

Consumer snapshot

Advice trends in Scotland



Case evidence and statistics from the Scottish CAB Service

A Snapshot of consumer issues

This report provides a snapshot of the issues that are affecting consumers in Scotland, examining both national and local trends in consumer issues. This is based on data provided by the majority of citizens advice bureaux in Scotland and data from the Citizens Advice Consumer Helpline. We will aim to publish Consumer Snapshot on a regular basis to provide an up-to-date overview of the issues facing consumers in Scotland.

Introduction

Citizens Advice Scotland and its CAB offices form Scotland's largest independent advice network. Citizens Advice Scotland (CAS) is the umbrella organisation for Scotland's network of 81 Citizens Advice Bureau (CAB) offices. These bureaux deliver frontline advice services throughout nearly 250 service points across the country, from the city centres of Glasgow and Edinburgh to the Highlands, Islands and rural Borders communities.

The UK Government intends for the Citizens Advice service to be the lead national, publicly-funded organisation for consumer advice, education and advocacy, building on its very well known brand and high levels of public trust. The service has already taken on a number of responsibilities and will make the full transition into being the one-stop organisation for consumers in the next two years.

The Citizens Advice service and consumer advice

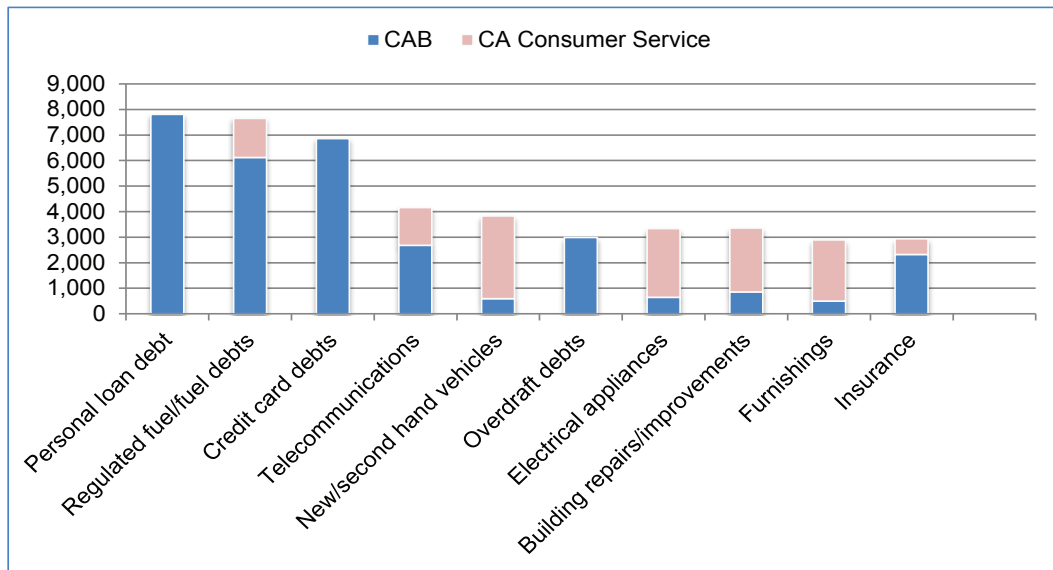
The Citizens Advice service helped consumers in Scotland with 71,783 new consumer related issues between April and September 2012; around 550 new consumer issues per working day. This included 46,738 new consumer related issues brought to citizens advice bureaux in this period, and 25,045 cases from the Citizens Advice consumer helpline.

For the purpose of this report, we have defined consumer issues as including:

- consumer debt
- consumer goods and services
- financial products and services
- travel and transport
- utilities
- telecommunications

