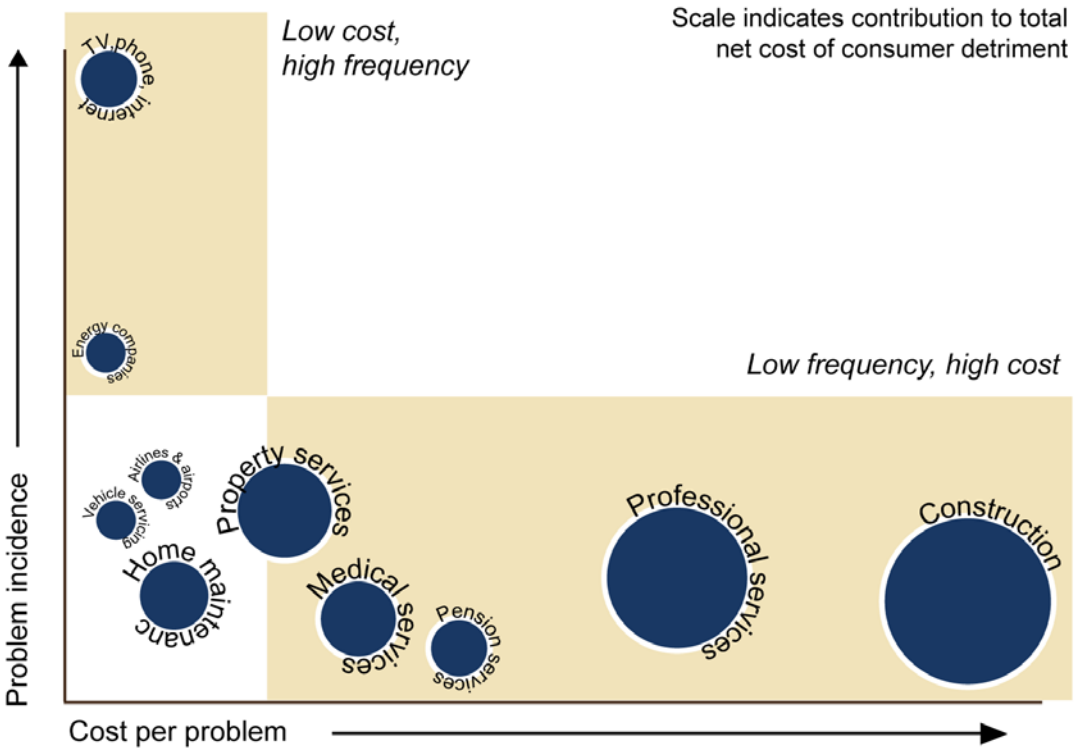
Fig. 16. Average financial cost per problem by major sectoral group

Financial cost per problem, £s Base sample: 1,613



Source: Oxford Economics

Fig. 17. Classification of key consumer detriment problem categories



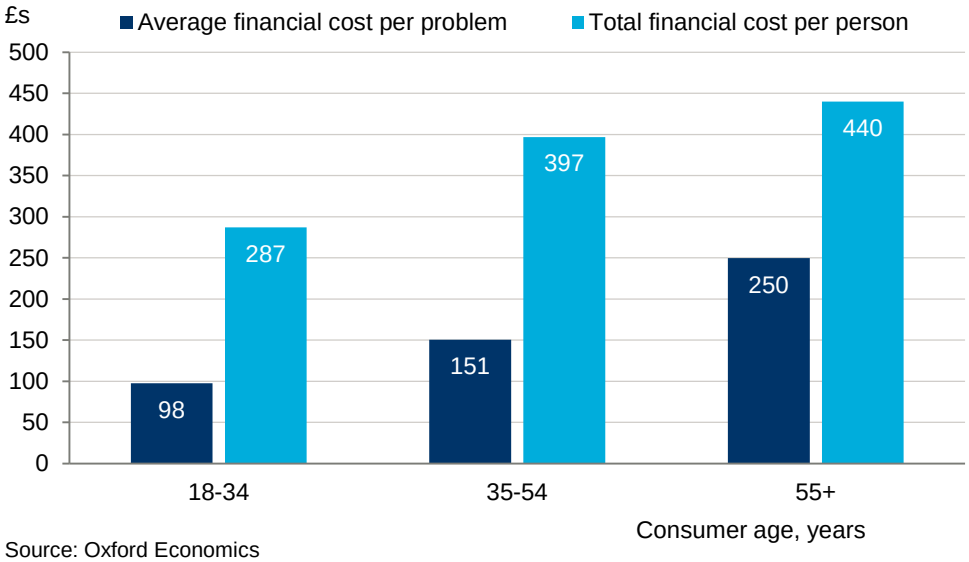
Overall, there is a clear distinction to be made between problem categories which affect many consumers but in relatively minor ways, and those in which fewer people are affected but much more substantially. TV, phone and internet, train and energy services were consistently found to be examples of the former while construction, pension

and investment services and professional services could be characterised as representative of the latter. Overall, it was also notable that the total monetary cost of detriment tended to be higher among low-frequency but high-cost product categories. However, from a policy perspective, it may be that high-frequency low-cost problem categories are able to 'fly under the radar' somewhat as the relatively low cost per incident might diminish consumer interest in drawing these matters to attention, although they affect many millions more people every year, with surprising regularity (this is indicated to a greater extent in the online survey findings, as is explored in Appendix 1).

4.2.3 Distribution by sociodemographic group

Young people reported experiencing more frequent but less costly problems. Overall the higher cost of problems experienced by older groups outweighed the more frequent but less costly problems experienced by younger cohorts. On average, those aged 55 and over experienced a gross financial cost from consumer detriment of £440, over 50 per cent higher than the financial cost borne by those aged 18 to 34. This was despite the older cohort only experiencing, on average, 1.8 problems compared to an average of 2.9 problems reported by younger consumers.

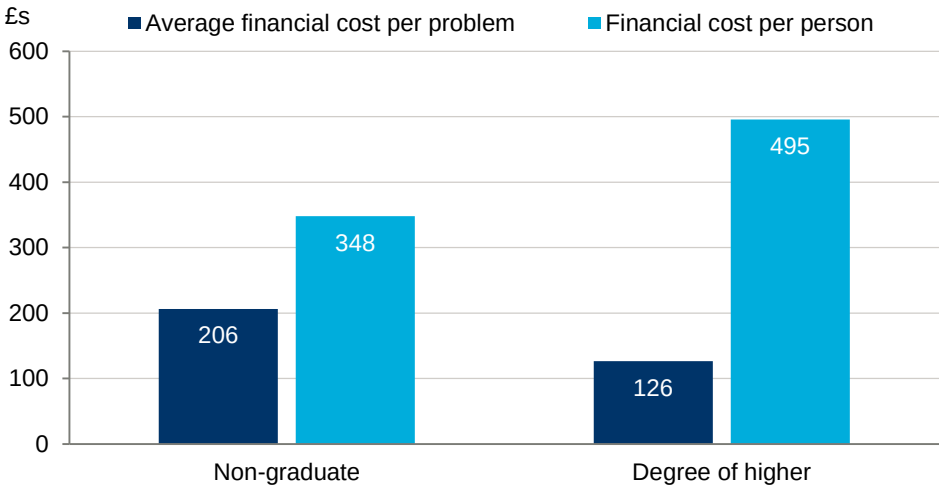
Fig. 18. Average financial cost per problem and per person by age band



Source: Oxford Economics

On average, those with a degree or higher reported a gross financial cost of £495, over 40 per cent higher than non-graduates. This trend reflected the much higher problem frequency reported by those with higher levels of educational attainment – on average, individuals with a degree reported experiencing 3.9 problem incidents compared to just 1.7 for non-graduates. Such higher frequency more than offset a lower average financial cost per problem.

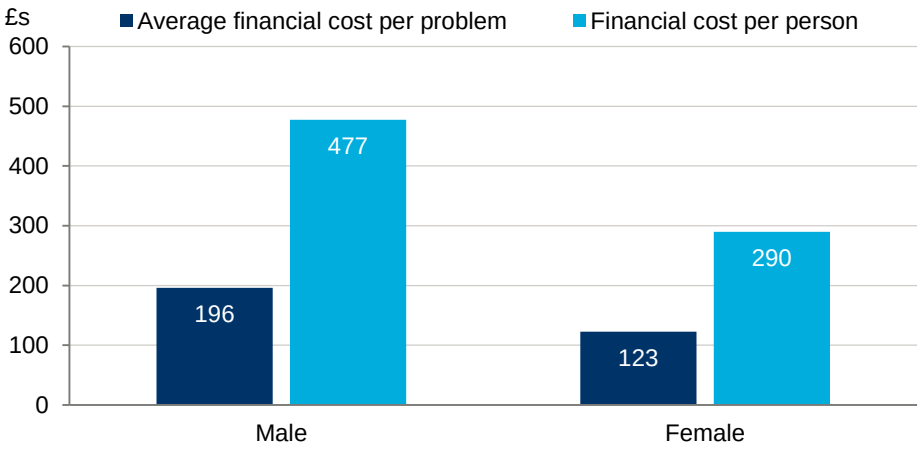
Fig. 19. Average financial cost per problem and per person by educational attainment



Source: Oxford Economics Base sample: 1,613

Although problem frequency was almost identical for men and women, the financial cost of consumer detriment was found to be over 65 per cent higher for men, reflecting a higher average cost per problem. On average, each problem resulted in a gross financial cost of £196 for men compared to £123 for women. As a result, overall financial cost per person was estimated at £477 for men, compared to £290 for women.

Fig. 20. Average financial cost per problem and per person by gender



Source: Oxford Economics Base sample: 1,613

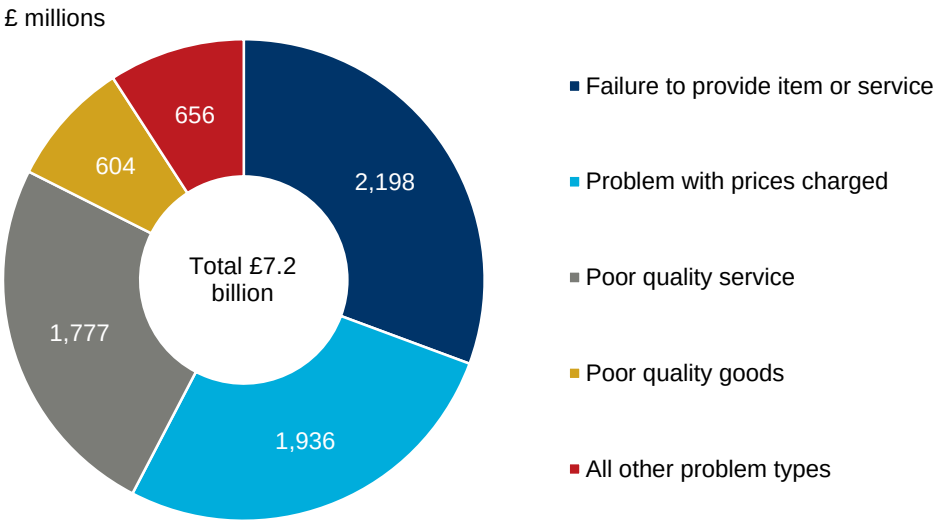
4.3 LOST EARNINGS FROM CONSUMER DETRIMENT

Issues of consumer detriment also resulted in a second layer of monetary costs through lost earnings. For example, a problem may result in an employee having to take time off work, resulting in a loss of pay. Or a self-employed individual may have to spend time dealing with a problem when they could have been working to earn money. Overall, such problems are estimated to have led to UK consumers losing out to the tune of £7.2 billion. In this subsection we investigate how these lost earnings were distributed by problem type, problem category and demographic group.

4.3.1 Distribution by problem type

Three problem types accounted for over 80 per cent of lost earnings: substandard service quality; the failure to provide an item or service; and problems with pricing. The complete failure to provide a good or service was the most important cause of lost earnings, costing UK consumers £2.2 billion in total during 2015, followed by problems with prices charged (£1.9 billion) and poor quality service (£1.8 billion).

Fig. 21. Lost earnings from consumer detriment by problem type



Source: Oxford Economics

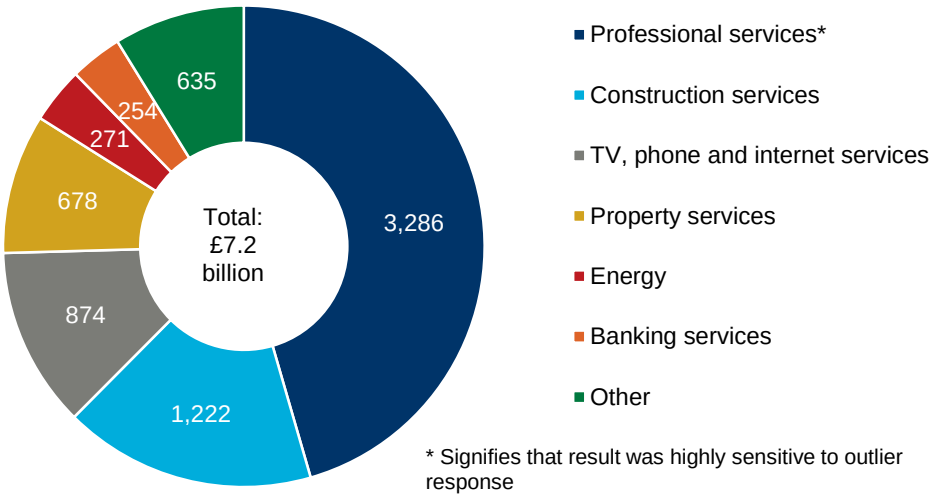
4.3.2 Distribution by problem category

Similar to the sectoral distribution of gross financial costs, the value of resulting lost earnings was also concentrated in a small group of industries, most notably professional services. £3.3 billion (46 per cent) of lost earnings was reported to have taken place due to problems in the professional service industry. Professional services stood out as by far the most costly problem category in this respect followed by construction services (£1.2 billion), TV, phone and internet services (£874 million) and property services (£678 million). Similarly to the pattern observed for gross financial costs, the majority of reported lost earnings occurred due to problems suffered in a handful of problem categories—the six most costly categories accounted for over 90 per cent of total lost earnings.

Fig. 22. Lost earnings from consumer detriment by problem category

Value of lost earnings, £ millions

Base sample: 1,613



* Signifies that result was highly sensitive to outlier response

Source: Oxford Economics

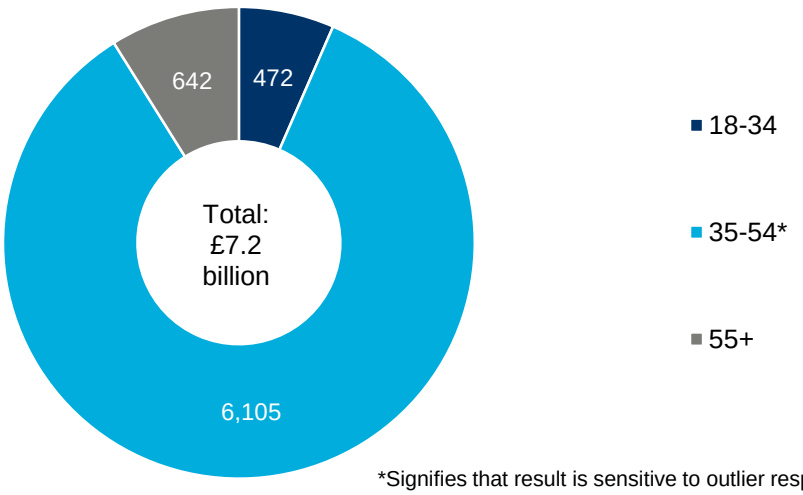
4.3.3 Distribution by sociodemographic group

The vast bulk of lost earnings attributable to consumer detriment was incurred by those of middle-age (35 to 54). In total, this group suffered a loss of earnings worth some £6.1 billion (85 per cent of the UK total).[11] The higher employment rate and average earnings of this group in comparison to our other age cohorts makes this a fairly predictable finding. Lost earnings per person were found to be £346 for people aged between 35 and 54 compared to just £33 for other UK adults.

Fig. 23. Lost earnings by age band

Lost earnings, £ millions

Base sample: 1,613



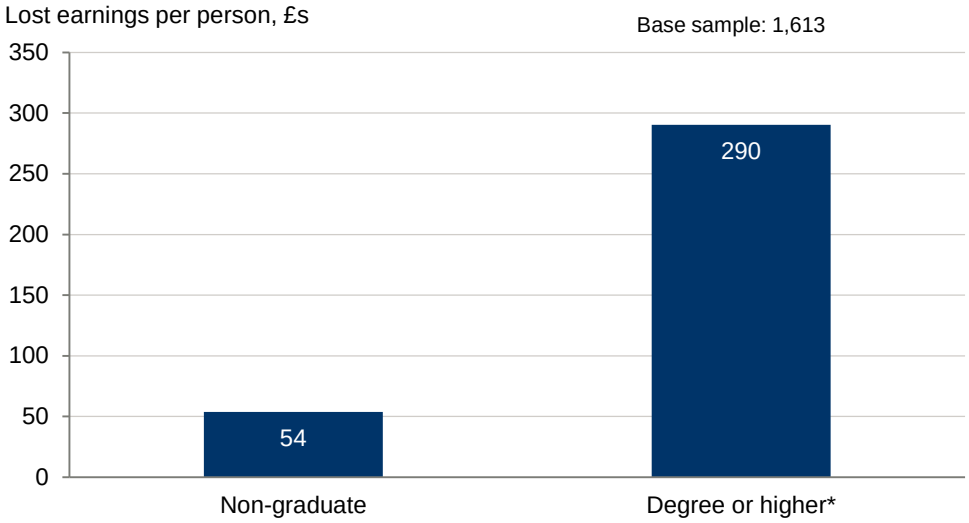
*Signifies that result is sensitive to outlier response

Source: Oxford Economics

[11] This difference was driven up by a single very high response reported for someone aged 34 to 54 but even excluding this, earnings lost per person would still have been around five times larger for this age cohort compared to the rest of the population.

Graduates suffered from much higher levels of lost earnings due to consumer detriment. On average, graduates' lost earnings amounted to £290 per person, which was over five times larger than non-graduates' loss of £54 per person.[12] Graduates, on average, are more likely to be in work and have higher average earnings which should naturally result in a higher cost here.

Fig. 24. Lost earnings by educational status



Source: Oxford Economics

*Signifies that result is sensitive to outlier response

4.4 THE TIME COSTS OF CONSUMER DETRIMENT

In addition to these monetary costs, non-work time foregone, both as a direct result of problems and in the course of seeking compensation, was found to impose significant costs on UK consumers. In 2015, we estimate that the value of this time loss amounted to £5.1 billion. In this subsection we explore how these costs varied across problem type, problem category and sociodemographic group.

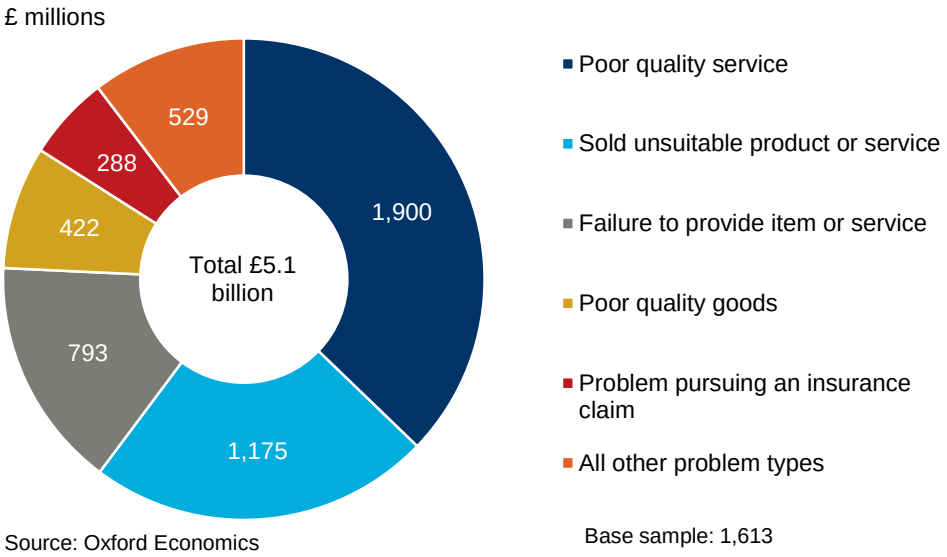
4.4.1 Distribution by problem type

Poor quality service provision accounted for over a third of the loss experienced by consumers due to leisure time spent resolving problems. In total, this type of issue imposed a time cost on UK consumers of £1.9 billion in 2015. Interestingly, being sold an unsuitable product or service was a much bigger source of time costs (£1.2 billion) compared to the cost imposed by resultant lost earnings (£174 million). In contrast, problems with prices charged resulted in quite the opposite pattern, resulting in lost earnings of some £1.9 billion but a time cost (in terms of foregone leisure) of just £125 million. This suggests that being sold an unsuitable product or service is an issue that is much more likely to impinge on a consumer's leisure time rather than work time, and vice versa for a problem related to prices charged. Intuitively, problems with prices charged might be expected to have a more direct impact

[12] This difference was driven up by a single very high response reported for a graduate but even excluding this, earnings lost per person would still be over twice as large for graduates versus non-graduates.

on the operations of someone's business, which would be consistent with this trend.

