

trading information

**the case for a one-stop-shop information service based on the
track records of traders**

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The National Consumer Council is a consumer policy and research organisation with a special focus on the needs of disadvantaged consumers. We look for the big consumer issues of the future and lobby to shape today's consumer policy debate. We are independent of government, but benefit from a close working relationship, pressing our case in a way others cannot. And we have sister organisations in Wales and Scotland, and strong links in Northern Ireland, providing a good basis for us to represent all consumers in the UK and in Europe.

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- **Develop markets and public services that work for everyone by finding the right balance between free markets, regulation and self-regulation;**
- **Create smart, streetwise, skilled consumers by promoting access to high quality education, information and advice;**
- **Provide solutions to the problems of exclusion by tackling the barriers that put goods and services out of reach;**
- **Ensure decision-makers everywhere are consumer aware by strengthening consumer representation;**
- **Achieve the right balance between innovation and consumer protection by improving the understanding, communication and management of risk and uncertainty.**

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Summary and recommendations

This report will be of interest to policy-makers in central and local government, researchers, enforcement agencies, service providers, business and other organisations interested in the relationship between consumers and service providers, and those interested in consumers' information needs more generally.

Objectives

The report makes the case for a one-stop-shop information service based on the track records of traders. We present a possible model for such a service based on consumer research and best practice from current initiatives that aim to help consumers choose competent and reliable traders (see *Methodology* in Appendix 1). We set ourselves the following objectives:

- To learn about the problems consumers face when choosing traders
- To find out what help is currently available to consumers when choosing traders,
- To explore the consumer decision-making process when choosing traders and to assess the effectiveness of initiatives that aim to help consumers make more informed choices
- To establish what information consumers want to know about traders when choosing traders and how they want to access this information
- Drawing on the experience of others and our evidence of the consumer demand, to offer a possible model for an information service that will help consumers to choose competent and reliable traders.

The consumer case

Armed with the right information, consumers can be a powerful force for changing and shaping markets. But consumers experience problems getting hold of the right information, find it difficult to compare the details of products and services, and find the available information insufficient, too copious or hard to understand. According to Office of Fair Trading (OFT) records the home improvements and second-hand motor trades sectors produce the most consumer complaints. Existing enforcement tools and consumer protection legislation on their own are not sufficient safeguards against certain trader practices.

How well a business has treated its customers in the past is a useful indicator of how well it will perform in future, but consumers do not have easy access to information about traders' track records. Some information that consumers would find useful is in the public domain, but it is held by a variety of agencies. Awareness is low and consumers cannot be expected to check each source in turn. What is needed is a service that unites this information at a single reference point and makes it easily available to the public.

Our consumer research for this report reveals a substantial fear of rogue traders. Consumers feel in the dark about where to go to get advice about choosing competent and reliable traders, which they often see as a matter of 'pot luck'. Consumers currently rely largely on word of mouth and their own intuition when choosing traders, and conduct little research above this. When a personal recommendation is not available, consumers recognise the limitations of their research methods and appreciate the value of knowing traders' histories before committing to a purchase.

Consumers want to know positive and negative information about traders, including both hard facts and the opinions of previous customers. The information should be comprehensive, up-to-date, and cover as many businesses as possible. Consumers want a summary of the key information about traders but they want it to be supported by detail. They want information to be tailored to their individual circumstances and be easy to use. Consumers want a single source of advice delivered by an authoritative provider through a variety of access points. This includes using intermediaries to help them to interpret the available information.

Current initiatives

In North America, the Better Business Bureau offers a model for a solution. Consumers may contact their local bureau to obtain business reliability reports, which give companies a satisfaction rating based on their marketplace behaviour. The model is attractive because it makes business accountable for performance and encourages the marketplace to police itself and maintain standards. Distinguishing between well performing and poorly performing businesses in this way empowers consumers to make informed choices and play their part in shaping markets. It seeks to prevent problems before they occur rather than trying to solve them later, by informing consumers' pre-purchase decisions.

The National Consumer Council's (NCC) snapshot of UK schemes that aim to help consumers make informed choices reveals a large degree of variety in what they try to achieve, the information they record, how they present the information and how the schemes are delivered to consumers. We also identified a spectrum of providers

ranging from government and trade associations to private enterprise. And, there are usually partnerships between two or more types of provider.

We are impressed with the degree of good will and ingenuity in the schemes we considered. However, they are too few in number and often regional in reach, with large parts of the country not covered. We do believe there is a need for a solution with national coverage and standards, delivered locally. Any solution should build on existing good practice and seek to overcome the challenges current initiatives appear to commonly confront, namely:

- achieving a good coverage of businesses;
- cost; and
- some uncertainty about legal issues to do with defamation, data protection and privacy.

A future model

We offer a possible model for a future information service. We do not claim this is the definitive or only solution. However, it reflects our thinking on what we consider is the best approach, based on our evidence of the consumer demand and good practice from current initiatives. The essence of the model is a central information repository about traders' performance. Information about individual businesses already in the public domain but currently held separately by different agencies (for example, County Court Judgements or prosecutions) would be combined with information businesses have the opportunity to submit themselves (for example, qualifications or membership of a trade association with an OFT approved code of practice). We also envisage a system whereby consumers feed their own experience of traders into a business's file. Consumers would access the service by internet, telephone or an advice centre. Any solutions must be made as accessible as possible to disadvantaged consumers, who may not be the natural first users of such a service. To this end, special effort should be given to targeted publicity, giving help with interpreting information and making the service user-friendly.