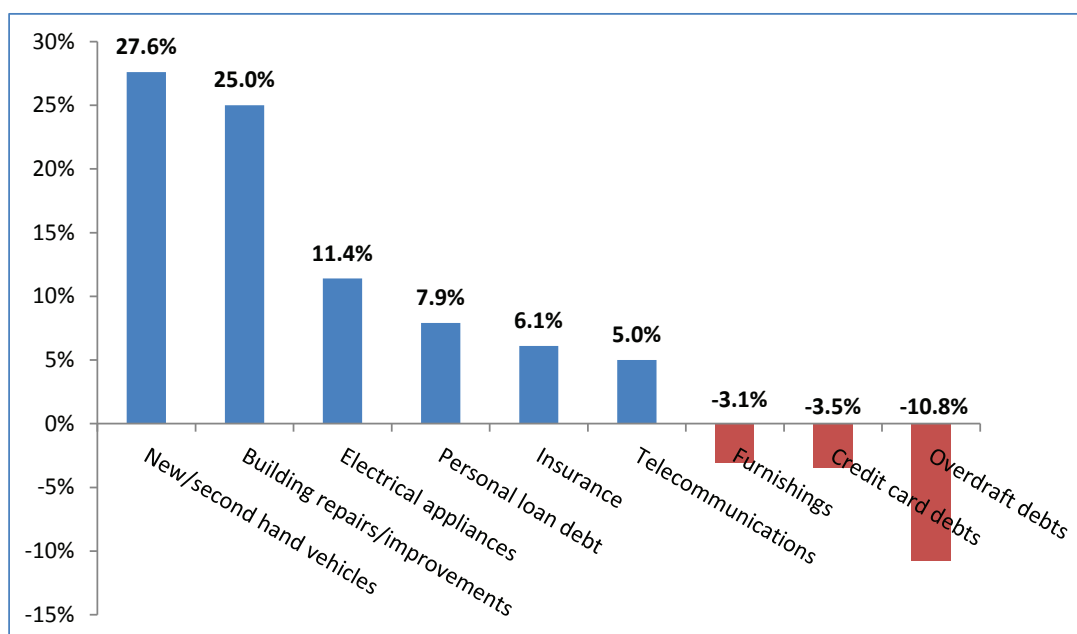
Figure 1 examines the most common types of consumer issues that clients seek advice on through the Citizens Advice service. The figure shows that personal loan and credit card debts are the most common consumer issues advised on across the service, followed by issues with energy and telecommunications companies. Cases from the Citizens Advice consumer helpline mainly concern consumer goods and services, with second hand vehicles, electrical appliances, and home maintenance all significant issues.

Figure 1: Top 10 consumer issues overall (number of new issues)



The Citizens Advice service also records the consumer issues that are increasing and decreasing over time in order to track consumer trends. Looking at the difference between the level of cases between quarter 1 (April-June) and quarter 2 (July-September), we can get an insight into consumer issues that may be causing increasing detriment. Figure 2 shows that cases concerning new/second hand vehicles and building repairs both increased significantly in the second quarter. This is likely to be a seasonal variation as car buying and house repairs are more likely in the summer months. It is worth noting that personal loan debt issues are increasing at the same time as credit card debt issues are decreasing, which suggests that consumer credit habits may be changing.

Figure 2: Difference between quarter 1 and quarter 2 issues



The Citizens Advice Consumer Helpline

The Consumer Direct telephone helpline transferred to the Citizens Advice service in April 2012 and became the Citizens Advice consumer helpline. The helpline advised on 25,045 cases from callers in Scotland during April-September 2012 (almost 200 per working day).

The Consumer Helpline records significant detail on the consumer cases that it deals with for consumers. The ten most common consumer issues advised on by the consumer helpline for callers from Scotland are shown in Table 1.

Table 1: Top 10 consumer issues in Consumer Helpline cases

Issue	Number of cases
Second hand car (independent dealer)	1,433
Second hand car (franchise dealer)	648
Upholstered furniture	599
Energy – information	500
Mobile Phones (hardware)	472
Mobile Phones (service agreements)	443
Leather furniture	435
Beds and Mattresses	430
Lap tops	427
Energy – billing error	426

The table shows that second hand cars and issues with furniture were the most common sources of complaints to the consumer helpline. Cases concerning second hand cars made up around one in ten cases dealt with by the consumer helpline, while cases concerning cars in general made up one in six of the total.

Table 2 outlines the issues that were more or less common for consumers in Scotland compared to Great Britain as a whole.

Table 2: Issues more/less common for consumers in Scotland

Issues <i>more</i> common in Scotland	Difference from GB (% of all issues)	Issues <i>less</i> common in Scotland	Difference from GB (% of all issues)
Leather furniture	+132%	Legal advice lines	-80%
Second hand car from franchise dealer	+86%	Accountants	-76%
Fitted bathrooms	+66%	Advertising agencies	-70%
Roofing	+58%	Car parking and clamping	-55%
New car from franchise dealer	+58%	Debt collection	-39%

Compared with callers across Great Britain, callers in Scotland were more likely to have an issue with a new or second hand car purchased from a franchise dealer. Conversely, callers in Scotland were less likely to have an issue with a car from an independent dealer.

Consumers in Scotland were more likely than the GB average to have an issue with specific household items or fixtures, including leather furniture, fitted bathrooms and roofing. Consumers elsewhere in Great Britain were more likely to have an issue with car parking and debt collection, which may be related to differing legislation between countries. For example, bailiffs do not operate in Scotland which may partly account for the difference.

Top consumer issues

Each quarter, Consumer Snapshot will examine three key consumer issues that are affecting clients and bureaux. These issues are chosen based both on the number of cases that consumers seek advice on and the amount of detriment that is caused. In this briefing, we look in more detail at the following issues:

- Cash voucher scams
- Pay day lending
- Energy bills

Cash voucher scams

An increasingly common scam involves companies encouraging consumers to purchase a cash voucher in return for a personal loan or reclaimed PPI payments. These cash vouchers are designed to enable consumers to use banknotes and coins to pay or send money on the internet and are provided by legitimate companies. They can be used by consumers without a bank account or consumers who are uncomfortable using their debit or credit card online.