Fig. 25. Time cost of consumer detriment by problem type



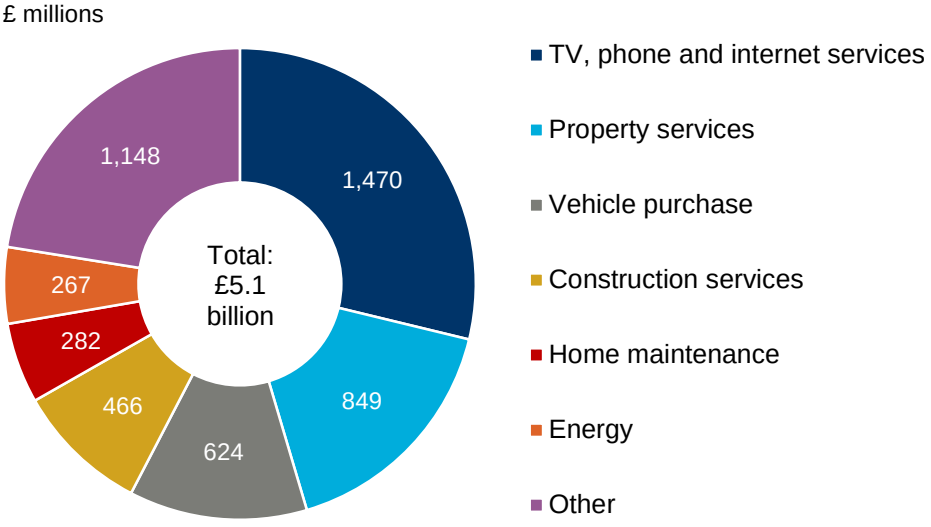
Source: Oxford Economics

Base sample: 1,613

4.4.2 Distribution by problem category

The time cost of resolving issues with TV, phone and internet services is estimated to have been almost £1.5 billion in 2015. At the category level, the other most persistent offenders in this respect were property services (£849 million), vehicle purchase (£624 million) and construction services (£466 million). Again, there was a concentration of costs across a small group of industries with the six most costly problem categories accounting for almost 80 per cent of the total.

Fig. 26. Time costs of consumer detriment by problem category



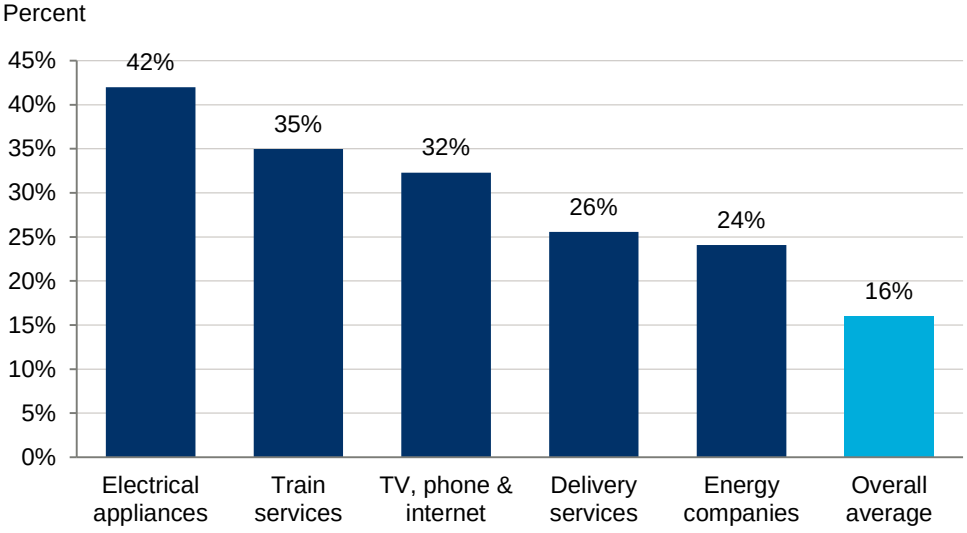
Source: Oxford Economics

Base sample: 1,613

Foregone leisure time accounted for a much higher proportion of total costs for the TV, phone and internet services problem category compared to the average—a similar pattern emerged in problem categories such as

electrical appliances, train services, delivery services and energy. In general, these problem categories can also be characterised as being high-frequency-low-cost. In such industries, the scope for a large cost in terms of a monetary outlay was often limited either because the initial purchase price of the good or service was relatively low, and/or because in most cases obtaining a refund was reasonably straightforward. However, the time spent following up and resolving an issue imposes a cost which has often been neglected in past studies of consumer detriment. As demonstrated, particularly by the case of the TV, phone and internet problem category, this cost can nonetheless be significant.

Fig. 27. Annual time costs as a percentage of total costs by problem category



Source: Oxford Economics

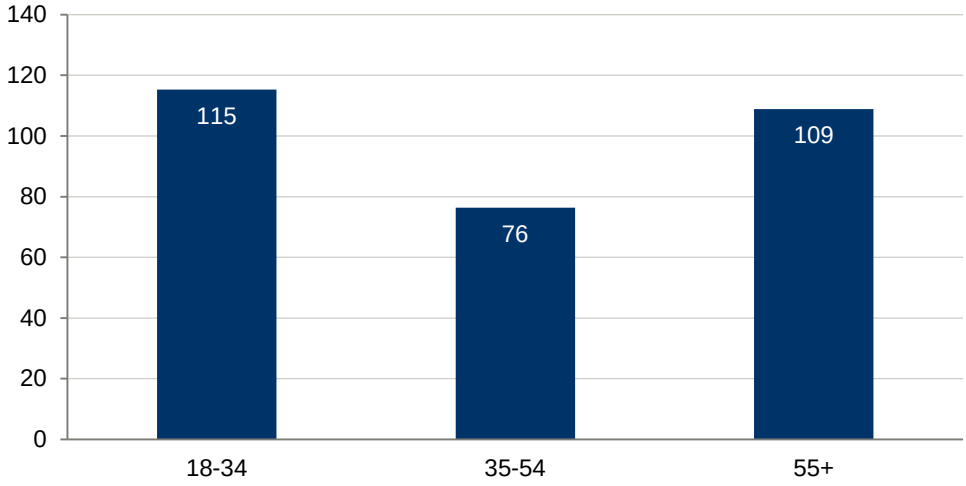
Base sample: 1,613

4.4.3 Distribution by sociodemographic group

In contrast to the impact of lost earnings, the time cost per person for those aged 35 to 54 was at £76 around 45 per cent lower than the average for the rest of the UK population (£112). This was largely a reflection of the fact that for this group, a greater proportion of the time spent on issues of consumer detriment was work time rather than leisure time. Across all three age cohorts, there was little discernible difference in the total amount of time spent due to consumer detriment. However, for those of middle-age around half of this time was in-work, compared to just a quarter for those aged 18-34 and 35 per cent for those aged 55 and over. The converse of this pattern is that the impact of lost earnings per person is much higher for those aged 35-54, as reported in section 4.3.3.

Fig. 28. Annual time cost per person across all problems by age band

Time cost per person, £s

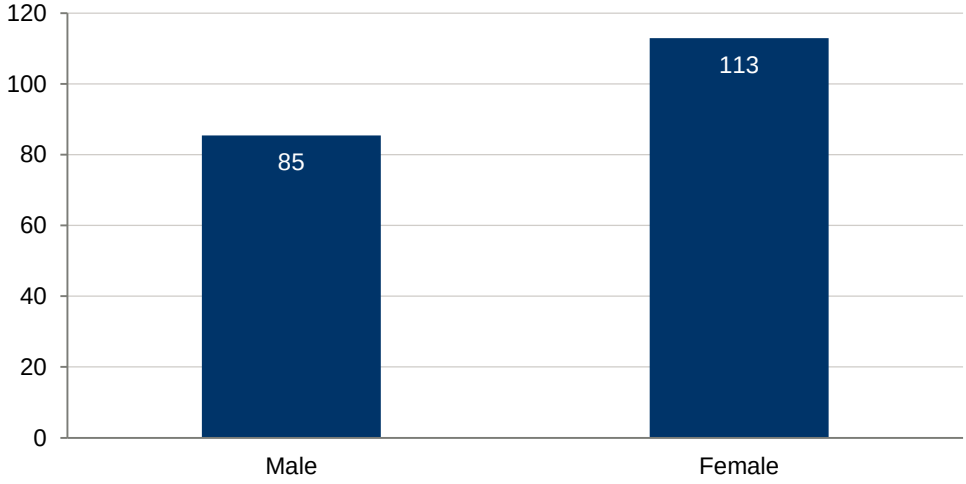


Source: Oxford Economics Base sample: 1,613

Women endured higher costs as a result of lost leisure time, which was valued at £3.0 billion in total or £113 per person. This compared to a total cost for men of £2.1 billion which equated to £85 per person, over 30 per cent lower than the equivalent value for women. Issues of consumer detriment imposed a similar time cost on both men and women in terms of working hours spent resolving issues. Therefore, this difference is being driven by women spending a higher total number of hours on instances of consumer detriment.

Fig. 29. Annual time cost per person across all problems by gender

Time cost per person, £s



Source: Oxford Economics Base sample: 1,613

4.5 COMPENSATION AWARDED TO CONSUMERS

The extent to which individuals are compensated following an instance of consumer detriment can significantly affect both the monetary damage incurred and their own perception of the experience.

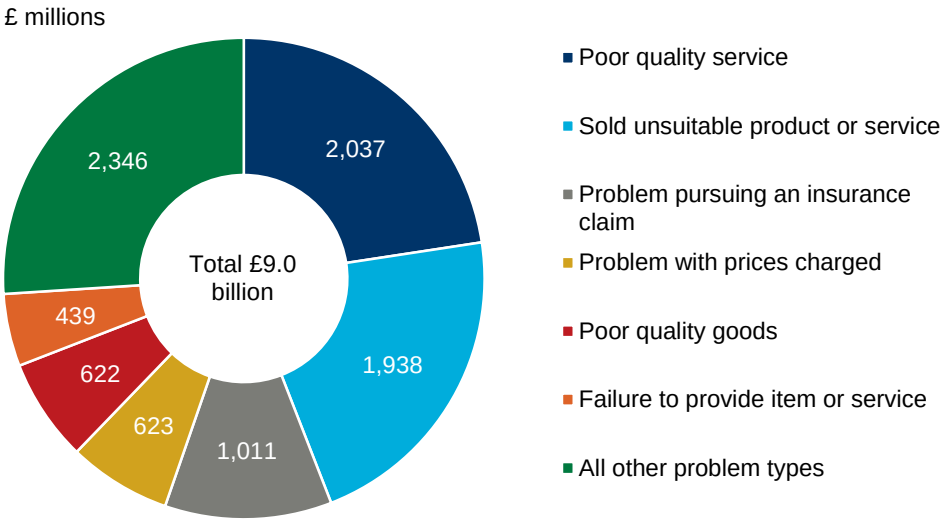
Around £9.0 billion in compensation was awarded to consumers in 2015. This was less than 30 per cent of total costs incurred on average, partly

reflecting the fact that compensation was sought in only 35 per cent of cases. In this subsection we explore the issue of compensation in more detail, examining which problem categories were more likely to compensate consumers, and how the willingness to pursue and ability to obtain compensation varied by demographic group.

4.5.1 Distribution by problem type

Compensation for poor quality services amounted to £2.0 billion in 2015, just under a quarter of the compensation total of £9.0 billion. In general, the compensation payments were more evenly spread across problem categories compared to the different elements of cost. Along with sub-standard service provision, the sale of unsuitable products and services (£1.9 billion) and problems pursuing insurance claims (£1.0 billion) were also important causes of compensation payments.

Fig. 30. Compensation awarded by problem type

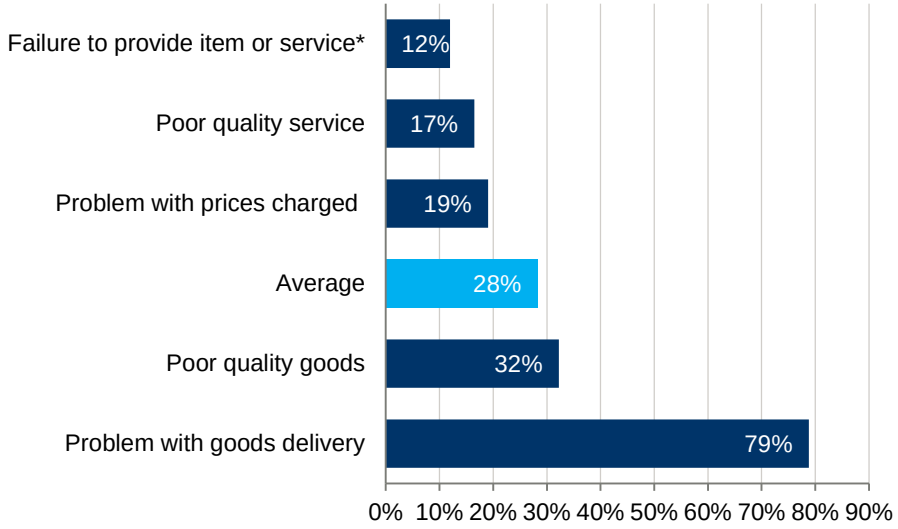


Source: Oxford Economics

Compensation for problems with goods reflected the costs imposed more closely than that for services. On average, compensation awarded to consumers was found to cover 28 per cent of total costs (both monetary and time). This ratio was found to be higher when there was a problem with the provision of a sub-standard good (32 per cent) and particularly so in the case where there was a problem with the delivery of a good (79 per cent). A potential reason for these higher rates is that in the case of the latter, in particular, it may be easier to establish the liability of the relevant operator and that the fair value of any compensation payment is relatively transparent. On the other hand, problems with sub-standard service only resulted in refunds and compensation worth 17 per cent of estimated total cost, well below the economy-wide average.

Fig. 31. Compensation payments as a share of total cost by problem type

*Signifies that result is highly sensitive to outlier response Base sample: 1,613



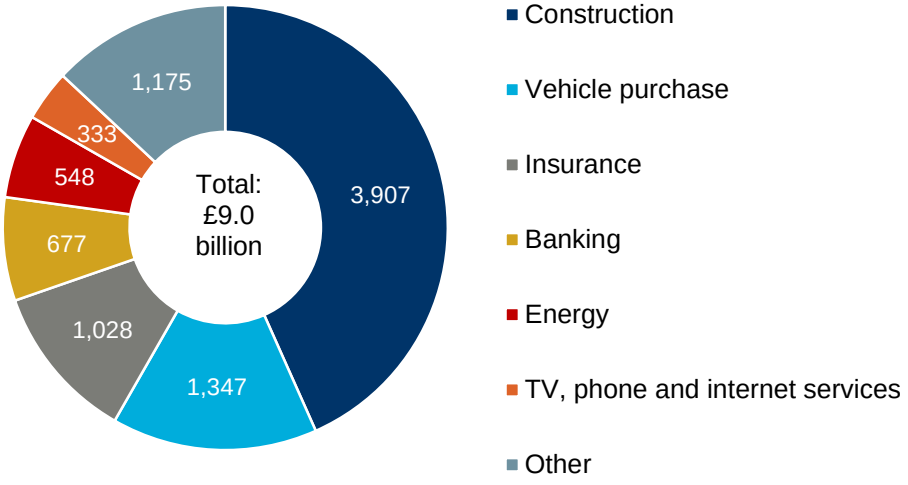
Source: Oxford Economics

4.5.2 Distribution by problem category

Of the £9.0 billion in compensation paid out by UK companies in response to incidents of consumer detriment, over two-thirds was concentrated in three problem categories—construction, insurance and vehicle purchase. Compensation payments and refunds awarded following consumer detriment were highly concentrated in a few problem categories. Most notably the construction industry paid out £3.9 billion in compensation (over 40 per cent of the total) while the car sales and insurance industries each paid out over £1 billion in compensation during 2015.

Fig. 32. Compensation payments in response to consumer detriment by problem category

Compensation payments, £ millions



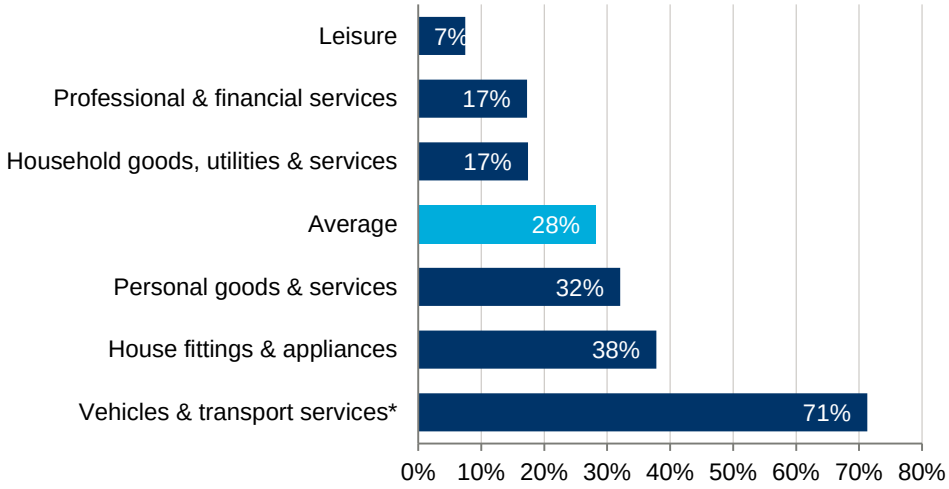
Source: Oxford Economics Base sample: 1,613

The vehicles & transport services sector emerged as the highest compensator of the major sectoral groups—the £1.6 billion awarded in

compensation and refunds represented 71 per cent of the total cost of consumer detriment.[13] On the other hand, compensation payments awarded in the leisure industries were equal to just seven per cent of total costs—this low share was heavily driven by the holiday accommodation and services problem category which accounted for the bulk of total costs. At the individual problem category level, it was notable that both energy and banking services emerged as industries where compensation payments were high relative to the cost of the problem.[14] In energy, the £548 million in compensation represented 95 per cent of total costs while the banking sector went even further, paying £677 million in compensation compared to known detriment costs of £104 million.[15] Customer service in these industries has attracted a reasonably strong degree of media scrutiny in recent years which may have contributed to their relatively strong performance in this respect.

Fig. 33. Compensation payments relative to total gross costs broad sectoral group

*Signifies that result was highly sensitive to outlier response(s). Base sample: 1,613



Source: Oxford Economics

Percentage of total gross costs

4.5.3 Distribution by sociodemographic group

Older consumers emerged as more effective at claiming compensation, claiming settlements worth 40 per cent of the total gross cost of their problems compared to a ratio of just 22 per cent among the rest of the population. Those aged 55 and above were found to be the most effective claimants of compensation, being awarded £237 per head on average compared to £105 per head for those aged 18-34 and £170 per head for those

[13] This result is driven by compensation relating to vehicle purchases, which exceeded the original cost of the problems by 20 percent. By contrast, compensation for train and bus problems amounted to just 7 percent of total monetary and time costs.

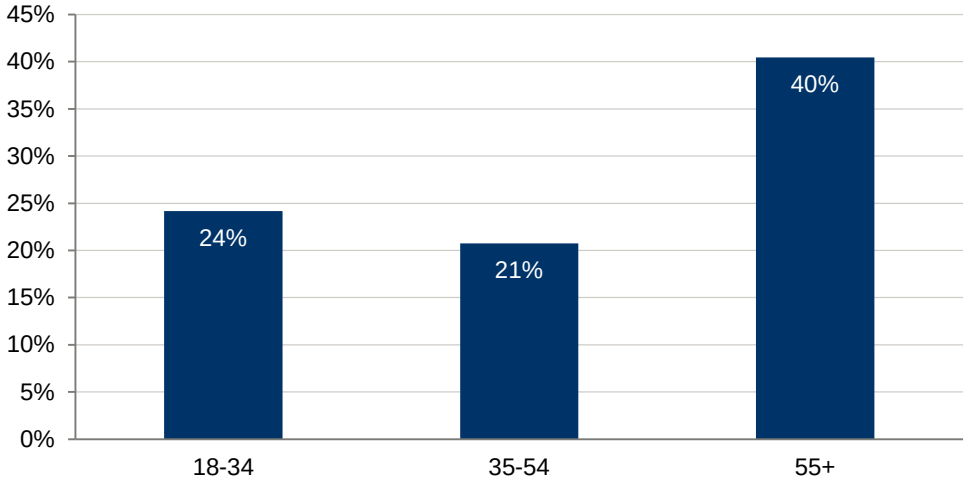
[14] The distinction between 'known' and hidden detriment may be significant in this context. It might be that some of the sectors that award generous levels of compensation in the event of cases of 'known' detriment are more willing to do so because of benefits they enjoy through potential channels of 'hidden' detriment e.g. monopolistic pricing strategies.

[15] Energy forms parts of the wider household goods, utilities and services sectoral group and banking forms part of the professional and financial services sectoral group.

aged 35-54. Again it was noticeable that the costs borne by older people were largely financial, rather than as a result of lost earnings or time costs.