A call for action

We believe our proposals would have benefits all round. The potential scale, including financial cost, of such an information service is huge but the flaws in the current systems are costly. The emphasis of our model is on preventing problems before they occur. There clearly exists a change environment in which the problems consumers face are recognised, there is genuine commitment to finding a solution and

large amounts of money are being invested to deliver one. Unfortunately, the schemes tried so far have not been successful in achieving their objectives, especially in their failure to gain the support and participation of business. The key to success lies in working in partnership and adopting a more strategic approach. Our research has uncovered numerous good and well-intentioned schemes, which now need to be rationalised and joined up. Individual initiatives could achieve more by combining their resources than by working alone. We call on government to lead a collaborative approach to turn our ideas into reality.

Recommendations for:

The Department of Trade & Industry (DTI)

- The DTI should ensure that the findings of this report become an integral part of its related initiatives, such as Consumer Direct, Consumer Support Networks and the Builders Quality Mark.
- The DTI should work towards a joined-up approach that will enable it to capitalise on the progress made in separate initiatives on cowboy builders, car servicing and codes of practice.
- The DTI should provide the leadership, in partnership with its stakeholders, to drive this initiative forward. At the heart of government, the DTI is ideally placed to carry out this role.
- As a first step the DTI should take forward a debate that should tackle the issues this report raises and address how practical solutions can be achieved.
- The DTI should make available for a future service, information it holds about traders, for example, information on winding up businesses and action on pyramid selling laws.

The Office of Fair Trading (OFT)

- The OFT should integrate its convictions register and information about Stop Now Orders and other actions into a public information service.
- As part of its strategy for promoting its new codes approval regime, the OFT should draw up plans to integrate information about code membership into an information service. The aim should be to alert business to the benefits of putting forward membership of an OFT-approved code for inclusion in a public information service.

Trading Standards departments

- Trading Standards regions should bid to become 'pathfinders' in the Consumer Direct initiative in order to pilot the information service.

Consumer Support Networks

- Consumer Support Networks should apply for project funding to develop an advice model for the information service.

Information providers

- Organisations that hold information about traders' track records should pledge to combine their resources at a single reference point.

Business

- Business organisations and trade associations should engage in the debate. They should encourage their members to recognise the benefit of consumers knowing information about traders' track records, and to participate in a future information service.

The NCC's role

The NCC does not see this report as the end of our work on these issues. While we do not have the resources to implement an information service ourselves, we see our role as acting as a catalyst for change. This means shaping the debate from the consumer perspective and lobbying the range of stakeholders to act on our ideas.

1. The consumer case

In order to make purchasing decisions that best meet their needs when choosing service providers, consumers need to have the right information at their disposal. Armed with the information to make the most appropriate choices, consumers can be a powerful force for changing and shaping markets. Government and business can benefit from well informed consumers too. With better information, consumers can act more confidently and rationally, and that, in turn, makes markets operate more efficiently.

Problems consumers face

National Consumer Council (NCC) research across a range of policy areas reveals that markets are failing consumers because of information problems. Consumers experience problems getting hold of the right information, find it difficult to compare the details of products and services and find the available information insufficient, too copious or hard to understand (1).

The OFT has acknowledged that ‘significant’ consumer detriment occurs as a result of imperfect information (2). Of the 90 million unsatisfactory transactions that the OFT estimate occur annually, the home improvements and second-hand motor trades constitute the two largest sectors for consumer complaints. Our consumer research also found that problems most frequently occur with traders working in these areas. At the worst end of the scale, consumers suffer from shark practices at the hands of the rogues (3). By shark practices we mean unfair methods of trading used by dodgy dealers to take advantage of consumers. Existing enforcement tools and consumer protection legislation on their own are not sufficient safeguards against certain trader practices.

If consumers are to put their trust in a business like a builder, plumber or mechanic, they need to be reassured of the business’s integrity, competence and solvency. How well a business has treated its customers in the past is a useful indicator of how it will perform in future. However, consumers do not have easy access to information on businesses they are choosing between. There is little help available to consumers in identifying and avoiding dishonest or incompetent traders, or equally, identifying and choosing honest and competent traders. Currently, consumers have little way of knowing whether the business they choose has a problematic trading history (see box 1 - Claire’s story).

However, information about traders that consumers would find useful is already available in the public domain, for example, whether they have any County Court

Judgements or other prosecutions, trade association membership, and so on. We believe consumers could act more confidently when choosing traders if they had these sorts of information at their disposal. But, the information is held by a variety of agencies, awareness among consumers is low and consumers cannot be expected to investigate each source in turn. What is needed is a service that unites this information at a single reference point and makes it easily available to the public.

Box 1 – Claire’s story

Because of planning permission delays on her house extension, Claire lost her slot with her recommended builder. Unknown to her at the time, the builder she got at short notice had a string of County Court Judgements and many unhappy customers. The job was a disaster. She ended up paying another builder £30,000 to put it right and finish off her extension. The family now cannot afford to live in their home. And after two years of misery, Claire’s health is in tatters.

Claire did not know who to avoid and there are no means of stopping that builder ruining more lives.

The consumer demand for an information-based solution

Our consumer research (see Appendix 1 for methodology) suggests both a need and demand for an information-based solution. First, there is substantial anxiety about using traders. In our joint survey with BBC Watchdog and the Trading Standards Institute (TSI), 22% of respondents said the thing they would consider first when needing a builder to carry out repairs on their home was: ‘Will I get ripped off?’ This was almost equal in importance to ‘How much will this cost me?’ (23%) and figured far more prominently than considerations of speed (11%) and punctuality (1%). In our qualitative research, our focus group respondents were conscious of the reality of rogue traders and were keen to take steps to ensure they would not be caught out. However, there was little confidence in the systems in place to deal with the rogues. Consumers feel in the dark about where to go for advice and some believe choosing reliable traders is a matter of ‘pot luck’.