A number of clients have been caught out by scams in which they are asked to pay for a cash voucher in order for a transaction to take place. The company then spends the voucher without providing the service they promised. The consumer helpline identified more than 50 clients who were affected by this type of scam during this period, but this is likely to be the tip of the iceberg as many victims of scams do not report their experience. Based on 33 clients who provided details on how much they had spent on vouchers, these consumers lost just under £10,000 in total at an average of £300 per person.

The following cases show examples of clients who have applied for, or been offered, a personal loan and been asked to buy a voucher to access the cash.

- ▶ A North of Scotland CAB reports of a client who applied for an unsecured loan of £5,000 from a website. The client was telephoned by the loan company who asked the client to pay £190 upfront using a cash voucher. The company explained that this was the first month's payment. The client bought the voucher, but did not receive the loan. The client telephoned the company and was told to pay a further £270 in order to receive the loan.
- ▶ The Citizens Advice Consumer Helpline reports of a client who received a cold call offering a personal loan. The caller said that someone would come to his house with a cheque for £3,900. All the client had to do was buy a cash voucher for several hundred pounds. The client and her husband were suspicious of the caller and called for advice.

- ▶ A South of Scotland CAB reports of a client who applied for a loan from a website and was promised a loan of £1,800 if he deposited £450 with them. The client required the loan for a deposit on a private rented flat. The client was required to buy a £450 voucher to make the payment for the loan. The client has now been told that the company can't lend to him until he deposits another £200. The client was advised to apply for a Crisis Loan.
- ▶ The Citizens Advice consumer helpline reports of a client who was offered a loan of £1,800 if the client paid £450 in cash vouchers. The lender gave the client the name of a legitimate company who were unaware of the client.

Consumers report receiving cold calls which claim that the consumer is entitled to a sum of money if they buy a cash voucher. These alleged sums of money can include tax rebates, refunded bank charges, and PPI awards. These scams work in the same way as the personal loan scams, but are more likely to originate from a cold call to the consumer.

- ▶ A North of Scotland CAB reports of a client whose elderly mother received a cold call to say that she was entitled to a tax rebate of £8,000. She was told that she had to buy a cash voucher (which she had obtained) to give to the person who would arrive between 3 and 4pm with her cheque. The client was advised to contact the police as HMRC do not send refunds in this way. The client phoned back to say that the people had come to collect the voucher early before the police arrived.
- ▶ The Citizens Advice consumer helpline reports of a client who received a cold call from a claims handling company claiming that they would get her £500 in refunded bank charges if she bought a cash voucher for £200. The company told her not to speak to any bank officials.
- ▶ An East of Scotland CAB reports of a client who received a call claiming to be from his bank offering a PPI award of £3,160. To receive the award, the client was to make a payment of £275. The client paid for a cash voucher for £275 the next day and was assured that somebody would come to her house with the full award at 5pm that day. At 5:20pm, the client received another call asking for £316 for tax reasons.

Payday lending

Payday loans are a significant issue for clients both in citizens advice bureaux and on the consumer helpline. During this quarter, clients sought advice on 7,851 new personal loan debt issues, with at least 1,200 identified as payday loan debts. Clients also sought advice on payday loans through the consumer helpline.

While much of the debate surrounding payday lending centres on the high rates of interest that lenders commonly charge, there are other industry practices that can cause serious problems.

A common complaint from consumers is that they can be mis-led into entering agreements on payday lending websites. Consumers report that they thought that they were giving their details online in order to get more information or to prove their identity. In some cases, such as those below, the consumer can instead be signing up to a service and agreeing to pay a fee without their knowledge. Customers also report that they can then be chased for repayments on a loan they didn't receive.

- ▶ The Citizens Advice consumer helpline reports of a client who gave his details to a payday lender thinking that this was for identification purposes. He has now discovered that he had become a member and they have taken a fee via his debit card. The client maintains that he was unaware that he was signing up to anything or that he was required to pay a fee.
- ▶ The Citizens Advice consumer helpline reports of a client who searched for payday loans on the internet. The client gave his details on one website but received no verification that he had been successful. The client then discovered that £69 had been taken from his account by the lender without the client receiving a loan. The client has young children and now has very little money in his bank account.
- ▶ The Citizens Advice consumer helpline reports of a client who gave his details online for information on a payday loan. The client is now getting multiple calls and emails from companies offering him loans. He has recently received letters from the original loan provider claiming that he owes them £900. The client did not apply for or receive a loan from the lender. The client has given the trader 10 days to stop harassing him or he will report them to Trading Standards.
- ▶ The Citizens Advice consumer helpline reports of a client who is being chased for payments despite never receiving the loan. The client applied for a payday loan, but the funds were not transferred to the client's bank account. The trader is requesting repayments.