Fig. 34. Compensation payments as a share of total costs by age

Compensation as a share of total costs



Source: Oxford Economics

Base sample: 1,613

5. How much time does consumer detriment take up?

Chapter 4 presented the results of our analysis on the monetary value of lost leisure and work time (where it resulted in a loss of earnings) to UK consumers. Here we switch our focus to measuring this cost in terms of actual time spent, drilling down to review how these hours are spread out across different problem types, sectoral groups and sociodemographic groups.

Aggregate time loss to

1.2 billion hours

UK consumers in 2015

Average time spent

22.5 hours

per person *resolving issues in 2015.*

Average time spent

9.4 hours

per problem resolving issues in 2015.

5.1 SUMMARY OF MAJOR FINDINGS

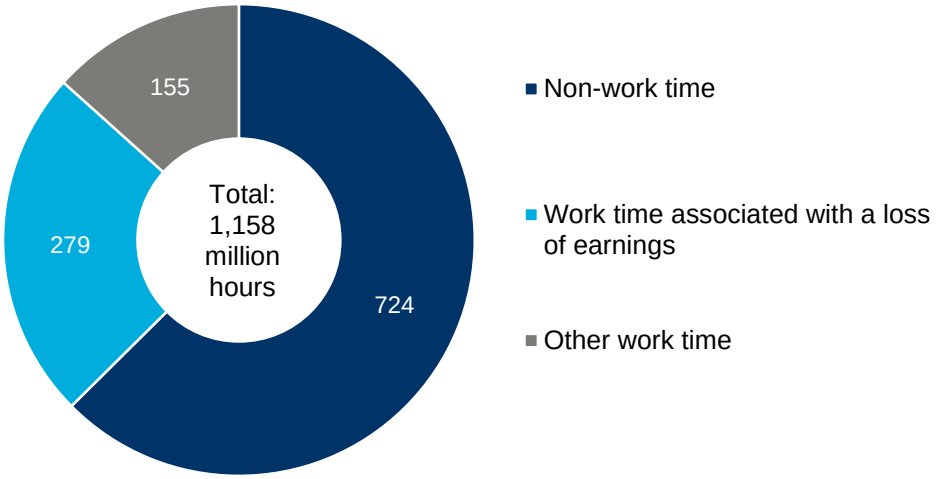
- In total in 2015, almost 1.2 billion hours were used as a result of consumer problems, some 22.5 hours per person or 9.4 hours per problem.
- The majority of these lost hours were in the form of non-work or leisure time which accounted for 724 million hours.
- Work time associated with lost earnings represented 279 million hours of lost time, whilst other work time—which costs employers rather than individuals—accounted for the remaining 155 million hours.
- Over 90 per cent of problems resulted in a loss of less than ten hours but the average was pushed up a small number of very time-consuming cases.
- Professional and financial services problems used up the most time, resulting in a time loss of over 25 hours on average. On the other hand, problems experienced in the personal goods and leisure sectoral group tended to be resolved very quickly.
- Graduates reported using up over four times as many hours per problem compared to non-graduates.

5.2 TIME SPENT DUE TO CONSUMER DETRIMENT

Overall our analysis shows that in 2015 consumer problems used up over 1.2 billion hours for UK adults which equates to around 22.5 hours per person. Be it through the nature of the problem itself or the time used up seeking to resolve the issue, consumer detriment imposes a considerable time cost on the UK population. Just over 60 per cent (724 million) of these hours represented lost leisure time, a source of huge frustration. Of the remainder, 279 million hours represented at-work time which resulted in a loss of earnings, while the remaining 155 million hours was work time which imposed a direct cost on UK employers. Therefore, of the aggregate figure, just over one billion of these hours imposed a direct cost on UK consumers be it through a loss of earnings or leisure time.

Fig. 35. Hours spent due to issues of consumer detriment

Hours, millions



Source: Oxford Economics

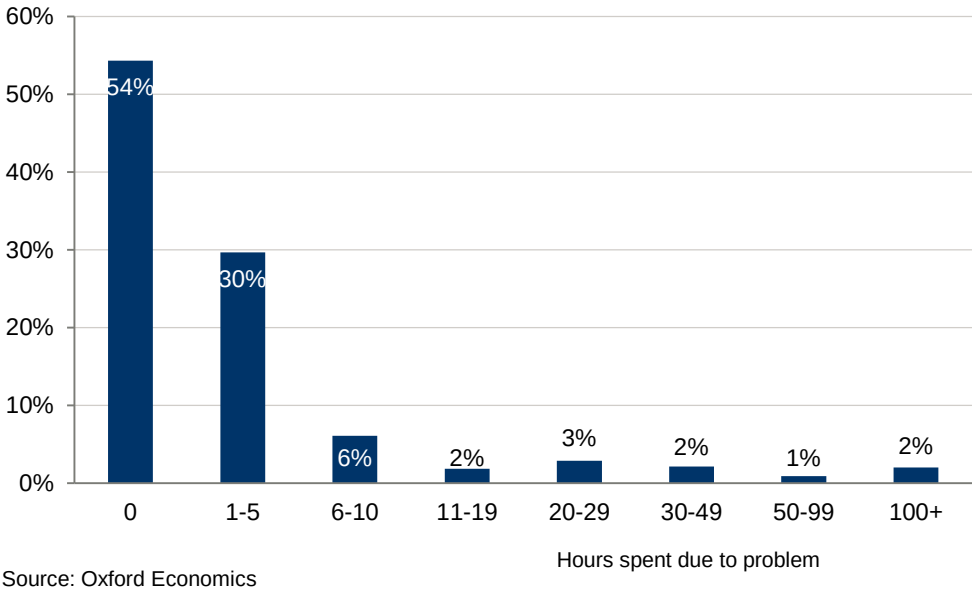
Base sample: 1,613

On average, each problem consumed over nine and a half hours—more than a full working day. The distribution of problems by time loss illustrates that the vast majority of incidents were relatively painless to resolve (from a time loss perspective) but that this average figure is pushed up by a handful of very high time-loss incidents. Specifically, over half of recorded incidents did not take up any time at all, with over 90 per cent taking up to 10 hours or less. However, the average (mean) value was pushed up by a minority of cases which resulted in very significant time-loss—indeed, 2.0 per cent of all problem incidents (2.5 million problems in total) were found to have wasted in excess of 100 hours.

Fig. 36. Distribution of problem incidents by hours wasted

Share of total problem incidents

Base sample: 1,613

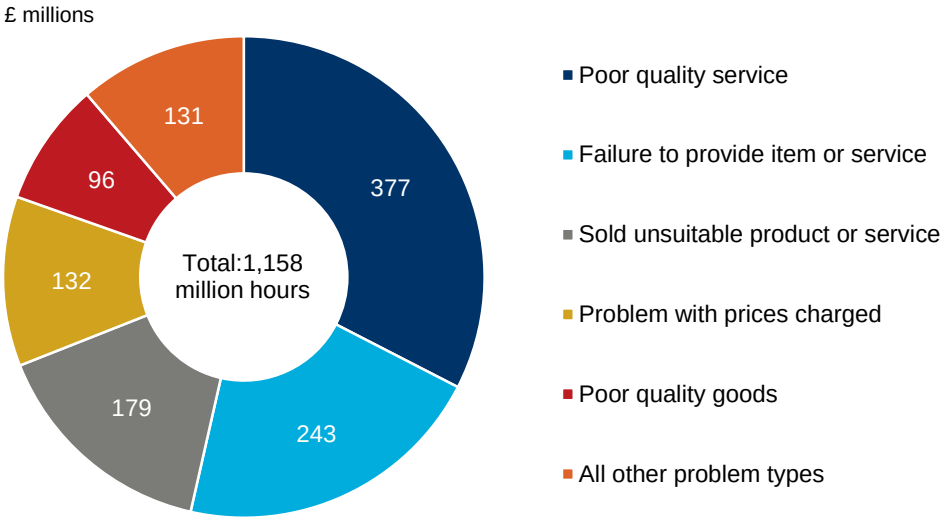


Source: Oxford Economics

5.2.1 Distribution by problem type

Dealing with problems associated with sub-standard service provision was the most time-consuming problem type, accounting for around a third of all hours lost (377 million hours). Next were time costs created by the complete failure to provide a good or service (243 million hours), a category where problems took around 70 per cent longer than average to resolve, followed by problems with prices charged (179 million hours).

Fig. 37. Breakdown of time lost by problem type



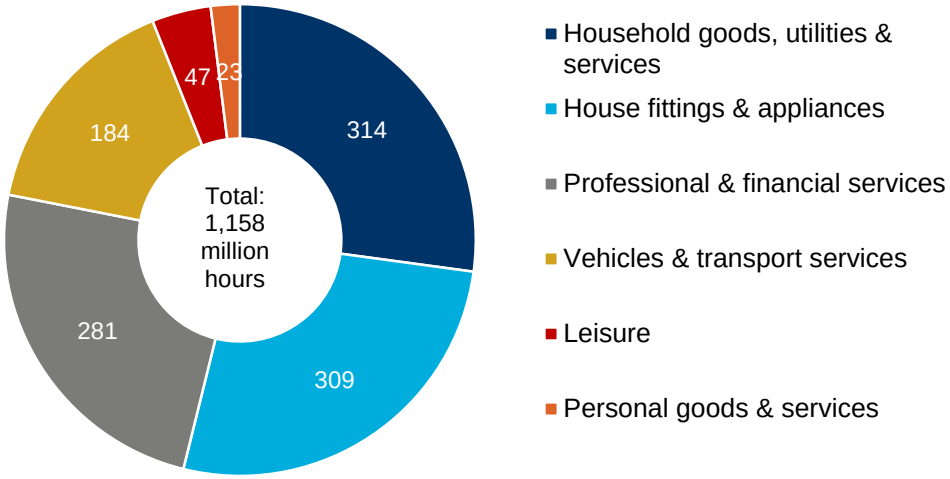
Source: Oxford Economics

5.2.2 Time losses due to problems by sectoral group

Incidents of detriment in both the house fittings and appliances and household goods, utilities and services sectoral groups resulted in over 300 million hours of time spent due to UK consumer problems. In absolute terms these were the two leading sectoral groups, closely followed by the professional and financial services industries which took up over 280 million hours of UK consumer's time in 2015. On the other hand, leisure activities and personal goods and services were much less burdensome.

Fig. 38. Time losses due to consumer detriment by sectoral group

Hours, millions

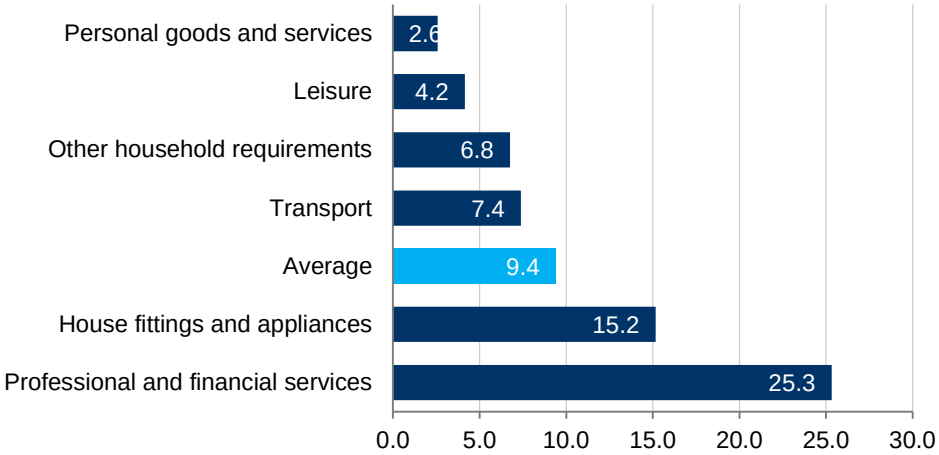


Source: Oxford Economics

Base sample: 1,613

Fig. 39. Time spent per problem by broad sectoral group

Base sample: 1,613 problems



Source: Oxford Economics

Time wasted per problem incidence, hours

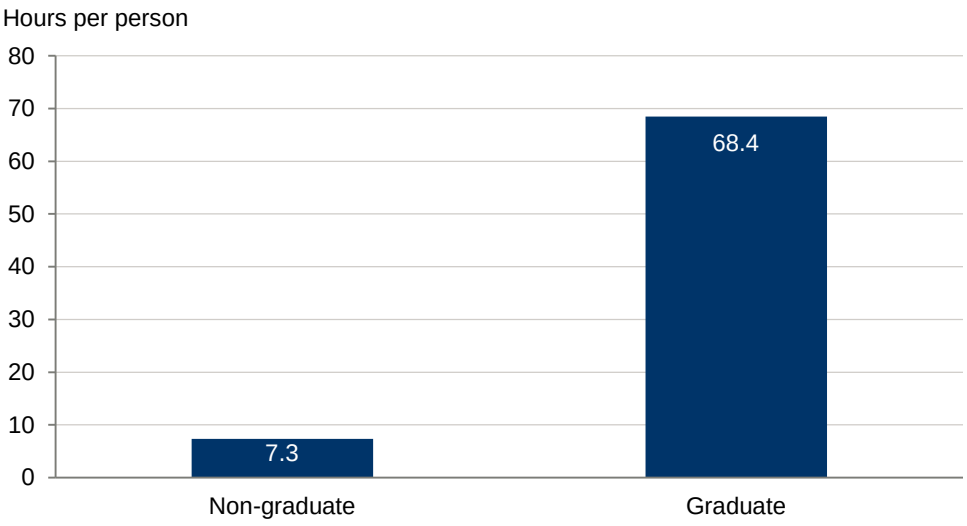
Problems experienced in the professional and financial services sectoral group proved to be particularly time-consuming on average. The professional and financial services industry emerged as a sectoral group where problems proved particularly time-consuming to deal with and to resolve. On average, consumers spent over 25 hours resolving issues in these industries, perhaps a reflection of the often complex nature of consumer problems in these sectoral groups.

5.2.3 Time spent resolving problems by sociodemographic group

On average, those with a degree or higher reported that they had spent over 68 hours per person on incidents of consumer detriment, over nine times higher than the equivalent figure for non-graduates (7.3 hours). Part of this difference reflected the much higher reported problem frequency—at an average of 3.9 problems per person, graduates reported suffering over twice as many problems as non-graduates. However, beyond this, there was

also a very large discrepancy in hours used per problem. On average, graduates reported that each problem had led to 17.4 hours of lost time, four times higher than the equivalent figure for non-graudates.[16]

Fig. 40. Time loss per person by educational attainment



Source: Oxford Economics Base sample: 1,613

[16] Although this difference was partly driven by some exceptionally high responses, a substantial difference remains even when these are excluded. Therefore, we are confident that the difference is 'real' even though there is some uncertainty around the magnitude of the differential.

6. How effectively are consumer problems resolved?

The principle focus of this study has been on the quantitative impact of consumer detriment as measured by a monetary cost. However, the survey questionnaire also investigated relevant issues with regard to the process and success of problem resolution. This chapter presents our findings on how consumers sought to resolve problems, the time taken to achieve solutions and how all this varied across different product and demographic groups.

6.1 SUMMARY OF MAJOR FINDINGS

Proportion of UK consumers

55%

with no intention of seeking redress following an incident of detriment.

Proportion of UK consumers

51%

who felt their problem had been resolved in a reasonable manner.

Proportion of those who did not seek redress

22%

because the process was too long or complicated.

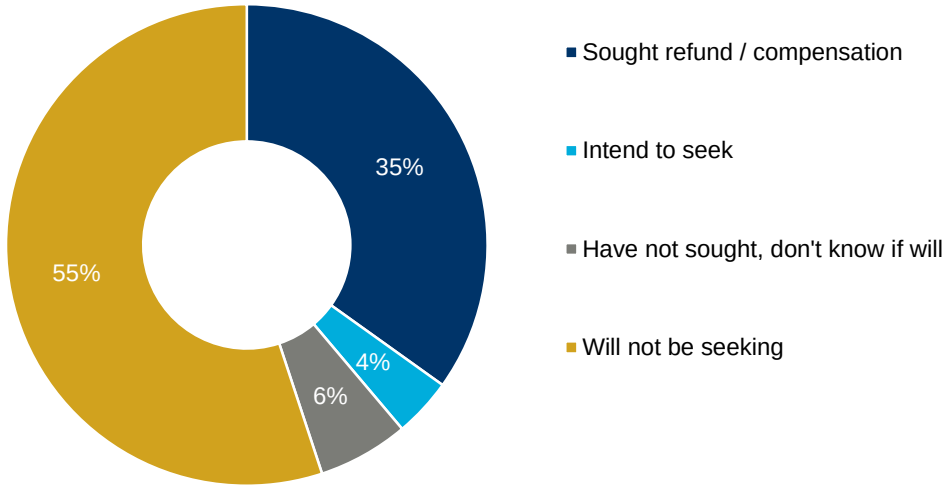
- In the majority of cases (55 per cent), survey respondents who had suffered some form of detriment indicated that they had not sought and had no intention to seek any form of redress.
- 22 per cent of respondents who did not seek redress failed to do so because they believed that the process was too long or complicated. The complexity of the process of redress was proportionately less likely to deter those with a higher level of educational attainment.
- Those aged 75 and over were twice as likely as those in younger cohorts to fail to seek redress simply because they felt that they would not succeed.
- Of those who did seek redress, just over half (51 per cent) were satisfied that the issue had been resolved in a reasonable manner.

6.2 THE PROCESS OF PROBLEM RESOLUTION

In the majority of cases in our survey, consumers had not sought, and had no plan to seek, a refund or compensation following their reported problem. Overall, in 35 per cent of cases respondents had sought some form of refund or compensation, with a further four per cent planning to seek it. A total of 55 per cent did not plan on seeking any form of compensation.

Fig. 41. Proportion of respondents seeking redress

% of problems



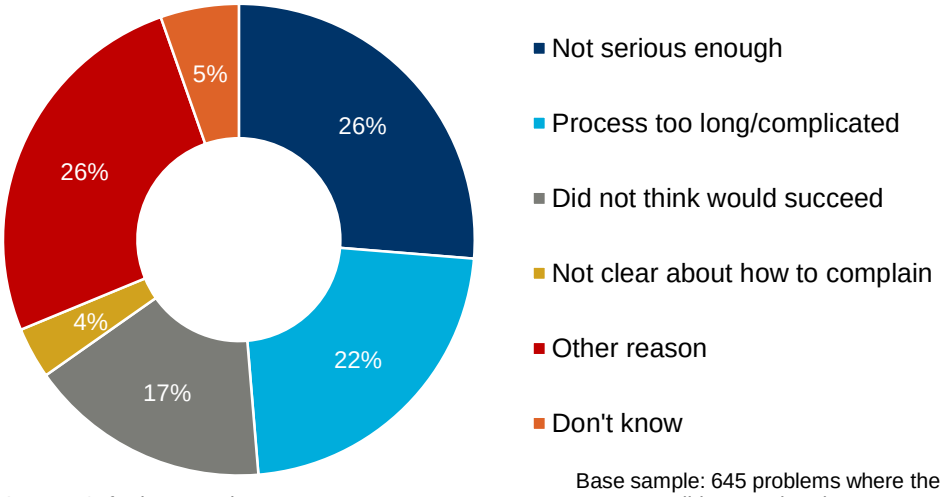
Source: Oxford Economics

Base sample: 1,172 problems

Consumers' motivations for not seeking redress were varied, but in only a quarter of cases was this because they did not regard the issue as sufficiently serious. Cases where a consumer judged that the issue did not warrant further action may be of less concern from a policy perspective—however, they are clearly not the norm. Rather, in a significant minority of cases consumers who had opted not to seek redress had done so because of underlying features of the complaints process—e.g. that it took too long or was too complicated (22 per cent) or that it was not clear how to complain (4 per cent).

Fig. 42. Distribution of reasons for not seeking compensation

Percent of problems where consumer had failed to seek redress

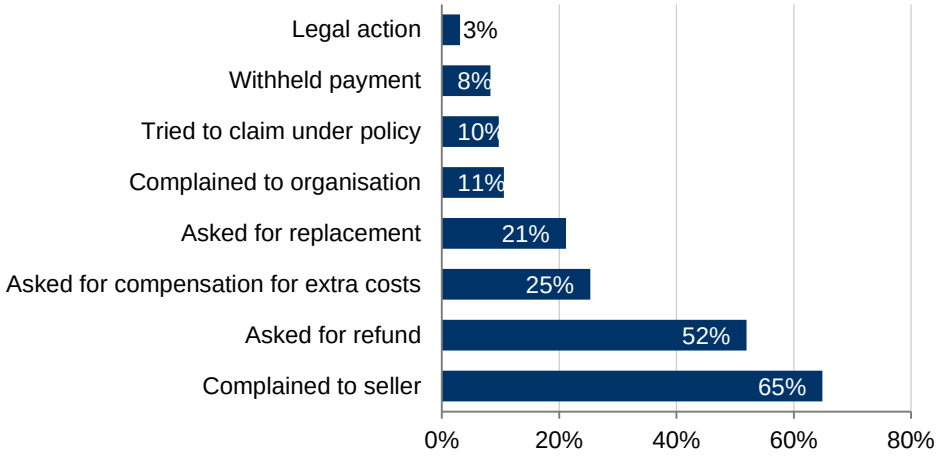


Source: Oxford Economics

Base sample: 645 problems where the consumer did not seek redress

Fig. 43. Distribution of actions taken to address problem[17]

Share of cases in which a refund was sought



Source: Oxford Economics

Base sample: 409 problems in which a refund was sought

In cases where consumers did seek redress, the most common next step was to liaise with the seller either to seek a refund or replacement, or to

[17] This was a multi-coded question so the sum of the percentage values exceeds 100.

make a direct complaint. The most frequently cited follow-up actions involved direct interaction with the seller, such as asking for a refund or replacement (73 per cent of cases), or making a complaint (65 per cent of cases). Consumers were less likely to have engaged in more formal proceedings such as taking legal action, withholding payment or making a claim under policy. From a policy perspective, further research into the factors which dissuade consumers from undertaking more formal actions may be of value.