Traders from Hell.

It’s so scary.

It’s outrageous. (18–35 female, no children, lower income – Slough)

Second, our evidence of how consumers currently choose traders shows consumers already look for evidence of good past performance when making purchasing decisions. Decisions are most confidently made when a trusted source makes a recommendation based on a previous good experience. Our focus group respondents were very supportive of the fictional information service we presented (See Appendix 2), appreciating the value of researching the history of traders before committing to a purchase. When asked to use our fictional information service to compare traders

with different track records, consumers were unanimous in who they would choose, and why:

If a builder has ripped people off and he's had CCJs against him you can say 'well, I know which one I'll go for'. He's got a clean bill of health that's the one you're going to go to.
(40 plus male, with basic skills difficulties – Newcastle-under-Lyme)

I think the bottom line is, the more information, the more informed you can feel you are, and therefore hopefully the more informed your decision is, the more comfortable you're going to feel. (35-60 male, with/without older children, lower income – Bushey)

How consumers currently choose traders

To develop a solution that meets consumers' needs requires an understanding of how consumers currently go about choosing traders. The best solution should not involve consumers in changing their behaviour, but instead should fit in with existing behavioural patterns. Previous NCC work on this subject illustrated the complexity of the decision-making process (4). Factors underpinning consumers' choice were identified as: the level of mental and emotional engagement consumers have with the product or service they are making decisions about; their perceptions of the risk involved; their use of shortcuts or rules of thumb to guide decision-making; the value they put on personal time, speed and ease of decision-making; and their reluctance to switch suppliers, particularly in long-term relationships, because of the element of hassle involved.

The dominant theme of the consumer research we conducted for this report is how consumers rely largely on word of mouth and their own intuition when choosing traders. Our respondents told us that family and friends could be trusted not to point people in the wrong direction and have nothing to gain by giving a false lead. And a bad experience serves as a warning to stay clear.

When a personal recommendation is not available, consumers recognise the methods and sources they use currently are limited in value and may lead to inappropriate choices. In fact, despite an underlying climate of mistrust in the consumer-trader relationship, consumers currently do not go to great lengths to learn about traders before making purchasing decisions. This passivity may be explained by a number of factors, including a lack of awareness and availability of alternative information sources, a sense of helplessness, a shortage of time and when a decision has a low risk attached.

For different reasons, the elderly, people living in rural areas, people with low incomes or the unemployed, and people with basic skills difficulties are potentially

disadvantaged when employing traders. More so than other people, these consumers place greater reliance on recommendations from a trusted source and their own intuition when choosing traders. However, considerations of cost are the primary decision-making factor for consumers with low incomes or the unemployed, even if it means risking poor quality and employing firms with unsatisfactory trading histories.

Plumbing, electricians, they just charge you the basic rate. So that if you can get it done cheaper and if it means going to the cowboys then that's obviously going to be the case.
(Younger, unemployed female, Liverpool)

Consumers' information values

Our research identified some of the values consumers would like an information service to achieve, which we list below. These values are consistent with best practice in initiatives we have considered that aim to help consumers choose competent and reliable traders (see chapter 2. *Current initiatives*). The values are:

- A single source of relevant information: our focus group respondents saw the value of the range of information about traders that is available. But they did not feel the time and effort involved in making a number of separate enquiries at different resource points would be sufficiently rewarded. Consumers reacted positively to the TS Interlink proposals (see page 35) and the fictional information service because they pulled together relevant information in one single source – this was seen to minimise the effort and maximise the information reward. Having a single source of relevant information also helped consumers build up an overall picture of a trader's track record, and they could easily make comparisons between traders based on a common template of information.

...if there was a sort of way that each company had to provide you with a certain amount of information or there was one source you could go to, personally I don't think I would have the time to approach 5 or 6 different sources to find out about maybe 15, 20 companies that I'd want to go and approach. (18-35 female, no children, lower income – Slough)

- Comprehensive information: an overall picture of a trader's track record requires as many pieces of the jigsaw as possible. If key information that could place doubt on a trader's integrity or competence were missing, this would weaken the credibility of the information that was available.
- A balance of positive and negative information: our focus groups told us they wanted a rounded view – to be able to appreciate points both in favour and against potential suppliers. They wanted to have some guidance in whom to both exclude

from and include in their shortlists. In our joint survey with the Trading Standards Institute and BBC Watchdog, when asked what sorts of information they would like to see in an information service about traders, 52 per cent of consumers selected options that were positive and 48 per cent chose negative options.

- A balance of hard and soft information: the focus groups wanted a combination of factual information (for example, enforcement action, qualifications) and opinion-based information (for example, previous customers' comments).
- A summary of key information, supported by detail: a shortage of time to make decisions means that consumers want the key pieces of information to make an informed choice, without being swamped by unnecessary detail. However, they also want the option to pursue detailed information, should they wish to do so.
- User friendly information: consumers want information to be presented clearly, simply and be easy to navigate, so that it is accessible to all. Consumers with basic skills difficulties especially stressed this point, but it was an important issue for all groups.