Consumers who are struggling to repay payday loans can report poor practice from lenders who often refuse to arrange or to follow payment plans. Consumers report that lenders continue to take ad-hoc payments from their current accounts despite knowing that the debtor is struggling to make payments.

- ▶ The Citizens Advice consumer helpline reports of a client who tried to arrange a payment plan when he was unable to repay a payday loan. The client was told to wait until the due date had passed and then call. The client then arranged to pay £35 every two weeks. However, the lender continued to take various amounts from the client's account without telling the client, including one payment of £160 and three payments of £10.
- ▶ The Citizens Advice consumer helpline reports of a client whose lender would not agree to a repayment plan. The client has a payday loan which he realised he would not be able to repay due to financial difficulties. He contacted the lender to make them aware of his situation and to make a repayment plan. The lender refused to do so and added more charges to the client's account.
- ▶ The Citizens Advice consumer helpline reports of a client who agreed an extension on her payday loan with her lender. It was agreed that the lender would not take any more money until then. However, after the client's tax credits were paid, the lender took £57 from the client's account without warning.
- ▶ A South of Scotland CAB reports of a client who the bureau are struggling to assist with their debt due to the actions of a payday lender. The lender has been repeatedly taking small amounts of cash from the client's account – taking £10 on seven occasions. This will cause the client to incur additional overdraft charges.

Energy bills

Between April and June 2012, there were 2,474 new energy issues brought to bureaux and 847 calls to the consumer helpline regarding energy. These issues include debt and arrears, incorrect billing, customer service complaints, problems with prepayment metres and questions about extra financial help in meeting their bills.

Of the calls to the Citizens Advice consumer helpline regarding energy, 29.8% were to do with billing errors. These calls included issues where there was a lack of clarity about the bill, problems with back-billing or "catch-up bills" where new bills are sent out after a meter reading takes place. Billing errors also include cases where the customer was not responsible for the bill or for the debt on the account. A further 30.3% of calls were requests for information, including energy efficiency advice and information on pricing of tariffs.

Of the issues brought to bureaux, 804 were to do with fuel debts, 1,636 were issues regarding regulated gas and electricity and 34 were about non-regulated fuel such as coal or oil.

The majority of issues brought to bureaux concerning regulated gas and electricity (44%) were enquiries about the warm homes discount. A further 21% were regarding billing or meter reading and 11% were about charges. Some of the most serious issues that were brought to bureaux or the helpline over the quarter were to do with support for vulnerable consumers.

- ▶ A West of Scotland CAB reports of a client who has an outstanding bill from her supplier of £300 and has received a disconnection notice. She is severely disabled having suffered a massive stroke, and has been advised that energy companies are not allowed to disconnect vulnerable customers. However, she has been unable to verify whether this is in fact the case. She has made clear to her supplier that she is seriously disabled, and offered to pay £50 a month, but says this was refused. They also wish to install a prepayment meter (and charge her £100+ for this). The client is very concerned about being disconnected and her landlord's reaction if the company tries to install a prepayment meter.
- ▶ An East of Scotland CAB reports of a client who is receiving sickness and disability benefits and wants to apply for the Warm Home Discount. The energy company which provides her with electricity advises that this has to be completed online, however the client does not have a PC at home, has no internet access and has mobility issues which make it difficult for her to leave the house.
- ▶ An East of Scotland CAB reports of a client who is registered blind and lives alone. The client pays for her electricity by monthly direct debit. The client's meter has not been read since January 2012 and her recent electricity consumption review was based on an assessed reading rather than an actual reading. As a result her monthly direct debit payments have increased from £100 to £150. The client wanted help to contact her supplier to ask for an accurate reading. However the adviser was told that the supplier no longer provided meter readers and suggested the client arrange for her meter to be read by a friend or family. The client has no local friends or family and is unable to read the meter because of her reduced vision.

Citizens Advice Scotland and its member bureaux form Scotland's largest independent advice network. CAB advice services are delivered using service points throughout Scotland, from the islands to city centres.

The CAB Service aims:

to ensure that individuals do not suffer through lack of knowledge of their rights and responsibilities, or of the services available to them, or through an inability to express their need effectively

and equally

to exercise a responsible influence on the development of social policies and services, both locally and nationally.

The CAB Service is independent and provides free, confidential and impartial advice to everybody regardless of age, disability, gender, race, religion and belief and sexual orientation.

www.cas.org.uk

info@cas.org.uk

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Produced by The Scottish Association of Citizens Advice Bureaux -
Citizens Advice Scotland (Scottish charity number SC016637)
Spectrum House, 2 Powderhall Road, Edinburgh EH7 4GB
Tel: 0131 550 1000

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