6.2.1 Distribution by sectoral groups

Across sectoral groups, professional and financial and services stood out, with proportionately fewer consumers put off by the complexity or length of the complaints process but significantly more deterred by the expectation that their complaint would not succeed. In general, the distribution of reasons for failing to seek compensation was fairly uniform across the six broad sectoral groups. An outlier was the professional and financial services industry which stood out on two counts.

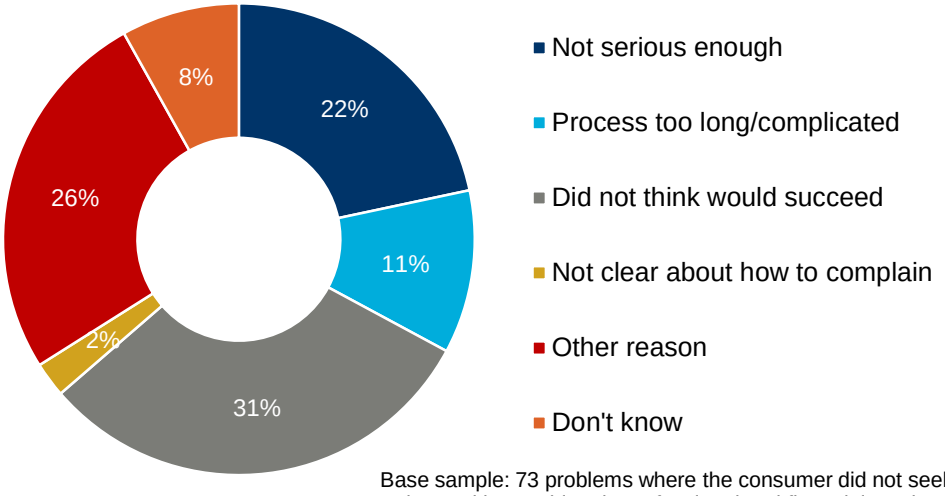
Consumers were significantly less likely to seek redress by asking for a refund or a replacement in the financial and professional services industries. Individuals pursued these tactics in just 20 per cent of cases where they sought redress in these industries, compared to 38 per cent of instances overall. This trend could be reflective of the nature of services provided where issuing a replacement may be impossible and the value of a refund is likely to be less straightforward to agree. Instead, consumers may have had to resort to less conventional methods of redress such as withholding payment, seeking legal action or complaining to an intermediary (as opposed to the seller).

Reflecting this, the analysis shows that consumers with this type of complaint were significantly less likely to seek compensation because they feared that their claim would not succeed. This rationale was cited by almost one third of respondents suffering an incident of detriment in the financial and professional services industries compared to just 17 per cent of consumers overall. Conversely, significantly fewer respondents were put off by an overly complex or lengthy complaints process.[18]

[18] It is worth noting here that such a finding does not necessarily imply that these sectors are characterised by easy-to-follow complaints procedures. Since survey participants were restricted to providing one response to this question, it may have been the case that the fear of not succeeding simply dominated a feeling that the compensation process was overly complicated and/or long.

Fig. 44. Reasons for not seeking compensation for problems with financial and professional services

Percent of problems where consumer failed to seek redress



Source: Oxford Economics

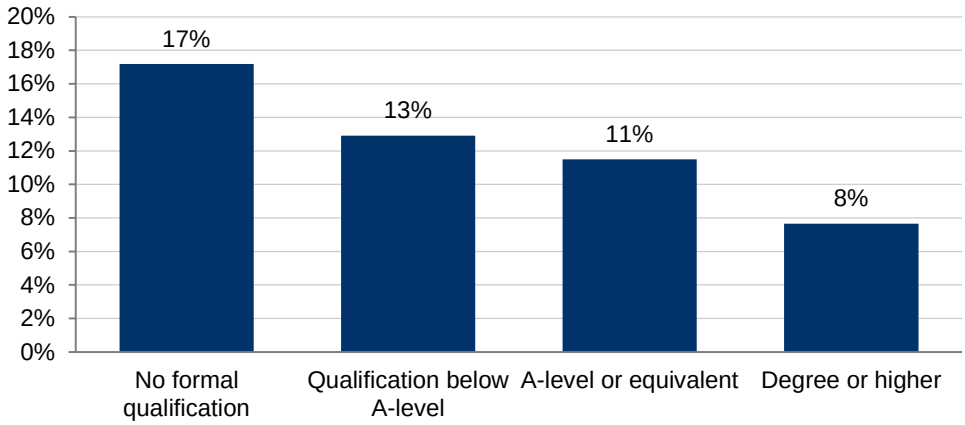
Base sample: 73 problems where the consumer did not seek redress with a problem in professional and financial services.

6.2.2 Distribution by sociodemographic group

Generally, having a higher level of educational attainment seems to reduce the risk of consumers not seeking compensation because of the complexity of the process. Survey participants with no educational qualifications were over twice as likely to say that they did not seek a refund because the process was "too complicated" than those with a degree or higher. Overall the proportion of individuals citing complexity as a reason to not seek redress declined steadily with educational attainment.

Fig. 45. Share of respondents who did not seek a refund because of the complexity of the process by educational attainment

Share of respondents who did not seek redress
because the process was too long or complicated



Source: Oxford Economics

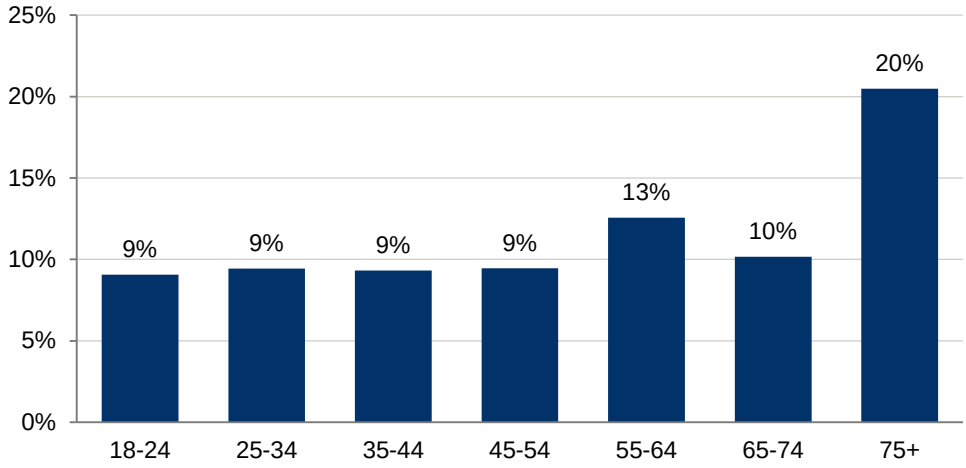
Base sample: 645 problems where the consumer did not seek redress

The oldest respondents were far more likely not to claim because they did not think they would succeed. In 10 per cent of cases overall, the respondent

did not claim compensation because they did not think that they would succeed.[19] This figure did not vary much by educational attainment or gender. There was also little variation by age group, except that the figure rose to over 20 per cent for the very oldest (aged 75 and over).

Fig. 46. Percentage of all problems where compensation was not sought due to a belief that the claim would not be successful, by age group

% of all problems



Source: Oxford Economics

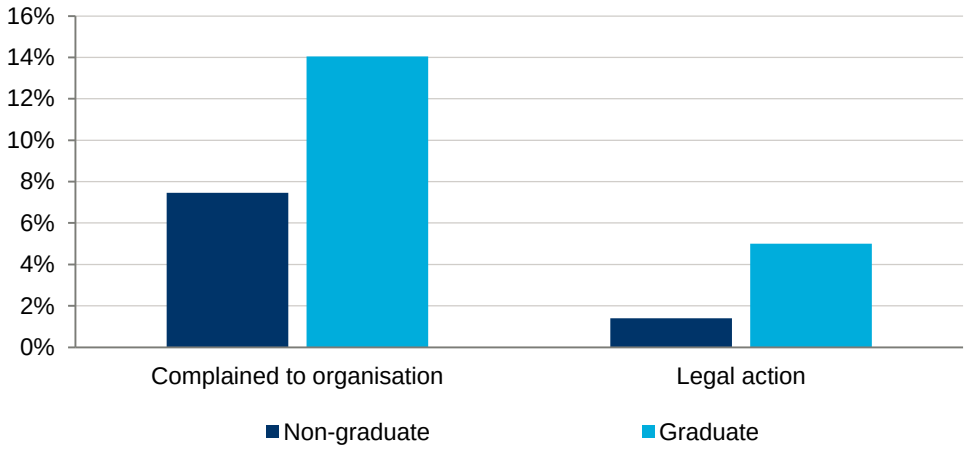
Base sample: 1,172 problems

Graduates were also more likely to address consumer detriment using tactics such as making a formal complaint or seeking legal action. Just under a fifth of those educated to degree level of higher had sought to address an instance of consumer detriment by either complaining to an intermediary within the organisation (as opposed to the seller) or seeking legal action. This was significantly higher than for non-graduates, who opted to use these tactics in only eight per cent of cases.

[19] This is the share of all problems asked about in detail in the survey, including those where compensation was sought.

Fig. 47. Method of seeking compensation by educational status

Share of respondents who sought redress



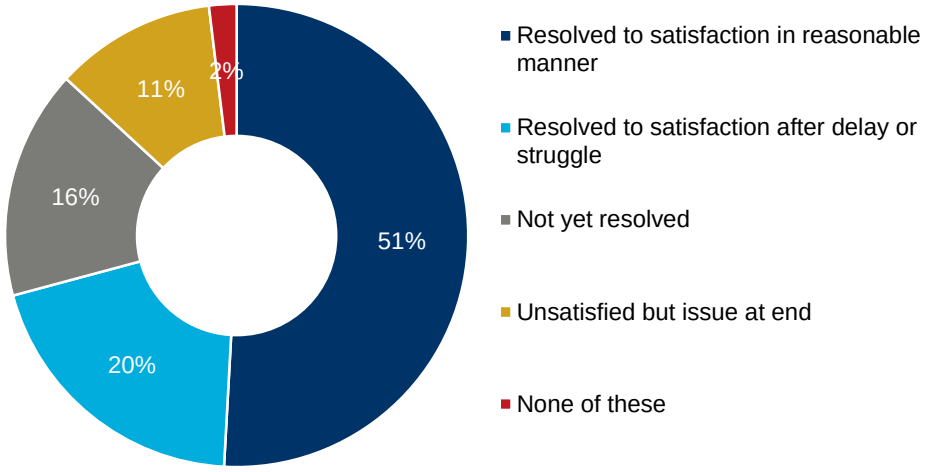
Source: Oxford Economics Base sample: 409 problems in which redress was sought

6.3 SATISFACTION WITH PROBLEM RESOLUTION

Half of respondents who had sought redress regarded their problem as having been resolved to their satisfaction in a reasonable manner. A further fifth reported a satisfactory resolution but only after a struggle or long delay. The remaining 30 per cent of respondents were split fairly evenly between those regarding the issue as yet to be resolved and those accepting that the issue was at an end even though they remained unsatisfied.

Fig. 48. Problem resolution status

Percent of problems where redress was sought



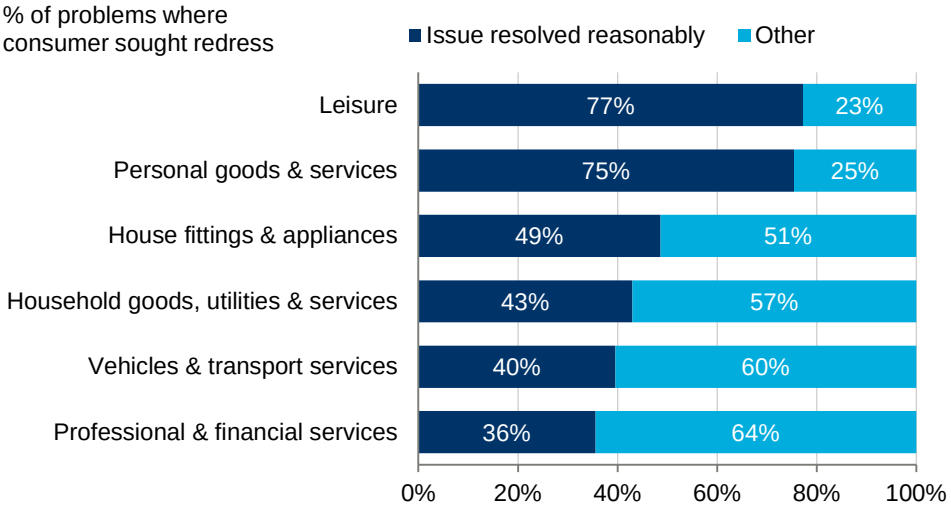
Source: Oxford Economics Base sample: 409 problems in which redress was sought

6.3.1 Distribution by sectoral group

The personal goods and services and leisure sectoral groups were marked by strikingly high satisfaction rates with the process of resolution. In both sectoral groups, over three-quarters of consumers declared that the issue had been resolved reasonably. This was considerably higher than in the four other broad sectoral groups, with financial and professional

services bringing up the rear with a satisfactory resolution rate of just 36 per cent. It may well be the case that consumer problems in the former two sectoral groups are typically much simpler to resolve. This thesis is corroborated by the fact that problems in these two sectoral groups took the least amount of time to resolve on average.

Fig. 49. Status of problem resolution by broad sectoral group



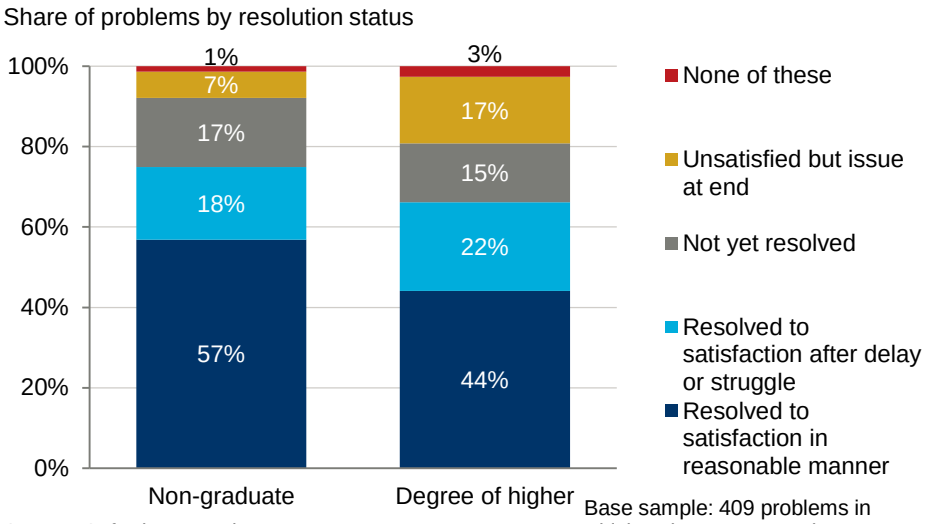
Source: Oxford Economics

Base sample: 409 problems in which redress was sought

6.3.2 Distribution by sociodemographic group

More highly educated individuals tended to be less satisfied with the process of resolution. Only 44 per cent of those with a degree of higher declared that the issue had been resolved in a reasonable manner compared to 57 per cent of non-graduates. Moreover, graduates were found to be over twice as likely to reveal that they were unsatisfied at the completion of the resolution process. This could reflect a genuinely substantive difference in the experiences of those surveyed by educational attainment. Alternatively, more highly educated individuals simply have more demanding expectations of how problems should be resolved. It could also be a reflection of alternative consumption patterns between graduates and non-graduates.

Fig. 50. Problem resolution attitudes by educational status



Source: Oxford Economics

Base sample: 409 problems in which redress was sought

7. What is the emotional impact of consumer detriment?

Beyond the very material monetary cost revealed in this study, consumer detriment can also impose a considerable emotional toll on those affected. This chapter analyses the extent to which the problems suffered provoked emotional responses in people and how this varied in different sectoral groups.

7.1 SUMMARY OF MAJOR FINDINGS

Proportion of UK consumers

70%

who experienced frustration following a problem.

Proportion of UK consumers

53%

who experienced anger following a problem.

Proportion of UK consumers

48%

who experienced stress following a problem.

Proportion of UK consumers

28%

who experienced worry following a problem.

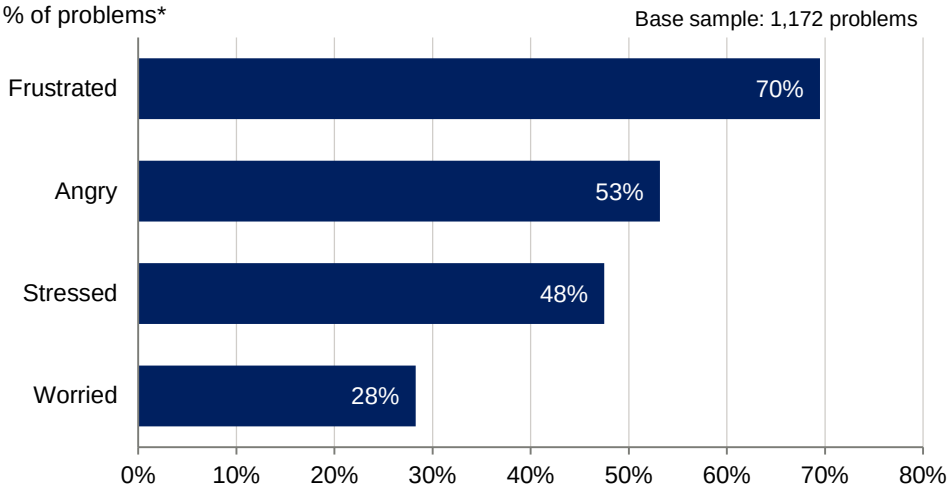
.

- Consumer problems caused a variety of negative emotional responses in people with frustration being the most frequently cited reaction. Overall, 70 per cent of problems resulted in frustration, 53 per cent in anger, 48 per cent in stress and 28 per cent in worry.
- Across different industries, problems experienced in professional and financial services drew the most negative reactions and those in the leisure sectoral group the least.
- Non-graduates were more likely to report experiencing an adverse emotional impact than graduates across all four response categories.
- When consumers were able to resolve their issue within one month they were significantly less likely to experience a negative emotional impact.

7.2 EMOTIONAL IMPACT OF CONSUMER PROBLEMS

In the survey individuals were more likely to feel a sense of anger or frustration following a problem rather than worry or stress. Frustration was the most commonly cited emotional response with 70 per cent of the sample declaring that they felt frustrated to “some” or “a great” extent. In contrast, worry was expressed less than half as often with an equivalent ratio of 28 per cent.

Fig. 51. Emotional impact of consumer detriment



Source: Oxford Economics

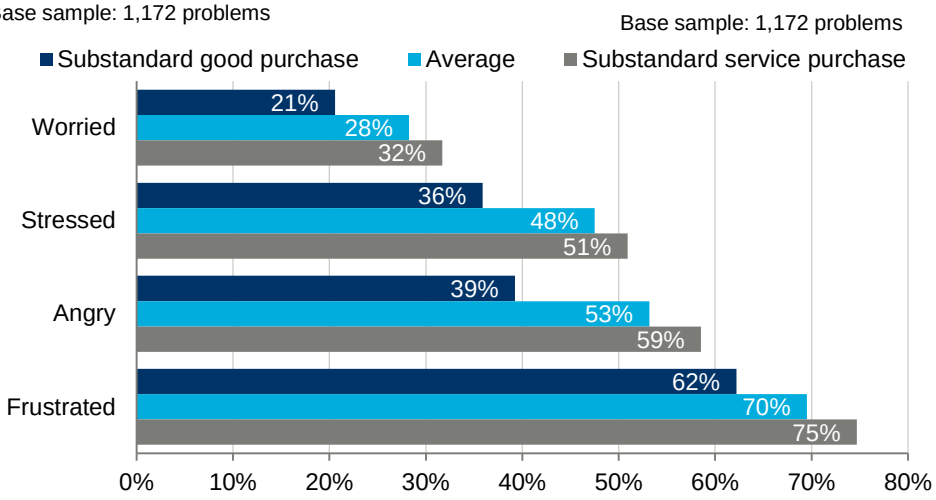
% of problems for which emotion felt 'to a great extent' or 'to some extent' as opposed to 'hardly at all' or 'not at all'.

7.3 EMOTIONAL IMPACT BY PROBLEM TYPE

On average, suffering a problem where the quality of a good was substandard appears to exert a less significant emotional toll on consumers than other problem types. Fewer respondents reported feeling a negative emotional response following an incident involving a substandard quality good purchase than any other problem type. This held true across all emotional response categories—frustration, anger, stress and worry. This may reflect the fact that the process of problem resolution is more straightforward in such cases with the seller often simply providing a refund or a direct replacement. Interestingly, the reverse was true of problems where a poor quality service was provided, although in the case of worry and stress the difference from the average rate was not statistically significant.[20]

Fig. 52. Emotional impact of consumer detriment by problem type

Base sample: 1,172 problems



Source: Oxford Economics

% of problems for which emotion felt 'to a great extent' or 'to some extent' as opposed to 'hardly at all' or 'not at all'.