And whatever language this is finally written in, if it does come about, it has got to be acceptable and understood by all aspects of the population, from the young to the very old.
(Retired man, higher income – Slough)

- Information tailored to consumers' individual needs.
- Up-to-date information: if a trader had been subject to a series of enforcement actions since the information consumers' are given was last updated, this would weaken the credibility of the information that was available.
- Help with interpreting information: consumers need to know the meaning of the information presented, some of which may be interpreted both positively and negatively, in order to make informed choices. Further, we would not wish consumers to exclude from their shortlists traders who suffer one black mark over a lengthy trading history. The less self-confident of our sample wanted someone they could trust to navigate them through the information, interpret for them and make recommendations. This was particularly the case with the elderly and consumers with basic skills difficulties, who recognise their vulnerability to being ripped off by rogues and who have less confidence in their own skills.

- An authoritative source: consumers want the information provider to be independent, trustworthy, authoritative, high profile and to act in the consumer interest. For many, this meant information should come from an ‘official’ source.

I'd trust it more if it was a Government thing, I don't know why. You know, other than a private company doing it. (25-45 Female, single or partnered with younger children, higher income – Bushey)

- A universal coverage of businesses: consumers were sceptical that problem traders would always slip through the net of even the best-run schemes. They anticipated being frustrated if they could not find information about a business they intended to hire.
- Available through a variety of access points: consumers have different preferences about accessing information, depending on their skills and individual circumstances. The internet, telephone and advice centres were the preferred communications channels.

2. Current initiatives

Better Business Bureau

The problems faced by UK consumers are not unique to this country. The Better Business Bureau, which operates across North America, offers one model for a solution. If a consumer in the US wants to check out a business before deciding which to use, they may contact their local bureau by telephone or through the internet to obtain a business reliability report. The reports give businesses a satisfaction rating based on their performance in the marketplace, which can alert consumers to a history of unanswered or unresolved complaints, law enforcement actions and advertising violations. There are only three ratings: *satisfactory*, *no rating* and *unsatisfactory*. Other services offered to consumers include dispute resolution and advice on a range of topics.

The Better Business Bureau operates on a vast scale. It gets 12–13 million requests across North America for business reliability reports annually – this is a pressure business cannot afford to ignore. The Better Business Bureau reports on members and non-members, but membership of the bureau is prized by business and depends on continued compliance with local, state and federal regulations and adherence to the bureau's rules on ethical business practices. The Better Business Bureau model is attractive because it makes business accountable for performance and encourages the marketplace to police itself and maintain standards. Distinguishing between well performing and poorly performing businesses using a simple satisfaction rating empowers consumers to make informed choices. It seeks to prevent problems before they occur rather than trying to solve them later, by informing consumers' pre-purchase decisions.

A more detailed summary of Better Business Bureau activities is provided in Appendix 3.

UK initiatives

As part of our research for this project, we asked a range of organisations to inform us about initiatives in their sector that aim to help consumers choose competent and reliable traders. A snapshot of relevant initiatives is provided in Appendix 4. In Table 1, we assess these initiatives against consumers' information values.

Most of the schemes we came across are relatively recent initiatives. While we did not attempt to quantify the volume of schemes in operation, the number we came across was small. Schemes are mainly based regionally, and large parts of the country

are not covered, so we believe there is a need for a solution with national coverage and standards, delivered locally. We think there is a great deal of good will and ingenuity in the schemes we were able to consider. One of our first conclusions, therefore, is that we should learn from existing schemes, and not try to ‘re-invent the wheel’. In developing our model, we have incorporated the best elements of these schemes where it is consistent with our qualitative research findings on what consumers want to know about traders.

Second, the degree of variety between the schemes is interesting. The type of information they record is characteristic of this – schemes may record official information, report the opinions of others, measure performance against key indicators, or produce a list of businesses that meet certain criteria. There are different ways of presenting this information. Some make recommendations through league tables, charts, star ratings or approved lists, while others do not attempt to make recommendations at all. There are also different access points for consumers, ranging from telephone call centres, websites, public access points and mailings. The type of organisation providing this information also varies, ranging from government to trade associations to private enterprise, and there are usually partnerships between two or more organisation types.

Usually, schemes seek to record *either* positive *or* negative information about traders. Most commonly, schemes define what constitutes a reliable trader and include on an approved list businesses that meet a set of criteria reflecting this definition. However, we found inconsistency in the robustness of entry standards and monitoring systems, even between similar types of scheme (for example, those run by trading standards departments). Schemes that record negative information about traders are more rare. However, our qualitative research suggests consumers want a more rounded view, to be able to appreciate points both in favour and against potential suppliers.

We identified a number of good features from different schemes that our model should try to emulate. A successful element of some schemes is their utilisation of local knowledge and how they tailor their output for local communities, or even specific sections of communities. The best ‘approved trader schemes’ set strict criteria for membership and have robust monitoring systems to ensure member businesses remain committed to and practice these standards.

Some schemes try to combine factual information with the reported experiences of consumers, which fits the consumer demand our research identifies for a combination of ‘hard’ and ‘soft’ data. Our research also identifies the wish for information about traders to be pooled and made available at one source – TS Interlink, if it achieves its aims, will come closest to this ideal. We were impressed with schemes that establish

partnerships with a range of stakeholders. These partnerships lend expertise, independence, and therefore credibility, to the schemes. Good schemes present the information clearly, are imaginatively publicised and make their services available to consumers through a variety of access points, not just through the internet. As well as presenting the information clearly, the best schemes explain how to use the service, define terms and make clear the limitations of the information. Lastly, some schemes include a dispute resolution and/or warranty element, which provides recourse to consumers should problems occur with a member business.