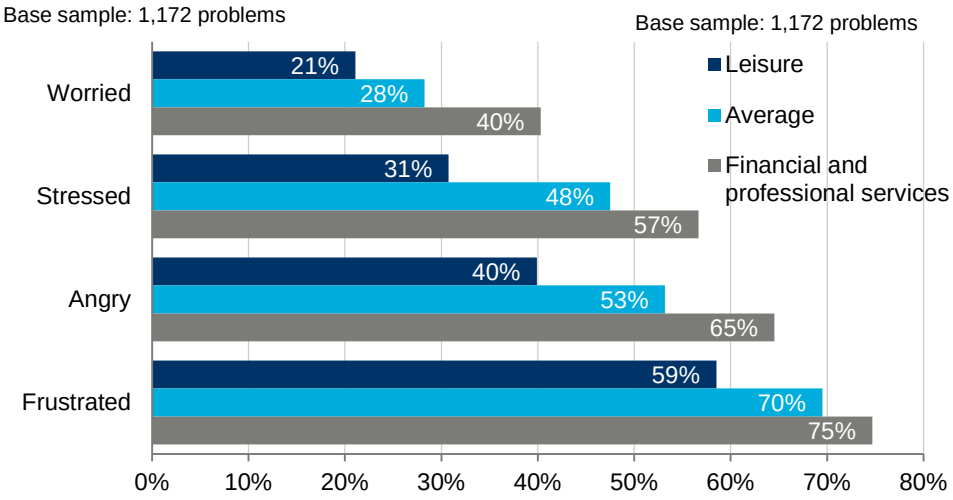
7.4 EMOTIONAL IMPACT BY SECTORAL GROUP

Problems incurred in the professional and financial services sectoral group were more likely than average to have a negative emotional impact while incidents in the recreation and leisure industries were less likely than average to exert a negative emotional toll. Problems experienced in the professional and financial services sectoral group exerted a particularly damaging emotional impact on consumers. Following a problem in these sectors, consumers were more likely to express that they had suffered a negative emotional reaction to some or a great extent. The opposite was true of the problems experienced in the leisure and recreation industries where respondents were significantly less likely to report a negative emotional

[20] For an incident involving the provision of a substandard good, the difference in the proportion of respondents experiencing a negative emotion was significantly different from average at the five percent level across all emotion categories. For an incident involving the provision of a substandard service, the difference in the proportion of respondents experiencing both anger and frustration was significantly different from average at the 10 percent level.

effect.[21] This finding is consistent with the evidence presented in chapter six on problem resolution status by sectoral group— financial and professional services was identified as a sectoral group where consumers, on average, had very low satisfaction ratings while the opposite was true of leisure industries.

Fig. 53. Emotional impact by major sectoral group



Source: Oxford Economics

% of problems for which emotion felt 'to a great extent' or 'to some extent' as opposed to 'hardly at all' or 'not at all'.

7.5 EMOTIONAL IMPACT BY SOCIODEMOGRAPHIC GROUP

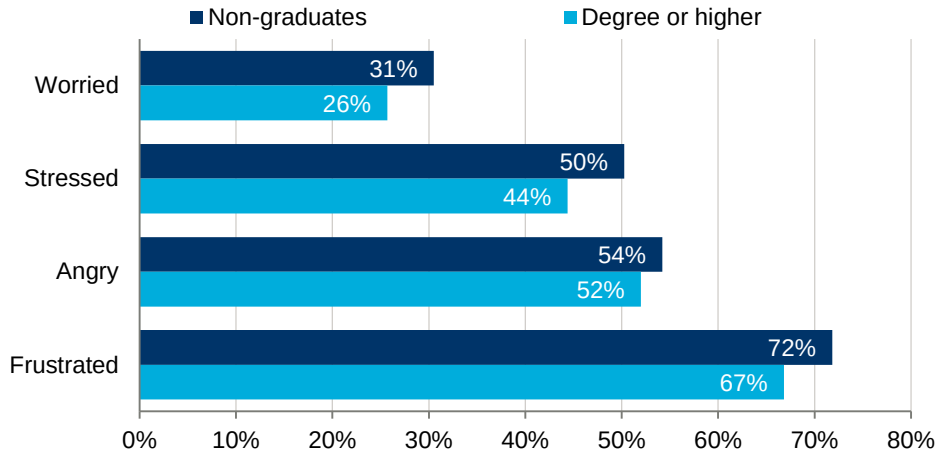
The emotional impact of consumer detriment was more severe for non-graduates than for those with a degree. Non-graduates were more likely to cite a negative emotional response following an instance of consumer detriment across all four categories although in the case of anger the difference was not statistically significant.[22] The fact that instances of consumer detriment are more likely to exert a negative emotional toll on individuals with lower levels of educational attainment contrasts interestingly with the finding that people with more education were on average less satisfied with the resolution of these incidents. It could be that the higher average income levels of those with higher education means that the personal consequences of any given detriment are more easily managed.

[21] All differences displayed in Fig. 52 were statistically significant (compared to the average) at the 10 percent level with the exception of frustration levels in the financial and professional services industry.

[22] The difference in proportion of respondents saying that they had experienced stress was statistically significant at the five percent level while the difference in the proportion citing worry and frustration was only significant at the 10 percent level.

Fig. 54. Emotional impact by educational attainment

Base sample: 1,172 problems



Source: Oxford Economics

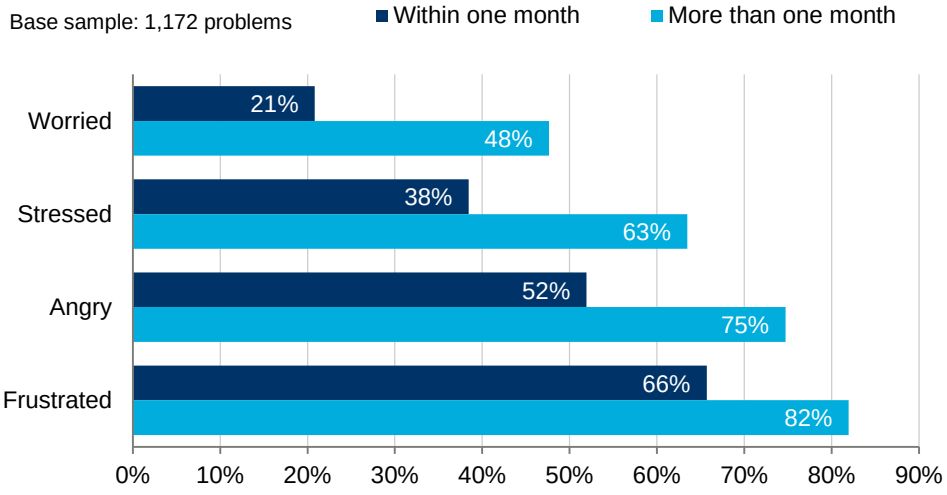
% of problems for which emotion felt 'to a great extent' or 'to some extent' as opposed to 'hardly at all' or 'not at all'.

7.6 LINK BETWEEN EMOTIONAL RESPONSE AND TIME RESOLUTION

Problems which were resolved swiftly (within one month) were substantially less likely to exert a negative emotional toll on consumers. Across all response categories the proportion of consumers who suffered from a negative emotional impact was significantly lower when compensation was awarded within one month.[23] But those who were awarded compensation within two to three months were no less likely to suffer from a negative emotional reaction compared to someone who was forced to wait longer.

Fig. 55. Emotional response and time take to award compensation

Base sample: 1,172 problems



Source: Oxford Economics

% of problems for which emotion felt 'to a great extent' or 'to some extent' as opposed to 'hardly at all' or 'not at all'.

[23] In all cases the differences were statistically significant at the one percent level.

8. Benchmarking our findings

In this chapter we set out how these findings compare with other research in this field, starting with comparisons of the scale of the problem before looking at the broad pattern of detriment.

8.1 COMPARISONS OF THE SCALE OF THE PROBLEM

8.1.1 The 2014 TNS survey for BIS

Perhaps the most pertinent comparison to make is with the 2014 TNS survey for the Department for Business, Innovation and Skills (BIS).[24] As those findings were based on a survey carried out entirely on a face-to-face basis, our face-to-face results offer the most direct point of comparison. To ensure that our results are strictly comparable we also only compare findings for monetary costs (including lost earnings) before compensation and time costs (including both non-work and work hours) lost are taken into account.

HOW DID THE RESULTS DIFFER?

Our study captured a wider scale of consumer detriment than the TNS study and found a higher figure than previously estimated. Scaled up to the UK, our results imply that the public experienced over 123 million problems in 2015, almost seven times higher than the problem count in the TNS study at 18.2 million.

This discrepancy drives a number of other differences in the headline findings between the two studies. For example, we found that the gross monetary cost of these problems was £26.8 billion compared to just £4.0 billion in the TNS study.[25] Similarly, the total number of hours spent dealing with problems is found to be considerably higher in this survey than in the TNS survey, at almost 1.2 billion versus 185 million. These differences were due to the much higher volume of consumer problems —the average financial and time cost of each problem in both studies was broadly similar.

Fig. 56. Comparison of key results with the 2014 TNS survey for BIS

Scaled to UK 18+ population	This survey: face-to-face results	TNS survey for BIS, 2014
Count of problems: all UK aged 18+ (millions)	123.1	18.2
Total monetary cost (£ billion)	26.8	4.0
Financial costs per problem (£)	*218*	*223*

[24] TNS for the Department for Business, Inovation & Skills, *Consumer engagement and detriment survey 2014* (London: BIS, 2014).

[25] The 2014 survey results for monetary costs, problem count and total hours used have been scaled down slightly here, to put them onto the same age 18+ basis as for the present survey. The TNS survey covered all individuals aged 16+ and the published results were £4.15 billion of monetary costs, 18.7 million problems and 190 million hours.

Total non-work and work hours spent (millions)	1,158	185
Hours spent per problem	*9.4*	*10.2*

Source: Oxford Economics

WHAT MIGHT HAVE DRIVEN THESE DIFFERENCES?

In our view methodological differences account for a considerable proportion of the discrepancies described above. In our survey, each time a respondent identified a problem category, they were asked how many times a problem had occurred in that category over the past year—problem frequency. This question was not probed in the earlier study, but was added to our survey, to provide a broader estimate of the extent of consumer detriment. The impact of allowing for problem frequency is shown in Fig. 56—the total number of consumer problems in the UK in 2015 is found to almost treble from 43.6 million to 123.1 million.

Fig. 57. The impact of multiple problems within product categories

Number of problems experienced by the same individual in the same product category	Number of problem product categories	Number of problems (approximate for categories with six or more problems)[1]
One	776	776
Two	248	495
Three	136	407
Four	72	289
Five	40	202
6-10	34	269
11-20	18	267
More than 20	47	1,166
Total	1,370	3,871
Scaled to UK 18+ (millions)	43.6	123.1

[1] As the original results are re-weighted to fit the UK's demographic profile, the results for numbers of problems are not in fact whole numbers, although they are shown rounded to the nearest whole number. Hence the multiplication shown here appearing not to be accurate (e.g. two times 248 not working out at 496). For the three highest categories, the average number of problems is assumed to be eight, 15 and 25 respectively.

Source: Oxford Economics

In contrast, the TNS survey did not ask about problem frequency. Respondents were simply asked whether they had experienced ‘a’ problem in each category, with no allowance for multiple problems in the same category. As such, there is no equivalent in the TNS study to the finding from our survey of 2.8 problems per problem category. Therefore, our TNS-equivalent problem frequency estimate was 43.6 million—this was still over twice as large as the TNS study (18.2 million) but much closer than the near seven-fold difference recorded without this adjustment (Fig. 57).

Fig. 58. The impact of different approaches to the ‘problem count’

Scaled to UK 18+ population	This survey: face-to-face results	TNS survey for BIS, 2014
Problem categories reported (millions)	43.6	18.2

Problem frequency per category	2.8	n/a
Overall problem frequency (millions)	123.1	18.2

Source: Oxford Economics

Even allowing for these, the difference in problem frequency is still substantial. Drilling down, the difference reflects two factors. Firstly, the proportion of respondents reporting a problem was significantly higher in our study (35 per cent versus 22 per cent). Secondly, each respondent who reported experiencing at least one problem cited a higher number of problem categories on average (2.4 versus 1.6).

Fig. 59. Problem incidence and problem categories per person

Scaled to UK population aged 18+	This survey, face-to-face results	TNS survey for BIS, 2014
Number of individuals with one or more problems (millions)	18.1	11.3
As % of population ('problem incidence')	35.3%	22%
Number of problem categories per person with a problem	2.4	1.6
Total number of problem categories (millions)	43.6	18.2

Source: Oxford Economics

Possible explanations for this increase include:

- There was a genuine increase in the number of problems experienced by consumers between the periods concerned (2013 and 2015);
- Changes in the wording and structure of our survey prompted improved recall among respondents compared to the TNS survey; and
- The underlying picture did not change significantly, but the question of what counts as a 'problem' is determined by the respondents themselves, and respondents to this survey tended to have a lower 'threshold' for reporting a given incident as a 'problem'.

It is not possible to give a definitive verdict on which of these, or which combination of these, offers the best explanation for the different results. The first explanation may seem unlikely at first sight, but would in fact be consistent with evidence from the Ombudsman Services Consumer Action Monitor (see below) that problems have indeed increased in recent years.

Regarding the second possibility, our questionnaire was reviewed with a view to making the descriptions more accessible for respondents. It is therefore possible that some specific problems were overlooked in the 2014 survey but captured this time around due to the survey design. For example, in our survey problems with alternative types of transport service (trains, buses and taxis etc.) were asked about individually, whereas they were grouped together in a single 'transport' product category in the TNS survey. In aggregate, problems were identified in these categories in 3.8 per cent of cases in our survey, compared to less than one per cent in the TNS study.

It may also be possible that our survey managed to better engage respondents through less complex descriptions and the use of less technical language. We

may also have set a lower bar for respondents to report issues by asking about problems they complained about, or felt like complaining about – rather than problems where they felt there was a 'genuine cause for complaint', as in 2014However, the extent to which, if any, this factor helped to prompt improved recall of problems is uncertain.

On the other hand, we view the third of these explanations—that respondents to the more recent survey had a lower threshold for reporting problems—as fairly unlikely. If it were true, it would seem reasonable to expect that the average cost per problem would have been lower in our study compared to TNS, indicating that respondents reported more 'less serious' instances. However, this was not the case—average cost was virtually identical across the two surveys.

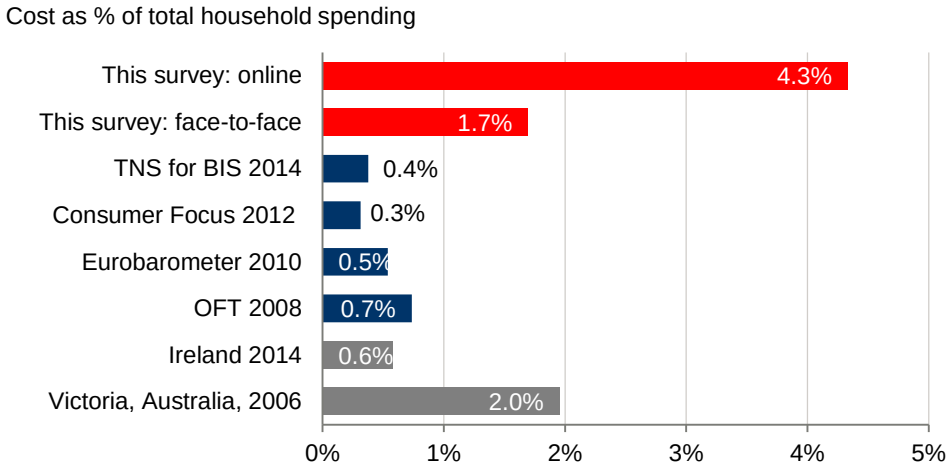
Finally, natural variation created by using a survey methodology is unlikely to have accounted for much of the difference in problem incidence. Statisticians measure the size of such natural variation using confidence intervals—a range of values for which we can be confident that the population parameter, e.g. problem incidence, lies within for a given probability. Such analysis suggests that there was a 95 per cent probability of problem incidence lying between 34.1-36.4 per cent based on our survey results. This narrow band indicates that it was the differences in survey design and the new time period rather than the natural variation created by using a survey methodology.

8.1.2 Wider comparison with exercises of this type

Other surveys of this type carried out for the UK have produced a fairly wide range of estimates of the monetary costs of consumer problems, but all appear on the low side compared with the results of the present exercise.[26] Looking further afield, consumer detriment as a percentage of total household spending has also been found to be comparatively modest in Ireland.[27] However, the cost found by a survey of consumer detriment in Victoria, Australia, equates to close to two per cent of total household spending, which is closer to the findings of the present face-to-face survey.[28]

[26] TNS BRMB for Consumer Focus, *Consumer Detriment 2012* (London: Consumer Focus, 2012). European Commission, "Special Eurobarometer 342: consumer empowerment" (Research report, Brussels: European Commission, 2011). Ipsos MORI for the Office of Tair Trading (OFT), "Consumer detriment: Assessing the frequency and impact of consumer problems with goods and services" (Research report, London: OFT, 2008).
[27] Ipsos MRBI for the Competition and Consumer Protection Commission, *Consumer Detriment Survey 2014* (Dublin: Competition and Consumer Protection Commission, 2014).
[28] Ipsos Australia Pty Ltd for Consumer Affairs Victoria, *Consumer Detriment Survey* (Melbourne: Ipsos, 2006).

Fig. 60. Survey findings of the monetary cost of consumer problems



Source: Oxford Economics

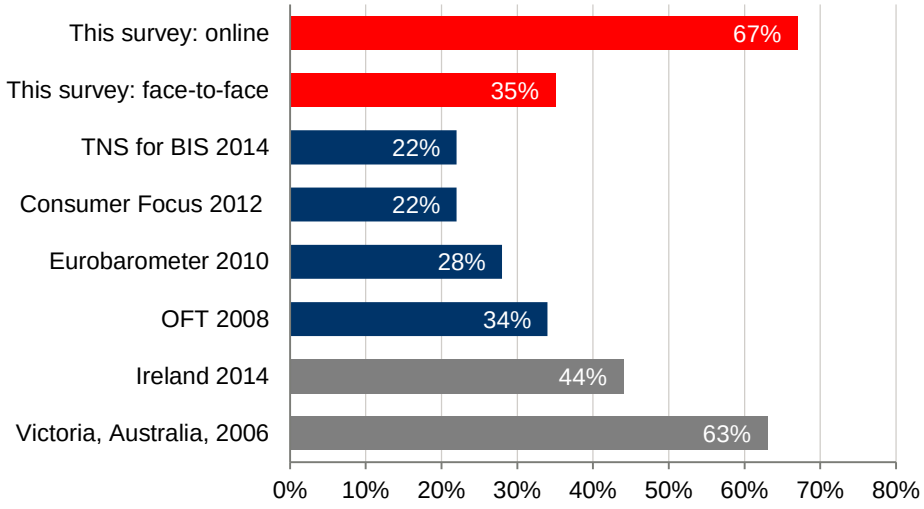
Other evidence reinforces our survey findings. For example, the Consumer Action Monitor published by Ombudsman Services points to the number of problems being exactly in line with that suggested by the face-to-face version of this survey.[29] More precisely, the number of problems identified by respondents during the previous year was found to have been 2.4 per adult in that study, although only 1.1 of these per head were subsequently acted upon.

The monitor also suggests that 43 per cent of individuals had an active complaint—up from 34 per cent just two years earlier. That is consistent with problem incidence—or at least reporting of problem incidence—having increased since the TNS survey fieldwork. Consequently the incidence found in the TNS survey (22 per cent) and this survey (35 per cent) could, in principle, both be reasonably close to the true picture at the time.

Looking at problem incidence across the range of other studies, the 35 per cent found by the latest face-to-face results set is also clearly higher than the 22 per cent found in the 2012 UK study, and somewhat higher than the 28 per cent found in a Eurobarometer study relating to the UK in 2010. But it is broadly in line with the 34 per cent found by Ipsos MORI for the OFT in 2008, and lower than found in the studies for Ireland (44 per cent) and Victoria, Australia (63 per cent).[30]

[29] Ombudsman Services, *Consumer Action Monitor January 2016* (Warrington: Ombudsman Services, 2016).
[30] The Irish survey was conducted via a face-to-face interview and the Victorian by telephone.

Fig. 61. Survey findings of the incidence of consumer problems



Source: Oxford Economics

8.2 COMPARING THE PATTERN OF DETRIMENT

Citizens Advice collects data concerned with the product categories of the problems reported to the organisation. We have mapped these complaints, for calendar year 2015, onto the six broad groups of category used in the present survey.[31] As the chart shows, the pattern across the two is similar, reflecting further similarities at the narrower category levels.

There are just two significant exceptions to this. Firstly, the Citizens Advice data show a greater proportion of problems falling into the 'household fittings and appliances' group, offset by a smaller proportion falling into the 'household goods, utilities & services' sectoral group. This is explained by a higher share of problems with maintenance and improvement services, electrical appliances and other main household goods (e.g. furniture) in the Citizens Advice data, with fewer complaints about TV, phone and internet services and delivery services.

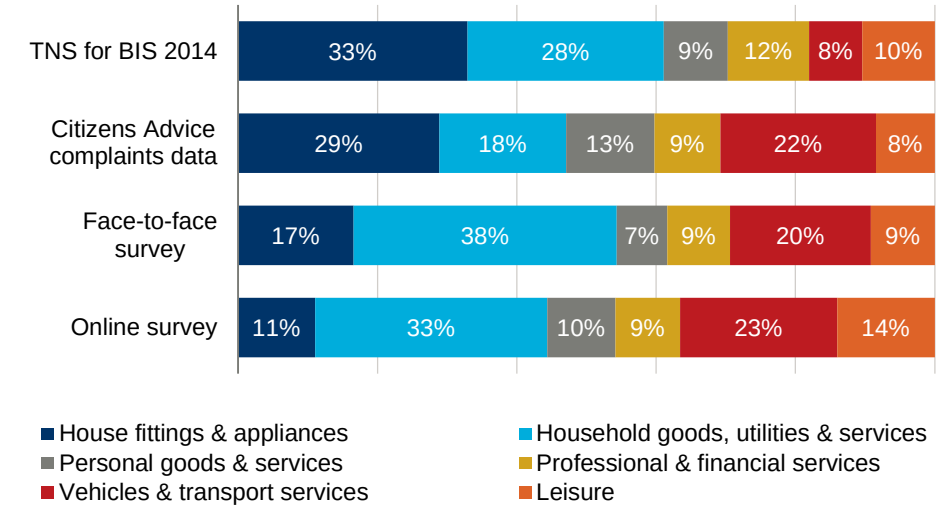
Secondly, within the vehicles & transport services category the Citizens Advice data point to a higher proportion of complaints about vehicle purchases, driven by purchases of second-hand cars, with a smaller proportion of complaints about train, bus and other transport services.

As the chart also shows, this survey is similar to the 2014 TNS survey for BIS, with the exception of showing fewer problems for house fittings and appliances and more for vehicles & transport services.

[31] Citizens Advice compiles complaints data about energy companies separately – this has been added to the wider 'consumer services cases' dataset.

Fig. 62. The pattern of problems by broad sectoral group of product

% of total problems



Source: Oxford Economics

9. Conclusion

UK consumers experience many millions of consumer problems each year. This study has found that consumer detriment - as these problems are known in aggregate—is extensive. The financial consequences of this detriment are felt by consumers, employers and the economy at large—equivalent to as much as two per cent of total household spending—and this study has enabled us to count the scale and cost of these problems. The study reveals that UK consumers experienced 123.1 million problems in 2015, at a cost of £22.9 billion—reflecting both direct financial costs and the cost associated with lost earnings and leisure time spent resolving such problems.

The survey undertaken for this report offers a more comprehensive picture of consumer detriment than has previously been understood: it has built on past attempts to measure detriment and cast a wider net by including problems that might reoccur during a 12 month period, by placing a monetary value on leisure time spent resolving problems and by changes to survey design that have sought to provide a fuller picture.

All in all, it is in the service industries that problems are most common. For example, consumers report a large number of problems with TV, phone and internet services, and in relation to train, energy, bus and catering services. The study also finds that UK consumers received more than £9.0 billion in refunds and compensation, which went some way to offsetting the financial impact of the problems they encountered. Some sectors are clearly revealed as being more effective compensators than others: the energy and banking sectors stood out as awarding high levels of refunds and compensation relative to the total costs of problems consumers had with them.

Interestingly, a relatively small number of high-cost incidents caused a significant share of the total net cost. In some sectors where the total net cost of detriment was found to have been particularly high, this reflected a few isolated high-cost incidents rather than a general prevalence of consumer problems. Construction, professional services, property services, medical services and property services all fit this pattern. By contrast, TV, phone and internet services can be characterised as a ‘high frequency, low average cost’ sector. No product category can be said to exhibit both a high number of problems and a high average cost.

The findings also reveal some instructive patterns of experience for different groups of citizens. For example, middle-aged individuals (aged 35-54) faced the highest net costs, at £648 per person versus £348 for those aged 55 and over and £330 for those aged 34 and under. This reflected a combination of above-average problem frequency, substantial lost earnings per problem and a low compensation-to-cost ratio. Those in the younger age group reported an even greater number of problems per head, but the average cost of these problems was comparatively low.

As well as monetary costs, consumer detriment also exerts an emotional cost—anger and frustration, worry and stress. This was found to be more severely felt by some than by others—for example, those without a degree felt the emotional effects more strongly. This is perhaps surprising given that among

demographic groups, those educated to degree-level or higher faced significantly higher net costs than non-graduates, at £945 per person versus £184. In policy terms, the question of emotional versus monetary impact is clearly pertinent—perhaps the larger emotional impact felt by some even where actual cost was lower reflects the earning potential of a given individual and therefore the extent to which losses are seen as serious in a subjective sense.

This kind of nuance demonstrates the complexity of understanding the impact of consumer detriment fully. There is clearly scope for further research to understand the relationship between the various types of consumer-based survey results and the 'true' picture of known detriment—perhaps through qualitative investigations. It would also be highly worthwhile to seek to quantify, for the first time, at least some of the costs caused by the various types of hidden detriment not perceived by individual consumers, for example due to misleading advertising, in order to most accurately measure the impact of consumer problems on the UK population and to explore the most effective remedies to them.

10. APPENDIX 1: ONLINE SURVEY COMPARISON

ONLINE SURVEY COMPARISON

This appendix presents the results of the online survey and the implications that this has for detriment in the UK, highlighting the contrasts between these findings and the face-to-face survey examined so far in this report.

Perhaps the clearest difference that exists is in the share of respondents who identify issues and the number that they identify. In the online survey the share of respondents identifying one or more problem is nearly double that of the face-to-face survey (67 per cent compared to 35 per cent). This, alongside a higher frequency of problems being identified means that the implied total number of problems in the UK is more than three times as large—380 million compared to 123 million.

Fig. 63. Overview of problem incidence and frequency

Survey respondents	Online	Face-to-face
Per centage experiencing one or more problems ('problem incidence')	67.1%	35.3%
Average number of problems reported per person	7.4	2.4
Average number of problems reported per product category	2.5	2.8
Average number of categories reported per person	2.9	0.8
Results scaled up to UK population	**Online**	**Face-to-face**
Individuals experiencing one or more problems (millions)	34.4	18.1
Total number of problems ('problem frequency') (millions)	380.0	123.1

EXPLORING THE DIFFERENCE BETWEEN THE ONLINE AND FACE-TO-FACE RESULTS

In the online sample, respondents reported 7.4 instances of consumer detriment per person; while the face-to-face sample suggested 2.4 per person. The two sets of results suggest wide variation in the number of problems that each person has faced in the past 12 months.

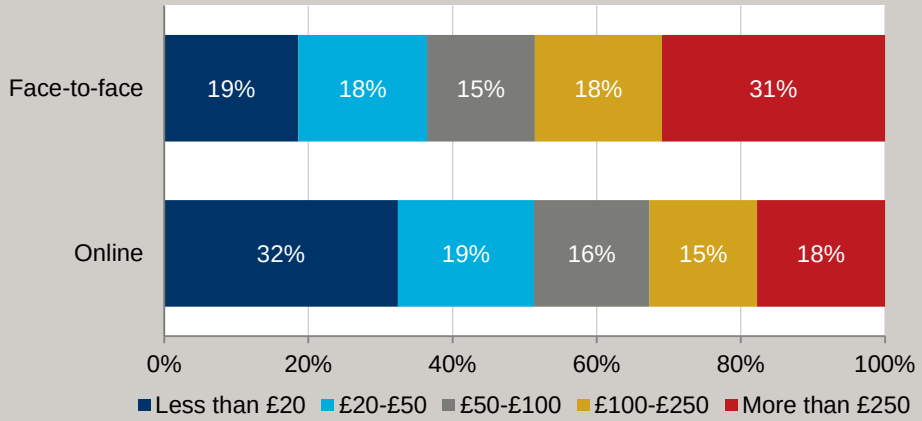
There are a number of possible explanations for this difference including that those people taking part in the online survey simply did experience more problems. Even adjusting for age and other demographic characteristics, it might be the case that the lifestyles of those responding to the online panel survey made them more likely to suffer problems compared with otherwise similar individuals participating on a face-to-face basis. Here, it is notable that one in every two online respondents reported a problem in the 'delivery' category, compared with one in 11 in the face-to-face sample. And one in 12 reported a problem with 'betting', compared with one in 400 face-to-face interviewees. This suggests particular behaviours of particular respondents differ in significant ways to those of the face-to-face sample.

However, the fact that the average cost per problem is lower for the online sample is consistent with the theory that those online simply have a lower reporting 'threshold'. With the exception of 'online-specific' problems like delivery and betting, it may well be that the online and face-to-face samples experience a similar number of problems in real life. Our

samples show a similar pattern of costs, but also that the typical online participant is more likely to report a lower-cost issue as a 'problem'. The pattern of reported problems by cost banding supports this view. Of those problems with a reported monetary cost, a third involve less than £20 and only a fifth more than £250 in the case of the online survey, whereas the precise opposite is the case for the face-to-face sample.

Fig. 64. Distribution of problems by main financial cost[32]

Percent of responses in each cost band



Source: Oxford Economics

This lower threshold could reflect differences in unobservable characteristics of both samples and/or differences in the survey method. For example, it may be that people who have opted to be part of an online panel are by their nature more likely to complain about a given issue, and/or tend to lead a lifestyles making them more likely to encounter problems, when compared with otherwise identical individuals. This could be because they have different expectations, which may even be influenced by the fact of being part of a consumer panel. There is some ongoing debate about the extent to which an online sample may differ in representativeness to a face-to-face sample.

It may also be that the method by which the results are collected is a significant factor—that the same person would report a given (low cost) issue as a 'problem' if they were filling in a form online, but not if they were being interviewed face-to-face by another person. For example, this might reflect the constrained time allowed to conduct a face-to-face interview which is controlled by the interviewer compared to a more flexible online approach in which the respondent controls response time themselves.

PROBLEMS BY PRODUCT CATEGORY

Across both surveys again, there is broad consistency in terms of which problem categories generate the most issues for consumers. Indeed the top seven problem product categories are the same for the two survey samples, with television, phone and internet service provision top in both cases.

Fig. 65. Top seven categories by problem frequency

Rank	Online survey	Face-to-face survey

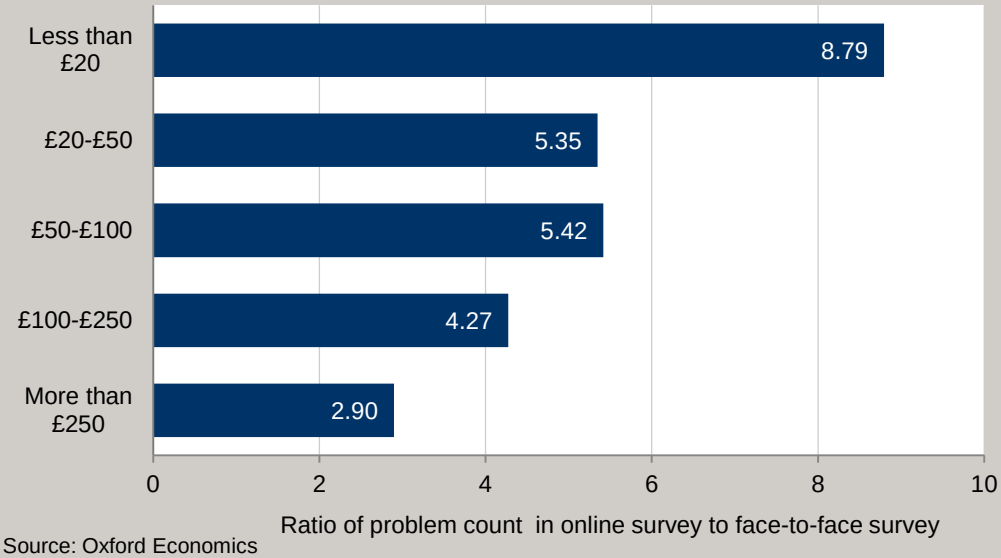
[32] This distribution refers to all non-zero reported costs. The costs here are those reported at Q11 in the survey.

1	TV, phone and internet	TV, phone and internet
2	Delivery services	Energy companies
3	Catering	Electrical appliances
4	Clothing	Catering
5	Energy companies	Delivery services
6	Electrical appliances	Clothing
7	Banking	Banking

The online survey results in a much higher estimation of cost overall mainly because of the larger number of small problems reported: although the costs of these are relatively small, they soon add up to impose substantial costs on individuals. Interestingly, the frequency difference fed through most strongly into a discrepancy in estimated cash outlays between the online and face-to-face results rather than in other monetary costs (such as lost earnings) or time costs (such as leisure time used up). Estimated monetary outlays—at almost £43 billion using the online survey results—are more than double the equivalent figure reached using the face-to-face responses.

Both sets of survey results, however, lead to similar conclusions regarding the scale of consumer detriment as a result of lost earnings and leisure time. Moreover, estimated compensation (as a share of gross costs) is also broadly equivalent across the two surveys. In comparison to face-to-face respondents, those surveyed online reported problems more frequently at all levels of financial cost. However, as shown in Fig. 65 (relating to costs reported at survey Q11) the difference was particularly pronounced for lower-cost problems. As a result, the average outlay per problem was around 30 per cent lower in the online survey. However, this characteristic was more than offset by the higher reported frequency of problems, to such an extent that monetary outlays per person were over twice as high in the online survey.

Fig. 66. Ratio of problems reported in online survey versus face-to-face survey by size of main financial cost



Source: Oxford Economics

Across both surveys, six product categories: construction, professional services; pension and investment services; TV, phone and internet; property services and home maintenance were found to be among the seven largest contributors to consumer

detriment, as defined by total net cost. Across all these problem categories, with the exception of TV, phone and internet, the pattern was for a significant proportion of the damage to be driven by a handful of cases which imposed huge costs (mainly monetary) on consumers. Such a pattern is fairly intuitive. The experience of consumers in a problem category such as construction is likely to be characterised by a majority of cases where outcomes broadly meet expectations and a handful of cases in which severe detriment occurs, for example due to a significant cost overrun or faulty workmanship resulting in significant damage to the property further down the line. It is important to note that the most significant categories of detriment in terms of overall cost are therefore very different to the most significant in terms of incidence, which were discussed in chapter four.

ONLINE SURVEY RESULTS TABLES

(a) Overview

Fig. 67. Problem incidence and frequency

Per centage of respondents	Online
Per centage experiencing one or more problems ('problem incidence')	67.1%
Average number of problems reported per person	7.4
Average number of problems reported per category	2.5
Average number of categories reported per person	2.9
UK total	**Online**
Individuals experiencing one or more problems (millions)	34.4
Total number of problems ('problem frequency') (millions)	380.0

Source: Oxford Economics Base sample: 2,600 respondents

Fig. 68. Estimated annual value of consumer detriment

UK total, £ billion	Online
Financial cost	42.8
Loss of earnings	7.1
Time cost	6.4
Total gross cost	56.3
Compensation	13.4
Total net cost	42.9

Source: Oxford Economics Base sample: 2,600 respondents

(b) Problem frequency

Fig. 69. Problem frequency by type of problem

Millions of problems	Online
Poor quality goods	62.6
Delivery problem	32.0
Poor quality service	110.5
Failure to provide product	44.5

Insurance problem	5.5
Warranty / guarantee issue	5.0
Sold unsuitable product	13.3
Problem with prices	43.2
Unfair practices	20.3
Other problem	43.2
Total problem frequency	380.0

Source: Oxford Economics Base sample: 2,600 respondents

Fig. 70. Problem frequency by demographic characteristic

Number of problems per person	Online
Overall UK population aged 18-74	7.4
Age 18-34	10.6
Age 35-54	6.3
Age 55-74	5.5
Non-graduate	6.9
Degree or higher	8.8
Male	7.0
Female	7.8

Source: Oxford Economics Base sample: 2,600 respondents

Fig. 71. Problem frequency by product category

Millions of problems	Online
TV, phone & internet	50.7
Delivery services	25.5
Train services	24.9
Energy companies	20.5
Catering	16.8
Bus services	16.6
Clothing	16.3
Remainder	208.8
Total problem frequency	380.0

Source: Oxford Economics Base sample: 2,600 respondents

(c) Cost of consumer detriment

Fig. 72. Consumer detriment by type of problem

UK total, £ billion, online	Financial cost	Loss of earnings	Time cost	Total gross cost	Compen-sation	Total net cost
Poor quality goods	1.5	0.5	0.6	2.6	1.2	1.4
Delivery problem	1.1	0.3	0.4	1.8	0.5	1.3
Poor quality service	21.2	2.8	2.7	26.6	4.9	21.7
Failure to provide product	4.4	0.8	0.8	6.1	1.2	4.8

Insurance problem	2.1	0.1	0.1	2.3	0.4	2.0
Warranty / guarantee issue	1.4	0.1	0.0	1.6	0.4	1.2
Sold unsuitable product	1.3	0.2	0.2	1.8	2.4	-0.6
Problem with prices	4.6	0.7	0.3	5.6	1.7	3.9
Unfair practices	3.2	1.2	0.2	4.6	0.3	4.2
Other problem	1.8	0.6	1.0	3.4	0.4	3.0
Total	42.8	7.1	6.4	56.3	13.4	42.9

Source: Oxford Economics Base sample: 2,600 respondents

Fig. 73. Consumer detriment by demographic characteristic

£ per head, online	Financial cost	Loss of earnings	Time cost	Total gross cost	Compen-sation	Total net cost
Overall UK population aged 18-74	834	139	124	1,098	262	836
Age 18-34	708	223	112	1,044	111	933
Age 35-54	750	131	131	1,013	233	780
Age 55-74	1,073	60	127	1,261	457	804
Non-graduate	855	80	123	1,058	260	798
Degree or higher	778	303	128	1,208	267	941
Male	755	70	98	922	246	677
Female	912	207	151	1,270	277	992

Source: Oxford Economics Base sample: 2,600 respondents

Fig. 74. Consumer detriment by product category

UK total, £ billion, online	Financial cost	Loss of earnings	Time cost	Total gross cost	Compen-sation	Total net cost
Construction	6.4	1.0	0.3	7.7	0.4	7.3
Professional services	6.0	0.3	0.1	6.4	0.2	6.3
Property services	3.6	0.6	0.2	4.4	0.1	4.3
Medical services	0.8	2.7	0.0	3.5	0.0	3.4
Home maintenance	2.6	0.1	0.2	2.8	0.2	2.6
TV, phone & internet	1.1	0.3	1.2	2.6	0.4	2.2
Pension and investment services	5.9	0.1	0.1	6.0	3.8	2.2
Remainder	16.5	2.1	4.2	22.8	8.3	14.5
Total	42.8	7.1	6.4	56.3	13.4	42.9

Source: Oxford Economics Base sample: 2,600 respondents

Fig. 75. Financial cost by product category

UK total, £ billion	Online
Construction	6.4
Professional services	6.0
Pension and investment services	5.9
Property services	3.6
Home maintenance	2.6

Airlines & airports	1.8
Energy companies	1.8
Remainder	14.7
Total	42.8

Source: Oxford Economics Base sample: 2,600 respondents

Fig. 76. Loss of earnings by product category

UK total, £ billion	Online
Medical services	2.7
Construction	1.0
Property services	0.6
Professional services	0.3
TV, phone & internet	0.3
Food, drink & tobacco	0.2
Banking	0.2
Remainder	1.9
Total	7.1

Source: Oxford Economics Base sample: 2,600 respondents

Fig. 77. Time cost by product category

UK total, £ billion	Online
TV, phone & internet	1.2
Energy companies	0.9
Delivery services	0.5
Electrical appliances	0.4
Construction	0.3
Banking	0.2
Vehicle purchase	0.2
Remainder	2.6
Total	6.4

Source: Oxford Economics Base sample: 2,600 respondents

Fig. 78. Total gross cost by product category

UK total, £ billion	Online
Construction	7.7
Professional services	6.4
Pension and investment services	6.0
Property services	4.4
Medical services	3.5
Home maintenance	2.8
Energy companies	2.8

Remainder	22.6
Total	56.3

Source: Oxford Economics Base sample: 2,600 respondents

Fig. 79. Compensation by product category

UK total, £ billion	Online
Pension and investment services	3.8
Banking	2.8
Energy companies	1.5
Insurance	0.7
Airlines & airports	0.6
TV, phone & internet	0.4
Construction	0.4
Remainder	3.3
Total	13.4

Source: Oxford Economics Base sample: 2,600 respondents

(d) Time used by consumer detriment

Fig. 80. Breakdown of time used by consumer detriment

UK total, millions of hours	Online
Non-work time	902
Work time associated with loss of earnings	154
Other work time	223
Total time	1,280

Source: Oxford Economics Base sample: 2,600 respondents

Fig. 81. Time used by type of problem

Millions of hours	Total UK, millions of hours	Hours per problem
Poor quality goods	116	1.8
Delivery problem	78	2.4
Poor quality service	529	4.8
Failure to provide product	163	3.7
Insurance problem	15	2.8
Warranty / guarantee issue	9	1.8
Sold unsuitable product	45	3.4
Problem with prices	74	1.7
Unfair practices	80	3.9
Other problem	171	4.0
Total	1,280	3.4

Source: Oxford Economics Base sample: 2,600 respondents

Fig. 82. Time used by demographic characteristic

Online	Hours per person	Hours per problem
Overall UK population aged 18-74	24.9	3.4
Age 18-34	25.9	2.4
Age 35-54	26.1	4.2
Age 55-74	22.5	4.1
Non-graduate	23.2	3.4
Degree or higher	29.7	3.4
Male	18.4	2.6
Female	31.4	4.0

Source: Oxford Economics Base sample: 2,600 respondents

Fig. 83. Time used by broad sectoral group

Online	Total UK, millions of hours	Hours per problem
House fittings & appliances	187	4.5
Household goods & services	544	4.3
Personal goods & services	114	3.1
Professional & financial services	154	4.3
Vehicles & transport services	205	2.4
Leisure	75	1.4
Total	1,280	3.4

Source: Oxford Economics Base sample: 2,600 respondents

(e) Problem resolution and emotional impact

Fig. 84. Proportion of respondents seeking redress

% of problems asked about in detail	Online
Sought refund / compensation	41%
Intend to seek refund / compensation	3%
Have not sought, do not know if will	13%
Will not be seeking compensation	43%

Source: Oxford Economics Base sample: 5,297 problems

Fig. 85. Reasons for not seeking redress

% of problems asked about in detail where compensation not sought	Online
Problem not serious enough	31%
Not clear about complaining	8%
Didn't think complaint would succeed	20%

Process too long	12%
Process too complicated	11%
Other reason	15%
Don't know	3%

Source: Oxford Economics Base sample: 5,297 problems

Fig. 86. Action taken to seek redress

% of problems asked about in detail where compensation sought	Online
Asked for refund	25%
Asked for replacement	13%
Asked for compensation for extra costs	14%
Tried to claim under insurance policy or warranty	5%
Withheld payment	4%
Complained to seller	35%
Complained to organisation (e.g. trading standards)	3%
Legal action	1%

Source: Oxford Economics Base sample: 2,190 relevant problems

Fig. 87. Problem resolution status

% of problems asked about in detail where compensation sought	Online
Issue resolved reasonably	51%
Issue resolved after struggle	22%
Issue not yet resolved	12%
Unsatisfied but consider issue to be at end	13%
None of these	2%

Source: Oxford Economics Base sample: 2,190 relevant problems

Fig. 88. Emotional impact

% experiencing emotion to 'a great extent' or 'to some extent'	Online
Frustrated	76%
Angry	64%
Stressed	52%
Worried	34%

Source: Oxford Economics Base sample: 5,297 problems

11. APPENDIX 2: SENSITIVITY ANALYSIS

SENSITIVITY ANALYSIS

This appendix covers the potential impact of three issues on the findings: the influence of a few very high cost 'outliers'; the potential to underestimate the number of problems due to difficulties of recall; and the potential impact of future payments of compensation on the final net cost of problems occurring in the past 12 months.