Common problems the schemes face suggests barriers our model will need to overcome. The most common difficulty seems to be achieving a good coverage of businesses. Often, this problem persists despite schemes enjoying the backing of trade associations. Some schemes try to overcome this by offering services back to business in return for their membership. A further problem is that many of the schemes we saw are costly to operate. Moreover, the costs of publicising the scheme to ensure take up by both consumers and business are also prohibitive. In our discussions with scheme sponsors we identified some uncertainty about legal issues to do with defamation, data protection and privacy, and a reluctance to act as a consequence.

Table 1 – Assessment of UK initiatives against consumers’ information values

	Quality Mark	OfTel CPI	TS Interlink	Golden Spanner	Surrey TS	Home Services	SNIFE	THES	Reference Line	Trade Register
Single source of information			●					●	●	
Comprehensive	●	●	●	●			●	●	●	
Positive and negative		●						●	●	
Hard & soft		●							●	
Summary and detail			●						●	
User-friendly	●	●		●	●	●	●	●	●	●
Tailored	●		●	●		●	●		●	●
Up-to-date	●	●	●	●	●		●		●	
Interpreted	●	●			●	●			●	
Authoritative provider	●	●	●	●	●	●		●		
Coverage		●					●	●		●
Publicity	●	●				●		●	●	●
Two ore more access points	●	●		●			●	●	●	●
Business incentives	●								●	

(for further details, see appendix 4)

Examples of good practice from existing and planned UK initiatives

See Appendix 4 for fuller descriptions of these initiatives.

A single source of relevant information – TS Interlink (Trading Standards Institute)

The Trading Standards Institute is developing an integrated national database of trader profiles, bringing together factual information about traders (for example, stop now orders, civil injunctions, County Court Judgements, trading standards warnings) held by different enforcement agencies. By pooling their resources the different partners are creating a more effective enforcement tool.

A balance of hard and soft information – Comparable Performance Indicators (Ofstel)

Ofstel has developed a set of Comparable Performance Indicators (CPI's) for a range of telecommunications services. The indicators are based on a combination of (hard) statistical data (order completion, faults, fault repairs, complaint handling, billing) using agreed procedures which are independently audited and checked for comparability, and (soft) customer satisfaction surveys conducted by independent market research companies.

Publicity – The Trade Register

The Trade Register publishes directories of recommended, vetted and monitored local trades and services. 50,000 directories are printed every month, which are delivered by Royal Mail to homes and businesses in local communities. The directories are also imaginatively distributed elsewhere, for example, in supermarkets, hair salons and through Age Concern.

Disadvantaged focus – The Home Services Directory (Age Concern York in partnership with City of York Trading Standards, Safer York Partnership & North Yorkshire Police)

The Home Services Directory was set up to provide older people and other vulnerable people with a list of traders who operate in a fair and honest way and maintain consistently good standards of workmanship. The traders are issued with ID cards and pledge to prioritise work for older people.

Give something back to business – Referenceline

Referenceline operates a register of firms that are rated according to consumer feedback on their personal experience of member businesses. The Referenceline website shows the consumer's unedited hand-written comments and scores out of ten for quality, service and value. Referenceline sends businesses regular reports to help them manage their businesses more effectively. These reports include: printed copies of the web pages, confidential reports analysing individual employees' performance and customers' suggestions for improvement.

3. A future model

Below we offer a possible model for a future information service. We do not claim this is the definitive or only solution, but it reflects our thinking on what we consider is the best approach, based on our evidence of the consumer demand and good practice from current initiatives.

How it would work

The core of the service is a central repository of information about traders' past performance. Consumers could access files on individual businesses through the internet, by telephone or at advice centres, where they could obtain person-to-person advice. Existing channels and new initiatives, for example Consumer Direct and Consumer Support Networks, would be used to deliver the service. New initiatives are ideal because new systems can be built into their designs, and it would be a matter of working procedures for data to be collected for this purpose.

An intermediary responsible for collating, verifying and holding the information in a central database would collect two levels of information. Information about companies that is already in the public domain, but currently held separately by different agencies, would be regularly submitted. This information mainly consists of enforcement action of various kinds (for example, County Court Judgements, prosecutions). On a second level, individual businesses would have the opportunity to submit information. This information would be positive (for example, qualifications, membership of professional associations, financial probity). Businesses would also have the opportunity to allow their customers to comment on their performance (see Referenceline page 38). This builds on the existing behavioural pattern of consumers to rely on the personal recommendation of others when choosing traders.

Box 2 - March, 2004...

Sam and Jenny have recently moved into a new house in Southampton. They decide to replace their front windows, but being new to the area, do not know of a reliable business to contact. After looking through the phone book they contact some local businesses, which visit their home and give some quotes. Having narrowed their choice to two, they telephone Consumer Direct to check out the business's track records. The first business has received two warnings from the local trading standards department and a county court judgment, all in the last three years. The second business has a clean track record, and its last two customers have reported a good standard of workmanship and courteous service.

Table 2 shows the type of information the database would hold. In Appendix 5, we assess the usefulness to consumers of this information, and chart 1 illustrates the process.

Meeting the needs of disadvantaged consumers

Our in-depth interviews with unemployed consumers and consumers with basic skills difficulties raise important implications for the model. One of the issues raised by the research is that the potential first-wave users of the sort of information service we propose are likely to be the 'advantaged'. Of course, one reason is that these people have greater financial capability to carry out the larger home improvement jobs that the service might primarily be used for. In addition, the advantaged tend to be more comfortable with researching projects through accessing, filtering and understanding information, and are likely to have access to a greater range of information sources through the internet. If the advantaged use the service but the disadvantaged do not, this might serve to widen the 'advantage gap'.

However, this is not to say that disadvantaged consumers would not use the service. Our sample were aware of their vulnerability in this area and were appreciative of help:

If I got something like this to give me the information I'd feel safer. (Older male with basic skills difficulties, Newcastle-under-Lyme)

With this in mind, it is crucial to make the information service as accessible as possible to disadvantaged consumers so that they may use and extract maximum benefit from it. This also raises wider issues about how to make reliable traders an affordable option for disadvantaged consumers. Our research has only scratched the surface about understanding how the needs of disadvantaged consumers can be met in this policy area. We urge organisations with an interest in the subject to conduct future research through a 'disadvantage lens'. However, our evidence of the decision-making processes and information needs of disadvantaged consumers, suggests the model should address the following points:

- **Targeted publicity:** use innovative publicity to convince disadvantaged consumers of the benefits to them of using the service. It will need to make clear that the service is not a list of expensive traders.
- **Access:** deliver the service through an intermediary who may offer advice and interpretation as well as information, for example using advice centres, IT learning centres and telephone help-lines.
- **User-friendliness:** use plain language and be simple to navigate.
- **Highlight relevant information:** for example, price brackets and flexible payment methods.

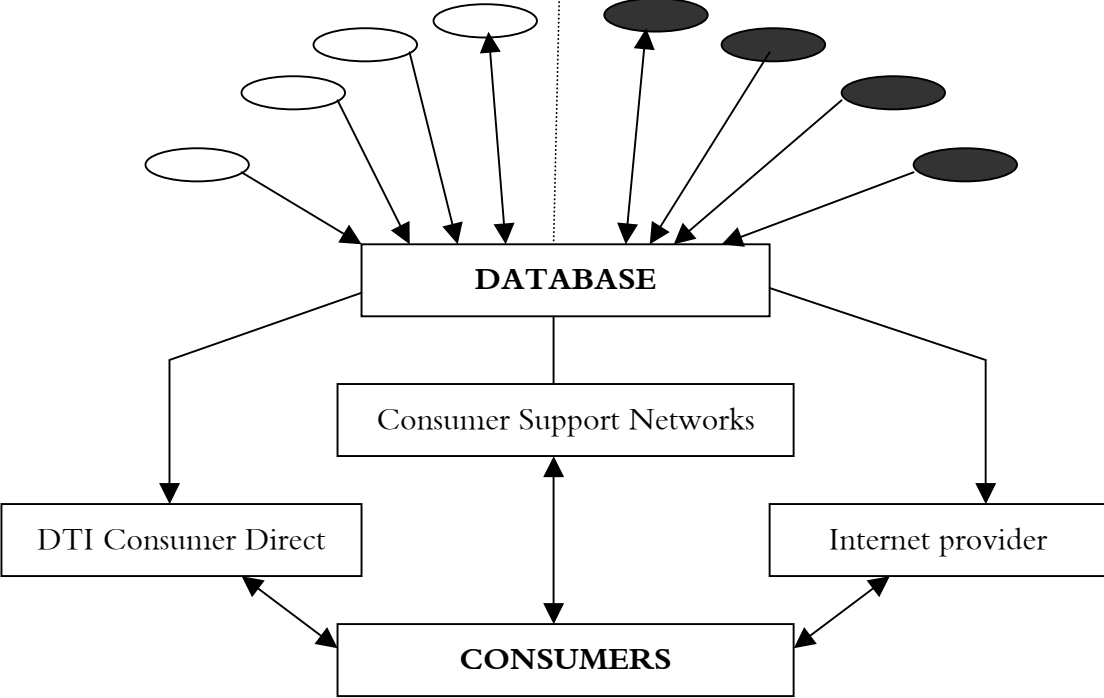
Table 2 – Information the service would record

Type of information	Level	Provider	Positive/Negative
Contact details of business	1	Trading Standards Institute/Companies House	N/a
Company number	1	Companies House	N/a
Year trading since	1	Companies House	Positive/Negative
Company liquidations and disqualified directors	1	Companies House	Negative
Company wind-ups and action on pyramid selling laws	1	DTI	Negative
Trading Standards warnings and prosecutions	1	Trading Standards Institute/OFT/LACORS	Negative
County Court Judgements	1	Trading Standards Institute/Registry Trust	Negative
Stop Now Orders and assurances	1	Trading Standards Institute/OFT	Negative
Health and safety prosecutions	1	Health and Safety Executive	Negative
Violations of advertising codes	1	Advertising Standards Authority	Negative
Business's areas of work	2	Individual business	N/a
Qualifications	2	Individual business	Positive
Trade association membership with OFT-approved code of practice	2	Individual business	Positive
Membership of approved trader schemes	2	Individual business	Positive
Financial integrity	2	Individual business	Positive/Negative
Public liability insurance	2	Individual business	Positive/Negative
Customers' comments	2	Referenceline	Positive/Negative

Chart 1

Level 1: information in public domain

Level 2: information business voluntarily submits



NCC consumer impact assessment model

The following table highlights the benefits our model for an information service based on the track records of traders would bring about, measured against the consumer principles the NCC considers in all our policy work.