The influence of cost 'outliers'

A very small number of very high cost problems were found to account for a significant proportion of total main monetary costs (i.e. costs reported at survey Q11). Oxford Economics also looked at potential 'outliers' indicated by the questions on the original cost of items 'written off', loss of earnings, use of non-work time, and compensation—in each case investigating cases where the potential impact on the national results was the equivalent of one per cent or more of total monetary and time costs.

After making seven adjustments to the calculated results to exclude the impact of unambiguous errors, a handful of individual responses were still found to contribute significantly to the UK values.

For the online survey, responses which between them amounted to just 0.2 per cent of all problem incidents (after weighting and scaling) accounted for 38 per cent of total monetary costs, 42 per cent of compensation and 32 per cent of the total net cost. For the face-to-face results, responses amounting to 1.2 per cent of all problem incidents on the same basis accounted for 39 per cent of total monetary costs, 25 per cent of time costs, 17 per cent of compensation and 45 per cent of the total net cost.

Fig. 89. Impact on calculated UK detriment of very high cost responses

UK total, £ billion, online sample	Result	Impact of large and unusual responses	Result excluding large and unusual outliers	Impact of other very high value incidents	Result excluding all very high value incidents
Monetary costs	49.9	7.8	42.2	11.4	30.8
Time costs	6.4	0.0	6.4	0.0	6.3
Compensation	13.4	4.7	8.7	0.9	7.8
Total net cost	42.9	3.1	39.8	10.5	29.3
UK total, £ billion, face-to-face sample	**Result**	**Impact of large and unusual responses**	**Result excluding large and unusual outliers**	**Impact of other very high value incidents**	**Result excluding all very high value incidents**
Monetary costs	26.8	4.5	22.2	5.7	16.5
Time costs	5.1	0.0	5.1	1.2	3.9
Compensation	9.0	0.0	9.0	1.5	7.5
Total net cost	22.9	4.6	18.3	5.4	12.9

Source: Oxford Economics

These responses essentially fall into two groups: those which are almost certainly examples of rare but genuine high cost incidents; and those which we classify as 'large and unusual'. Large and unusual responses account for 0.08 per cent of problems in the online survey and 0.13 per cent in the face-to-face survey. The table sets out the separate contributions of these two groups and shows what the results would be if they were excluded from the analysis. The product categories affected are indicated in the table below.

Fig. 90. Product category results significantly affected by very high cost problems

UK total, £ billion, online sample	Large and unusual responses	Other very high value incidents
Monetary costs	Pension and investment services, property services, medical services.	Construction, energy companies, medical services, professional services, home maintenance, repairs to appliances.
Compensation	Pension and investment services, banking.	Energy companies.
Total net cost	Property services, medical services, banking (negative impact).	Construction, medical services, professional services, home maintenance, repairs to appliances.
UK total, £ billion, face-to-face sample	**Large and unusual responses**	**Other rare high cost incidents**
Monetary costs	Pension and investment services, insurance, professional services.	Construction, home maintenance, repairs to appliances, TV, phone & internet services, property services, professional services, vehicle purchase.
Time costs		Property services, vehicle purchase.
Compensation		Vehicle purchase, insurance.
Total net cost	Pension and investment services, insurance, professional services.	Construction, home maintenance, repairs to appliances, TV, phone & internet services, property services, professional services, insurance (negative impact).

Source: Oxford Economics

Confidence intervals

To help demonstrate the potential for the true national picture to vary from that portrayed by the survey results, Oxford Economics has calculated 95 per cent 'confidence intervals' for key survey results. Taking into account the statistical probability that the sample will not be truly representative of the population as a whole, there will be a 95 per cent chance that the true value lies between the 'lower bound' and 'upper bound' shown in the tables below.

For problem incidence, number of problem categories and problem frequency, it can be seen that the confidence intervals on this basis are relatively narrow, with for example a 95 per cent

probability that the true problem incidence lies between 34.1 per cent and 36.4 per cent. For costs per problem and the associated estimates of total costs, the range is proportionately much wider, reflecting the wide variation of costs around the average in many product categories. The costs shown are for those captured in survey question 11, which on the central estimates account for £18.3 million of the £19.6 million total for gross monetary costs other than lost earnings.

Fig. 91. Confidence intervals for problems experienced

Scaled to UK population aged 18+ (millions)	Lower bound at 95%	Central estimate	Upper bound at 95%
Number of individuals reporting one or more problems	17.5	18.1	18.7
As % of population ('problem incidence')	34.1%	35.3%	36.4%
Number of problem product categories	42.5	43.6	44.7
Number of problems per problem product category	2.4	2.8	3.3

Source: Oxford Economics

Fig. 92. Confidence intervals for cost of problems

Scaled to UK population aged 18+	Lower bound at 95%	Central estimate	Upper bound at 95%
Total costs captured at survey question 11 (£ billion)[1]	8.73	18.34	27.95
House fittings & appliances	4.04	8.37	12.70
Household goods, utilities & services	1.66	3.32	4.99
Personal goods & services	0.02	0.05	0.08
Professional & financial services	2.12	4.41	6.69
Vehicles & transport services	0.57	1.18	1.79
Leisure	0.31	1.01	1.70
These costs per problem (£)	71	149	227
House fittings & appliances	198	410	623
Household goods, utilities & services	36	71	107
Personal goods & services	3	6	9
Professional & financial services	191	398	604
Vehicles & transport services	23	47	72
Leisure	28	89	151

[1] Monetary costs other than loss of earnings, before compensation, excluding the original cost of items 'written off'.

Source: Oxford Economics

The importance of potential 'recall' difficulties

A further issue worth investigating is the extent to which difficulties recalling incidents may result in an underestimate of the number of problems experienced.

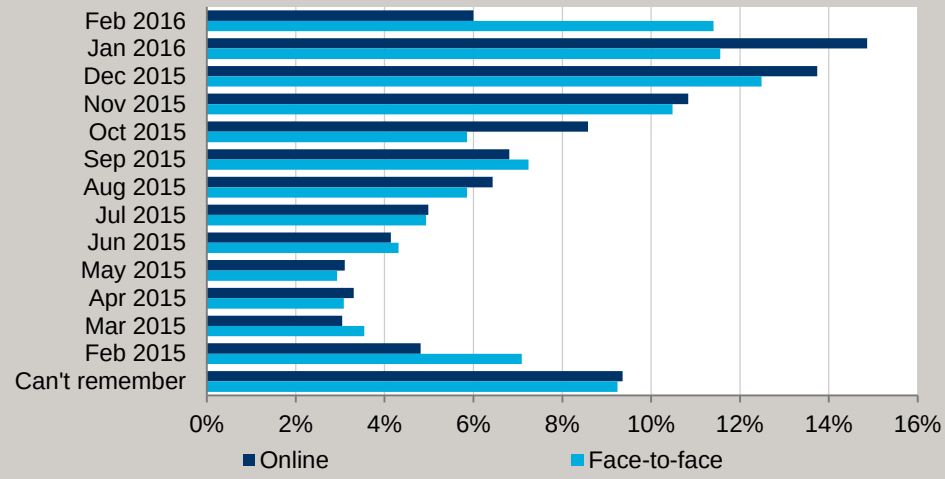
To test this Oxford Economics looked at the distribution of problems asked about in detail by the month in which they occurred. As respondents were asked about the single most recent problem within a problem category, this analysis was confined to 'single instance' problem categories only.

Overall, in the online sample, 55 per cent of these problems fell into the five month period September 2015-January 2016, compared with 19 per cent falling into the five month period March 2015-July 2015. The latter figure would rise to a maximum of 28 per cent on the assumption that all of the problems where the month of occurrence was not recalled fell into that period.

For the face-to-face sample, these figures are 48 per cent, 19 per cent and 28 per cent respectively. In this case, the percentage falling into the five month period starting in February 2016 is slightly higher, at 21 per cent—or a maximum of 30 per cent assuming that all problems where the month of occurrence was not remembered fell into that period.

Fig. 93. Month of occurrence of problems

Percentage of problems by month occurrence*



Source: Oxford Economics * 'Single instance' problem categories only.

This appears consistent with issues of recall leading to a potential underestimate of the number of consumer problems. However, it is worth noting that the potential for costs to be underestimated due to 'recall' problems is likely to be of less significance than for problem frequency, assuming that problems overlooked have a lower net cost on average.

Another challenge with any survey method based on recall is that people's responses must be assumed to be correct. For example, this survey asked people to name their most recent problem and cost this accordingly; we have assumed that people have done this rather than, for example, recalling a more expensive problem.

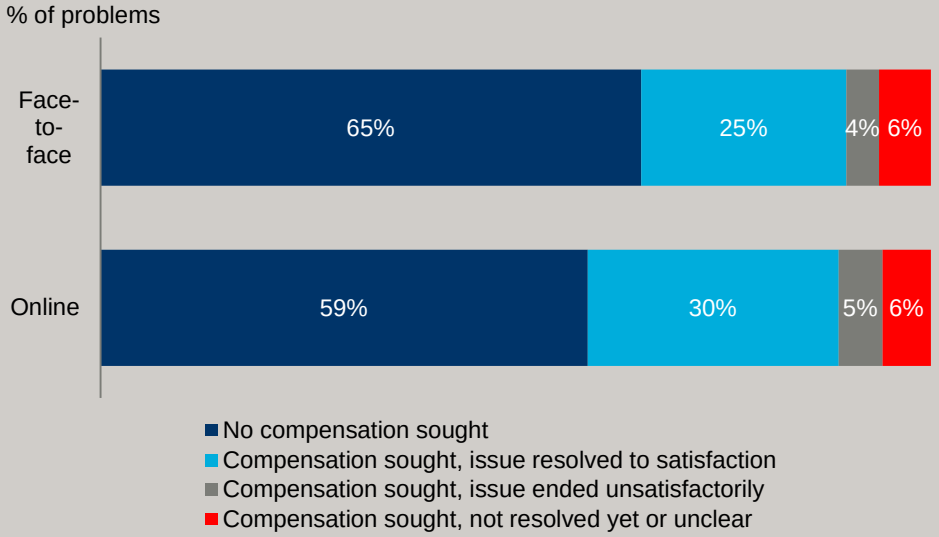
Compensation to be received in future

There is a sense in which the level of compensation is likely to be underestimated in this exercise, as some amounts are likely to be paid in future relating to problems occurring in the past 12 months.

However, based on the survey responses the potential size of this amount looks to be modest. In the online sample, compensation was sought in 41 per cent of cases, and most of these cases have

already been resolved to the respondent's satisfaction. Of the remainder, just under a half are regarded as being at an (unsatisfactory) end. Problems where compensation has been sought and where the issue remains unresolved or is unclear—and which may therefore result in compensation in future—account for only 6 per cent of all problems. The corresponding figure for the online survey is also 6 per cent.

Fig. 94. Compensation-seeking and problem resolution



Source: Oxford Economics

This relatively high percentage of resolved problems partly reflects the fairly speedy way in which the vast majority of compensation claims are dealt with. Where compensation has been paid to respondents to the online survey, 60 per cent of payments were made within a month of the problem occurring (excluding straightforward refunds for returned items). The average time between the problem occurring and payment being made, for the remaining 40 per cent of cases, was around four months. For the face-to-face sample, 55 per cent of payments were made within a month, with the average for the remaining 45 per cent of instances put at around five months.

12. APPENDIX 3: EMPLOYER COSTS

EMPLOYER COSTS

Although not part of consumer detriment, use of work time dealing with problems can result in a cost to employers and, therefore, form part of the cost to the wider economy. The design of our survey allows us to estimate these additional costs, and they are set out here.

Fig. 95. Cost of consumer problems to employers

Scaled to UK 18+ population	Online	Face-to-face
Total hours spent dealing with problems (millions)	1,279.6	1,157.8
Of which: non-work time	902.4	724.4
work time associated with loss of earnings	154.3	278.8
Work time used with no associated loss of earnings (millions of hours)	222.9	154.6
Value placed on work time (£ per hour)	15.90	15.90
Cost of consumer problems to employers (£ billion)	3.5	2.5
Net cost of consumer problems to individuals (£ billion)	42.9	22.9
Net cost to individuals and their employers (£ billion)	46.4	25.3

Source: Oxford Economics

Respondents were asked about total hours spent dealing with problems and the percentage of that time that was work time. Work hours used by individuals stating that they had suffered a loss of earnings were discounted, and a uniform value was placed on the remaining work time.

This value, £15.90 per hour, is based on mean annual gross pay and mean weekly hours worked, as found in the Office for National Statistics' Annual Survey of Hours and Earnings ('ASHE') for 2015. This covers all full-time and part-time employees in the UK, on adult rates of pay, whose pay was unaffected by sickness or absence.

On this basis the cost to employers is put at £3.5 billion based in the online results and £2.5 billion based on the face-to-face results. It should be noted that this does not represent the full cost to employers as no allowance is made for employers' national insurance and pension contributions, nor for any loss of profits.

13. APPENDIX 4: QUESTIONNAIRE

INTRODUCTION

This part of the interview is being conducted on behalf of Citizens Advice, a charity which provides advice on consumer protection issues. Thinking about goods and services that you have purchased in the last 12 months from retailers and other businesses in the UK, it's possible that problems may have occurred which cost you money, or took up your time, or both.

For example you may have:

- Purchased goods which were faulty or of inadequate quality.
- Experienced problems with the delivery of goods you ordered.
- Experienced a poor quality service.
- Had problems claiming under a warranty, guarantee, or insurance policy.
- Paid more for an item or service than advertised.

Please think about all problems which you felt like complaining about, or did complain about, in the last 12 months.

ASKED OF ALL AGED 18 OR OVER (18-74 ONLINE):

Q1.

Please read the following list of categories of item or service. For each of these categories, did you experience any problem which you felt like complaining about, or did complain about, during the last 12 months?

1. Yes, problem experienced in last 12 months

2.No

House fittings and appliances

1. Construction services

Major housing construction services including extension and renovation work

2. Home maintenance and improvement services

E.g. services carried out by kitchen or bathroom fitters, decorators, carpet fitters

3. Fixtures and fittings

E.g. doors, windows, fitted cupboards, fitted carpets, DIY materials

4. Electrical and electronic appliances

E.g. TVs, set-top boxes, DVD and CD players, computers and accessories, fridges, freezers, ovens, kettles

5. Other main household items

E.g. furniture, curtains, rugs, ironing boards

6. Repairs to household appliances

Household goods, utilities & services

7. Electricity and gas companies

8. Water companies

9. Food, drink and tobacco

10. Other household products

E.g. cleaning products; tools; clocks; crockery, cutlery and other utensils; garden products; coal and other energy products (e.g. gas in containers)

11. TV, phone and internet services

12. Delivery services

Postal, courier and other delivery services, including delivery of household goods

13. Other household services

House cleaning, laundry, dry cleaning, ironing, repair of clothing, gardening and similar services, whether carried out at or away from the home

Personal goods and services

14. Clothing and accessories

Clothing, footwear, accessories (e.g. umbrellas, wallets), jewellery, watches

15. Chemists' and other personal goods

E.g. medicines and medical goods, toiletries and perfumes, hair and beauty products, disability aids, nursery goods, other personal goods

16. Medical services

E.g. private medical treatment, private dentistry (exclude NHS provision)

17. Child minding and nursery services

18. Hairdressing, beauty treatments and other personal services

Professional and financial services

19. Banking, credit and financial services

Personal banking, savings accounts, mortgage lending, other loans and credit cards, currency exchange

20. Pension and investment services

21. Insurance services

E.g. life insurance; house contents, buildings, car and travel insurance

22. Property services

Estate agents, house purchase services, letting and property management agents

23. Professional services

Lawyers, accountants and other professional service providers

Vehicles and transport services

24. Vehicle purchase or lease

E.g. of a new or used car, van, motorcycle, boat, caravan, trailer or other vehicle (other than bicycles and excluding short-term rental)

25. Short-term vehicle rental

26. Vehicle breakdown schemes and services

27. Other vehicle repairs and servicing

Including MOT testing

28. Other vehicle-related purchases

Petrol and diesel; spares, accessories and oil; and any other vehicle running cost

29. Paid-for parking facilities

30. Bicycle purchase, hire and repairs

31. Bus and coach passenger services

32. Train, tube, metro and tram passenger services

33. Taxi services

34. Flights, and other airline and airport services

Leisure

35. Holiday accommodation and services

UK hotels, holidays taken in the UK, and foreign holidays booked with a UK company

36. Catering services

E.g. restaurants, cafés, pubs

37. Other leisure facilities

Including cinemas and theatres, sports grounds, gyms, paid-for Wi-Fi, and paid-for museums, galleries and clubs (exclude free local authority facilities)

38. Hard copy media

Books, guides, newspapers and magazines; music, film, video games or computer software purchased in physical form (e.g. CDs, DVDs, Blu-ray)

39. Paid-for media downloaded over or streamed from the internet

40. Pets, and products and services for pets

41. Betting, competitions, lotteries and prize draws

42. Other recreational goods

Sports and hobby equipment, toys and games, photographic equipment

43. Other recreational services

ASKED OF ALL REPORTING ONE OR MORE PROBLEMS AT Q1:

Q2.

You said that you had experienced problems with goods or services in one or more category.

Approximately how many times did problems occur (i.e. separate incidents) during the last 12 months in the following area(s)?

1. Once

2. Twice

3. Three times

4. Four times

5. Five times

6. 6-10 times

7. 11-20 times

8. More than 20 times

THE REMAINING QUESTIONS WERE ASKED IN RESPECT OF THE LATEST SINGLE INSTANCE OF A PROBLEM IN EACH PROBLEM CATEGORY, UP TO A MAXIMUM OF FIVE PROBLEMS. PROBLEM CATEGORIES WERE CHOSEN AT RANDOM WHERE RESPONDENTS REPORTED MORE THAN FIVE CATEGORIES.

For the next series of questions please think about the most recent problem you experienced in relation to [the problem category]. You said that you felt like complaining, or did complain about this.

ASKED OF ALL REPORTING A PROBLEM AT Q1:

Q3.

What was the nature of the initial problem you encountered (ignoring for now any subsequent problems you faced when seeking compensation)?

Please choose the option that best describes the initial problem you faced.