Table 3

Consumer principle	Benefits of the information service
Value for money	Informed consumers demand value for money, high quality, reliable goods and services. Providing information on traders' track records would exert competitive pressure on traders to improve performance and behaviour.
Access	Consumers currently have low awareness of information sources about traders, and information is spread across a number of agencies. The information service would unite this information at a single reference point and harness a mixture of access points to meet consumers' different needs.
Choice	The information service would provide a list of traders that have a satisfactory trading history, tailored to consumers' individual needs.
Information	The model would give consumers useful information through a variety of access points, which would empower them to make more appropriate purchase decisions. This underpins the entire project.
Redress	The information service would record when a trader belongs to a trade body with an OFT- approved code of practice, which requires codes to demonstrate effective redress mechanisms. A possible phase two for the information service might be to provide a voluntary redress mechanism for listed traders.
Safety	Details of Health and Safety Executive prosecutions and enforcement notices would be included in a trader's file. Qualifications and memberships (for example, CORGI) would also be listed as indicators of a trader's technical competence.
Fairness	The information service has the potential to support the more vulnerable by enabling them to make informed decisions. The model takes measures to make the service accessible to disadvantaged consumers through directed publicity, appropriate channels of delivery, making it user-friendly and providing assistance with usage.
Representation	No impact.

4. A call for action

This report has set out the consumer demand for a single source of information about traders' performance and the NCC's ideas about how this might be achieved. We now call on government to lead a collaborative approach to turn our ideas into reality.

Benefits all round

We believe our proposals would have benefits all round. The consumer case is clear: better information will help enable consumers to make informed choices and stay clear of the rogues. Government will see economic benefits from a virtuous circle of demanding consumers spurring business to innovate and strengthen their competitive advantage. A good business will have nothing to hide and should be keen to demonstrate to potential customers a track record of success. Good businesses will also want to marginalise those dishonest businesses that tarnish the reputation of their sector. Increased consumer confidence may also release pent-up spending in problem markets (5).

Great idea, but...

We are under no illusions about the potential scale of the information service, not least the financial cost; there is no escaping that substantial investment will be required. It is not within the scope of this report to consider in detail how the service might be funded or discuss practical details about implementation.

However, the 90 million unsatisfactory business-to-consumer transactions that occur annually cost consumers £9.6bn a year, or 1.1per cent GDP. The emphasis of our model is on preventing problems before they occur. Our model also tries to harness existing delivery channels (for example, Consumer Direct, Consumer Support Networks) rather than completely 're-inventing the wheel'. Further, our snapshot of current initiatives reveals willingness by different organisations, including government, to invest substantial sums of money into schemes with the same objectives as ours at heart. Indeed, national government, local government, industry and others are already investing huge sums of money into IT and databases. For example, government is putting funding into 'datasharing' between police, customs and excise, the benefits agency and so forth. Our ideas for an information service are fully consistent with this trend, and also the e-government agenda.

There clearly exists a change environment in which the problems consumers face are recognised, there is genuine commitment to finding a solution and large amounts of

money are being invested to deliver a solution. Unfortunately, the schemes tried so far have been slow in achieving their objectives, especially in gaining the support and participation of business. We ask whether a different, more integrated approach, would encourage good practice.

Working in partnership

The key to success lies in working in partnership and adopting a more strategic approach. Our research has uncovered numerous good and well-intentioned schemes, which now need to be rationalised and joined-up. Individual initiatives could achieve more by combining their resources than by working alone. In fact, having too many schemes may be counter-productive. Faced with an ever-proliferating range of logo's promising peace of mind, consumers will find it difficult to distinguish meaning between individual schemes. When some schemes fail to deliver, this will cast doubt on the credibility of others.

It is frustrating for the consumer to know that the information they need to choose competent and reliable traders is available but not accessible to them. We ask information providers, business, information intermediaries and other stakeholders, led by government, to work together to deliver the right solution for consumers.

Recommendations

For the Department of Trade and Industry (DTI)

- The DTI should ensure that the findings of this report become an integral part of its related initiatives, such as Consumer Direct, Consumer Support Networks and the Builders Quality Mark.
- The DTI should work towards a joined-up approach that will enable it to capitalize on the progress made in separate initiatives on cowboy builders, car servicing and codes of practice.
- The DTI should provide the leadership, in partnership with its stakeholders, to drive this initiative forward. At the heart of government, the DTI is ideally placed to carry out this role.
- As a first step the DTI should drive forward a debate that should tackle the issues this report raises and how practical solutions can be achieved.
- The DTI should make available for a information service, information it holds about traders, for example, on winding up businesses and action on pyramid selling laws.

For the Office of Fair Trading (OFT)

- The OFT should integrate its convictions register and information about stop now orders and other actions into a public information service.
- As part of its strategy for promoting its new codes approval regime, the OFT should draw up plans to integrate information about code membership into an information service. The aim should be to alert business to the benefits of putting forward membership of an OFT-approved code for inclusion in a public information service.

For Trading Standards Departments

- Trading Standards regions should bid to become “pathfinders” in the Consumer Direct initiative in order to pilot the information service.

For Consumer Support Networks

- Consumer Support Networks should apply for project funding to develop an advice model for the information service.

For information providers

- Organisations that hold information about traders' track records should pledge to combine their resources at a single reference point.

For business

- Business organisations and trade associations should engage in the debate. They should encourage their members to recognise the benefit of consumers knowing information about traders' track records, and to participate in a future information service.

The NCC's role

The NCC does not see this report as the end of our work on these issues. We do not have the resources to implement an information service ourselves. Instead, our role is to act as a catalyst for change. This means shaping the debate from the consumer perspective and lobbying the range of stakeholders to act on our ideas.