1. Poor quality goods

Faulty, damaged, unsafe or poor quality goods, or goods that came with inadequate or confusing instructions

2. Problem with goods delivery

Late delivery of goods or other problem with goods delivery

3. Poor quality service provided

Sub-standard, poor value or unsafe service provided, including service interruption, transport delays, late delivery of a service, or problem with a repair

4. Failure to provide an item or service

Complete failure to provide an item or service as agreed

5. Problem pursuing an insurance claim

6. Failure to honour a warranty or guarantee

Including e.g. a 'money back guarantee'

7. Sold unsuitable product or service

Due to misleading claims or other negligence on the part of the supplier

8. Problem with prices charged

Misleading pricing information, not being sold the cheapest option available, 'hidden costs'

9. Unfair practices

Unfair or unclear contracts or terms and conditions; inadequate notice of cancellation; other unfair treatment by a supplier

10. Other problem – please write in:

ASKED OF ALL REPORTING A PROBLEM AT Q1:

Q4.

Does the problem you had relate to a service you pay for on an ongoing basis (e.g. gas supply, internet access or a bank account), or to a 'one-off' purchase of a service or item?

1. Ongoing service e.g. gas supply

2. One-off purchase of a service or item

FOR RESPONDENTS WITH PROBLEMS RELATING TO AN ONGOING SERVICE:

What was the approximate cost of the ongoing service at the time of the problem?

Please give your best estimate to the nearest POUND, filling in the appropriate box below. Please fill in ONE box only.

£ per year …….

£ per quarter…….

£ per month ……..

Don't know / can't remember

FOR RESPONDENTS WITH PROBLEMS RELATING TO A 'ONE-OFF' PURCHASE:

What was the original cost of the item or service you purchased? Please give your best

estimate to the nearest POUND).

£ _____ Don't know / can't remember

ASKED OF ALL REPORTING A PROBLEM AT Q1:

Q5.

When did you first realise that there was a problem? Please give your best estimate if you are not sure.

1. Feb 2016

2. Jan 2016

3. Dec 2015

4. Nov 2015

5. Oct 2015

6. Sep 2015

7. Aug 2015

8. Jul 2015

9. Jun 2015

10 May 2015

11. Apr 2015

12. Mar 2015

13. Feb 2015

14. Can't remember

ASKED OF ALL REPORTING A PROBLEM AT Q1:

Q6.

Did you seek a refund or compensation for the problem?

1. Yes

2. No

ASKED OF ALL SEEKING A REFUND / COMPENSATION AT Q6:

Q6a.

Which of the following steps did you take?

1. Yes

2. No

1. Asked the seller for a refund

2. Asked the seller for a replacement

3. Asked the seller to compensate me for extra costs or inconvenience

4. Tried to claim under a guarantee, warranty or insurance policy

5. Withheld payment

6. Complained to the seller

7. Complained to Trading Standards and/or another organisation

8. Took legal action against the seller

ASKED OF ALL SEEKING A REFUND / COMPENSATION AT Q6:

Q7.

Which of the following options best describes the present situation? Please select one option.

1. The issue was resolved to my satisfaction in a reasonable manner

2. The issue was resolved to my satisfaction but only after a struggle or long delay

3. The issue has yet to be fully resolved

4. I am unsatisfied with the outcome but accept that the issue is at an end

5. None of these

ASKED OF ALL NOT SEEKING REFUND / COMPENSATION AT Q6:

Q8.

Do you intend to seek compensation in the future?

1. Yes

2. No

3. Don't know / not sure

ASKED OF ALL NOT INTENDING TO SEEK COMPENSATION ('NO' AT Q6 AND 'NO' AT Q8):

Q9.

Why don't you intend to seek compensation? Please select all that apply.

1. The problem was not serious enough

2. It was not clear who to complain to, or how to go about complaining

3. I did not think the complaint would succeed

4. The process of complaining would take too long

5. The process of complaining would be too complicated

6. Other reason

7. Don't know

ASKED OF ALL WITH A PROBLEM AT Q1:

Q10.

The problem, and any efforts to seek a refund or other compensation, may have resulted in financial costs to you. Which of the following, if any, apply to you in the case of this problem?

At this time please do not include loss of earnings, as this will be covered in a subsequent question.

1. Yes

2. No

1. You paid for an item or service that you could not use because it was faulty or unsuitable, or not provided at all, and subsequently received a free replacement or refund

2. You purchased a faulty or unsuitable item and bought a replacement or simply 'wrote off' the item

3. You had to pay to repair a faulty item

4. You paid more for a service or item than you believe you should have

e.g. because it turned out to be sub-standard, or due to 'hidden costs' or a cheaper option that you weren't told about

5. You had to pay to repair damage caused by an incident

e.g. repair or replacement of goods damaged by a leak

6. You could not use another item or service that you had paid for

e.g. you may have purchased tickets for an event you missed because of the problem

7. You did not receive money or services that you were entitled to under an insurance policy or warranty

8. You sought professional help to seek compensation which cost money

e.g. fees paid to a lawyer or specialist adviser, court fees

9. You incurred other costs in order to seek a refund or compensation

e.g. the cost of travel to the seller's premises, postage costs

10. You incurred some financial costs not covered by any of these options

ASKED OF THOSE ANSWERING 'YES' AT OPTION 10 IN QUESTION 10

You said that you have incurred some financial costs not covered by any of the other options at the previous question – what were these for?

ASKED OF THOSE ANSWERING 'NO' TO ALL OF OPTIONS 1-10 IN QUESTION 10:

Q10a

Aside from any loss of earnings, has the problem concerned had any financial impact on you so far?

1. Yes it has had a financial impact on me so far

2. No it hasn't had any financial impact on me so far

ASKED OF ALL INDICATING A FINANCIAL COST AT QUESTION 10 OPTIONS 3-10:

Q11.

You said that the problem resulted in a financial cost to you in one or more of these areas. Please give your best estimate to the nearest POUND.

3. How much did you spend on the repair of the faulty item?

£ Don't know / can't remember

4. How much more did you pay than you believe that you should have paid?

£ Don't know / can't remember

5. How much did you spend on repairs or replacement items as a result of damage caused by the problem?

£ Don't know / can't remember

6. How much did you spend on the other items or services that that you were unable to use because of the problem?

£ Don't know / can't remember

7. What is the approximate value of the pay-out or services that you were entitled to under the insurance policy or warranty?

£ Don't know / can't remember

8. How much did you spend on professional fees to seek compensation?

£ Don't know / can't remember

9. How much did you spend on these other costs in order to seek a refund or compensation?

£ Don't know / can't remember

10. You incurred some financial costs not covered by the more specific options in the previous question. How much were these costs?

£ Don't know / can't remember

ASKED OF ALL INDICATING ANY FINANCIAL COST AT QUESTION 10 OR 10a:

Q11.

Excluding any loss of earnings, what is your best estimate of the total financial cost to you of the problem so far? Please give your best estimate to the nearest POUND.

£ _____ Don't know / can't remember

ASKED OF ALL REPORTING A PROBLEM AT Q1

Q12.

The problem, and any efforts to seek a refund or other compensation, may have taken up some of your time, including work or non-work time. Did any of the following affect you?

1. Yes 2. No

1. Time wasted by the problem itself

e.g. a train delay, late delivery or arrival, chasing a provider to restore a service, chasing an insurance claim

2. Time spent trying to resolve the problem

e.g. getting repairs, seeking advice, seeking a refund or compensation, preparing and attending a court case

ASKED OF ALL REPORTING USE OF TIME AT Q12:

Q13.

Approximately how much time was wasted by the problem in total, including any time wasted by the problem itself, any time spent trying to resolve the problem, and any time spent in the process of pursuing compensation?

Hours: _____ Minutes: _____ Don't know / couldn't say

ASKED OF ALL REPORTING USE OF TIME AT Q12:

Q14.

Of the total time taken up by the problem (including any time spent trying to resolve it), approximately how much of this was work time, if any? This could be time you took off work, or time you spent at work on the problem.

1. None of it was work time

2. Some, but less than a quarter of the total time

3. A quarter or more, but less than half

4. Half or more, but less than three-quarters

5. Three-quarters or more, but not the whole time

6. All of it was work time

7. Don't know / couldn't say

ASKED OF ALL REPORTING A PROBLEM AT Q1:

Q15a.

Did you lose any earnings as a result of the problem?

1. Yes 2. No

ASKED OF THOSE WITH A LOSS OF EARNINGS AT Q15a:

Q15b.

Approximately how much was that? Please give your best estimate to the nearest POUND.

Loss of earnings: £ _____

Don't know / couldn't say

ASKED OF ALL REPORTING A PROBLEM AT Q!:

Q16a.

Have you received any refund or compensation in relation to the problem you encountered?

1. Yes, refund / compensation paid in cash (including cheque, credit card refund etc.)

2. Yes other form of refund / compensation received (e.g. credit note, free tickets, gifts etc.)

3. No

ASKED OF THOSE RECEIVING A REFUND / COMPENSATION AT Q16a:

Q16b.

Approximately how much was that? Please give your best estimate to the nearest POUND.

1. Refund / compensation paid in cash (including cheque, credit card refund etc.):

£ _____

Don't know / couldn't say

2. Other form of refund / compensation received (e.g. credit note, free tickets, gifts etc.):

£ _____

Don't know / couldn't say

ASKED OF THOSE RECEIVING A REFUND / COMPENSATION AT Q16a:

Q16c.

Approximately how many months passed between the problem arising and the payment of refund or compensation?

1. 1 month or less

2. 2 months

3. 3 months

4. 4 months

5. 5 months

6. 6 months

7. 7 months

8. 8 months

9. 9 months

10. 10 months

11. 11 months

12. 12 months or more

13. Don't know / can't remember

ASKED OF ALL REPORTING A PROBLEM AT Q1:

Q17.

To what extent, if at all, did the problem itself and/or the process of trying to resolve it, make you feel…?

1. To a great extent

2. To some extent

3. Hardly at all

4. Not at all

1. Stressed

2. Angry

3. Worried

4. Frustrated

DEMOGRAPHIC QUESTIONS ASKED OF ALL PARTICIPANTS BEFORE THE TOPIC QUESTIONS

What is your date of birth (year and month)?

Categorised into the following age bands:

1. Under 16 (excluded from both surveys)
2. 16 - 17 (excluded from both surveys)
3. 18 - 24
4. 25 - 34
5. 35 - 44
6. 45 - 54
7. 55 - 64
8. 65 - 74
9. 75+ (excluded from online survey)

What is your gender?

1. Male 2. Female

To ensure that we cover people living in all regions of the Great Britain can you please confirm your postcode. This will allow us to identify the region where you live and will not be used for any other purpose. Please enter your postcode in the box provided below.

Categorised into the following regions:

1. North East

2. North West

3. Yorkshire and The Humber

4. West Midlands

5. East Midlands

6. East of England

7. South West

8. South East

9. Greater London

10. Wales

11. Scotland

Which one of the following best describes your current situation? Please choose one answer only.

1. Have paid job - Full time (30+ hours per week)
2. Have paid job - Part time (8-29 hours per week)
3. Have paid job - Part time (Under 8 hours per week)
4. Not working - Housewife / Househusband
5. Self-employed (full time)
6. Self-employed (part time)
7. Full time student
8. Still at school
9. Unemployed and seeking work
10. Retired
11. Not in paid work because of long term illness or disability
12. Not in paid work for other reason
13. Prefer not to say

DEMOGRAPHIC QUESTIONS ASKED OF ALL PARTICIPANTS AFTER THE TOPIC QUESTIONS

The last few questions are about yourself and your household.

What is the total number of people in your household including yourself and any children? Please choose one answer only.

1. 1 2. 2 3. 3 4. 4 5. 5 + 6. Prefer not to say

How many, if any, children aged fifteen or under are there in your household? Please choose one answer only.

1. 1 2. 2 3. 3 4. 4 5. 5 6. 6 7. 7 8. 8 9. 9+

10. No children under 15 11. Prefer not to say

Which of these applies to your home? Please choose one answer only.

1. It is being bought on a mortgage
2. It is owned outright
3. It is rented from the local authority
4. It is rented from a private landlord
5. It is rented from a Housing Association/Trust
6. Other
7. Prefer not to say

Which of the following best applies to you? Please choose one answer only.

1. Married/Civil Partnership
2. Living together
3. Single
4. Widowed
5. Divorced
6. Separated
7. Don't know
8. Prefer not to say

What is the highest educational or professional qualification you have obtained? Please choose one answer only.

1. GCSE/O-Level/CSE
2. Vocational qualifications (including NVQ1-2)
3. A-Level or equivalent (including NVQ3)
4. Bachelor Degree or equivalent (including NVQ4)
5. Masters/PhD or equivalent
6. Other
7. No formal qualifications
8. Still studying
9. Don't know

What is your total annual household income from all sources, before tax and other deductions? Please choose one answer only.

1. Up to £9,499
2. £9,500 - £17,499
3. £17,500 - £29,999
4. £30,000 - £49,999
5. £50,000 or more
6. Don't know
7. Prefer not to say

14. APPENDIX 5: DERIVATION OF COSTS FROM THE SURVEY RESULTS

DERIVATION OF COSTS FROM THE SURVEY RESULTS

The total net cost is made up of three elements: monetary costs, time costs and (reducing the net cost) compensation.

Monetary costs

Monetary costs are calculated as follows, for each product category in each survey:

- The total of the financial costs recorded at question 11 (see appendix 3 above); plus
- The original cost recorded at question 4 for items for which a replacement was bought or which were simply 'written off' (option 2 at question 10); plus
- Recorded loss of earnings at question 15b; plus
- An estimate of 'missing' lost earnings, for those reporting a loss of earnings at question 15a but without reporting an amount at question 15b.

For the last of these elements, work hours lost by these individuals were calculated, where possible, by multiplying total hours lost (Q13) with the mid-point of the range for the proportion that was working time (Q14), and valuing the resulting work hours lost by £15.90 per hour. That figure is based on the mean salary of and mean hours worked by UK full-time and part-time employees. It covers those on adult rates of pay and whose pay was unaffected by sickness or absence, and uses data from the National Statistics *Annual Survey of Hours and Earnings* for 2015. This estimated additional amount is however very low as a share of total estimated lost earnings.

The original cost of items for which a straightforward refund or replacement was given by the seller is excluded from the monetary cost figure.

Time costs

Time costs are counted only in the case of non-work time lost. Here, for each product category in each survey, non-work hours were calculated by combining reported total hours lost (Q13) with the proportion that was non-work time (based on Q14), and valuing that at £7.05 per hour. The latter figure is based on the 'default' value of non-work, non-commuter time saved in 2015, as a result of improvements to the transport system, as used by the Department for Transport in its evaluation of potential projects.

The detailed distributional analysis of time costs relates to the question on total hours of (work and non-work) time, and should therefore be viewed as an approximation of the full picture.

Compensation

For each product category in each survey, compensation is calculated as total refunds and compensation recorded at Q16b (including other forms of compensation as well as cash), but with amounts relating to items where a straightforward refund or replacement was given by the seller (option 1 at Q10) netted off—as the original cost of these items was excluded from the monetary cost calculation.

In principle, this could lead to an underestimate of the true picture as some of the amounts excluded might be compensation for other costs or inconvenience, on top of a straightforward refund. However, in practice the maximum amount possibly excluded in error as a result of this methodology is modest—most of those ticking option 1 at Q10 do not give a figure at Q16, possibly because the typical incident resulted in a straightforward replacement item.

The detailed distributional analysis is based on the total amount of compensation and refunds recorded at Q16b, and should therefore be viewed as an approximation of the true picture.

Scaling up to the UK-wide totals

The above category-specific totals for monetary costs, time costs and compensation are based on the sub-set of problems asked about in detail—approximately 28 per cent of all problems in the case of the online survey and 30 per cent in the case of the face-to-face survey. These values are then scaled up, within each product category, to arrive at an estimate for all problems experienced by respondents in each survey, using the ratio of the number of total problems to the number of problems asked about in detail.

The set of problems asked about in detail comprise the most recent in each category for each respondent, up to a maximum of five per respondent. The key implicit assumption here is that this sub-sect of problems is representative of all problems for that category of item or service.

Fig. 96. Problem frequency and the basis for scaling up

	Online	Face-to-face
Number of problems (approximate)[1]	19,259	3,871
Number of problems asked about in detail	5,297	1,172
Number of respondents	2,600	1,613
UK population aged 18 and over (millions)	51.30	51.30
Memo 1: Number of problem categories	7,654	1,370
Memo 2: GB population aged 18 and over (millions)	49.88	49.88

The number is approximate as the relevant question (Q2) uses banding above five problems per person.

Source: Oxford Economics

These results in turn are aggregated to the UK-wide level based on the ratio of the UK population aged 18 or over to the number of respondents in each survey. Note that although the survey itself only covers Great Britain, the result is scaled up to the whole of the UK, on the implicit assumption that the experience of Great Britain is representative of that for Great Britain and Northern Ireland as a whole.

15. APPENDIX 6: BREAKDOWN OF MONETARY COSTS

Turning to the specific make-up of monetary costs, a number of similarities emerged across the two surveys including:

- Amounts paid in excess of what the respondent believed they should have paid accounted for a fairly significant share of the total monetary cost, at 14-18 per cent;
- Spending wasted on another unused item (e.g. missing a ticketed event due to a transport delay) accounted for just under a tenth of monetary costs in each case; and
- Spending to repair a faulty item, to purchase professional help to help seek compensation and 'other costs' (not listed in the questionnaire) all accounted for broadly consistent shares of the total monetary cost.

However, the makeup of monetary costs diverged across the two surveys in some respects:

- The original cost of unusable items simply written off was proportionately much higher in the online sample (18 per cent of total monetary costs) than in the face-to-face sample (5 per cent), with the same true of payments not received under an insurance policy or warranty (14 per cent versus five per cent); and
- On the other hand, lost earnings accounted for around twice the share of total monetary costs in the face-to-face sample (27 per cent versus 14 per cent) Similarly, consequential spending to repair damage or replace damaged items (e.g. due to a leaky appliance) was of proportionately greater importance (21 per cent versus eight per cent).

Some of these differences may relate to the impact of relatively few, high cost problems. For example, in the case of loss of earnings, the online survey has two very high cost responses accounting for £3.3 billion of the £7.1 billion total, whereas in the face-to-face survey there are five very high cost responses accounting for £6.0 billion of the £7.2 billion total. Excluding these instances, lost earnings would be clearly higher in the online sample than in the face-to-face sample, in line with the pattern typically found for other cost categories.

Fig. 97. Cost categories as a share of monetary costs: surveys compared

Per centage of monetary cost	Online	Face-to-face
Broadly similar shares		
Amounts paid in excess	18%	14%
Spend on other unused item	9%	9%
Spend to repair item	7%	5%
Spend on professional help	1%	1%
Other costs of seeking resolution	2%	1%
Some other financial cost	10%	12%
Key differences		
Cost of items 'written off'	18%	5%
Value of pay-out not received	14%	5%
Loss of earnings	14%	27%
Spend due to damage	8%	21%

16. APPENDIX 7: SURVEY METHODOLOGY

FACE-TO-FACE SURVEY

Ipsos MORI carried out 1,613 face-to-face interviews between 20th February to 14th March 2016, with individuals aged 18 and over. The fieldwork was conducted using Capibus, Ipsos MORI's omnibus survey. All fieldwork was conducted in-home by fully trained Ipsos MORI interviewers using a computer-assisted personal interview (CAPI) methodology. All stages of the research were performed in accordance with ISO 20252 standards.

Capibus uses a two-stage random location sampling design. At the first stage, Local Area Authorities (LAA) are stratified into regions to ensure full geographic coverage across Great Britain. A total of 152 LAA were randomly selected from the stratified groupings, with probability of selection proportional to size. At the second stage, two double output areas (DOAs) are randomly selected from each Local Area Authority, stratified by ACORN classification. Within each point sampling broad quotas are set for sex, age, working status.

At the analysis stage RIM weighting was employed to ensure that the profile of the sample reflected the GB population in terms of age, gender, tenure, social grade, working status, ethnicity and region. The overall weighting efficiency achieved was 85%.

ONLINE SURVEY

A total of 2,600 individuals aged 18-74 participated in the online survey. The same question wording and questionnaire structure was used as the face-to-face survey, with fieldwork being conducted in the first two weeks of March. A total of two non-response reminders were sent out during the course of fieldwork.

Those taking part were part Ipsos MORI proprietary online panel and subject to a rigorous recruitment procedures aimed at ensuring accuracy, consistency and non-duplication. To join, panel applicants are validated by a means of sophisticated vetting procedures using a variety of recruitment channels. Shortly after joining, panel members' survey-taking behaviour is tested, with those most likely to make intentional or unintentional errors on future surveys deactivated. Subsequently, panellists' behaviour is monitored and tracked across all surveys. Ipsos employs purging procedures based on these data to remove suspect and inactive panellists from eligible sampling pools. Real time monitoring is employed to monitor straight-lining, speeding or inconsistent behaviours. However, it is possible the characteristics of those who decide to join online panels may differ from those who do not, which may have an impact on the results.

For the online survey quotas were set for age, gender, region and working status. At the analysis stage RIM weighting was employed to ensure that the profile of the sample reflected the GB population in terms of age, gender, tenure, working status, education and region. The overall weighting efficiency achieved was 83%.

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