Appendix 1 – Methodology

Introduction

This report draws together a number of different strands of research, which we describe below. The research has the following objectives:

- To learn about the problems consumers face when choosing traders
- To explore consumers' decision-making process when choosing traders
- To find out what help is currently available to consumers when choosing traders, and to assess the effectiveness of initiatives that aim to help consumers make more informed choices
- To establish what information consumers want to know about traders when choosing traders and how they want to access this information
- Drawing on the experience of others and our evidence of the consumer demand, to offer a possible model for an information service that will help consumers to choose competent and reliable traders.

The starting point

The Better Business Bureau, which operates across North America, provided the starting point for the project. It operates on the principle that many problems in the marketplace can be solved through voluntary self-regulation and consumer information. One of its core services is to provide business reliability reports, which contain information on a business's past performance. They can alert consumers to a history of unanswered or unresolved complaints, law enforcement actions and advertising violations. The reports give a rating (satisfactory, unsatisfactory or no rating), of which a satisfactory rating is a precondition for membership. Field visits were made to the New York and Boston offices of the Bureau to see how the system worked in practice.

Stakeholder meetings

In October 2001, we hosted a round table discussion, which brought together a number of key stakeholders, some of whom hold information about the track records of traders. With the central ideas behind the Better Business Bureau in mind, the discussion explored the scope for providing in the UK some kind of information service that would bring together information about the track records of traders, to enable consumers to make informed choices. We have engaged in ongoing consultation with some of these stakeholders throughout the project. In July 2002, we held a meeting with a wider range of stakeholders to seek their insight into our research findings.

Qualitative research

The first round table discussion identified as a priority the need to establish the consumer demand for such an information service and what form such a service should take. To this end, we conducted some qualitative research comprising focus groups, funded by The Registry Trust, and in-depth interviews. Louise Brown Research Consultancy was commissioned to carry out both pieces of research. The sample for the focus groups and in-depth interviews was as follows:

Focus groups

	Lower income £10-19K	Higher income £20K plus
18-35 singles/partnered without children	female south-east	male north-west
25-45 singles/partnered with younger children	male north-west	female south-east
35-60 couples with and without older children	male south-east	female north-west
60+ all retired	female north-west state pension	male south-east state pension supplemented

In-depth interviews

Basic skills difficulties

At the time of writing all were attending basic skills (reading and writing) courses at Newcastle-under-Lyme college, Staffordshire. There were four males and two females. Four respondents were over forty and two were under forty.

Unemployed

All had been out of work for at least six months. There were two males and two females. Two respondents were over forty and two were under forty.

General comments

For both the focus groups and in depth interviews, all respondents had recently bought or were seriously considering buying from the home improvements, financial services, utilities and motor trades sectors. The following questions were considered:

- For which sectors are the previous history of traders most important to consumers?
- What are the most important categories of information for consumers as indicators of good and bad business/service provider performance
- Where have consumers tried to gain such information in the past?
- How would consumers like such information to be provided in the future?
- Are consumers are prepared to pay for the service/information, and if so, how much?

The sample was presented with a range of stimulus material, including a mock-up of a fictional information service (see Appendix 2). For this exercise, we created fictional businesses with different track records, and asked the sample what the individual pieces of information meant to them, and how this information might affect their selection of trader.

Surveys

The Trading Standards Institute (TSI) and Referenceline Ltd hosted an NCC on-line questionnaire, which asked what sorts of information consumers want to know about traders and how they would prefer to access this information. A revised version of this questionnaire formed the basis of a joint survey between the NCC, TSI and BBC Watchdog. The extent to which we may draw conclusions from these surveys is limited because of the self-selecting nature of the sample. Nevertheless, the results were interesting and provided some useful indicators about the consumer demand in this area. In addition, we asked our Consumer Network members to describe their experiences of choosing and using traders.

Consultation exercise and desk research

We produced a factsheet describing the central ideas behind the project, which we sent to a range of stakeholders, including government, trade associations, chambers of commerce, regional development agencies, trading standards departments, regulators, sector consumer councils, the consumer movement, and others. We asked these bodies to contact us with details of relevant initiatives in their areas. The aim was to provide a snapshot of what help is currently available to consumers. A second purpose was to identify the strengths that our model for an information service should strive to emulate and the pitfalls it should seek to avoid. This element of the research was supported by desk research and field visits to some of these initiatives to see how they worked in practice.

Previous NCC research

The NCC has long been interested in consumer information. Indeed, information is one of the consumer principles we apply when considering any issue from the consumer perspective. In fact, this information project touches on a range of policy areas. Some of our most relevant work in this respect includes research on consumer decision-making and trust, self-regulation, corporate and social responsibility, consumer protection, risk, food labelling, data protection and privacy, switching suppliers and consumer education. We have incorporated past and current research in the report.

Appendix 2 – Fictional information service used in qualitative research

We created fictional businesses with different track records, and asked the sample what the individual pieces of information meant to them, and how this information might affect their selection of trader.

TRADER INFORMATION SERVICE

To find out what each piece of information means, please click on the relevant heading.

The information on this page was last updated: 19th February 2002

CONTACT DETAILS

Trader Name:	Bob BUILDER
Trading Address:	101 Brick Street Tiletown Somerset EX1 2LB
Telephone:	01235 5859595
Internet:	www.bobbuilder.com
Trading area:	Builder
Range of work undertaken:	extensions, roofing, home improvements

TRACK RECORD INFORMATION

Trading since:	9 th October 1995
Previous trading names:	None
Qualifications:	Construction Skills Certificate
Member of a trade body:	Federation of Master Builders
Member of an approved trader scheme:	DTI Quality Mark

Advertising Standards Authority:	No
County Court Judgment:	No
Health and Safety Executive:	No
Office of Fair Trading Stop Now Order:	No
Trading Standards warning:	No

Customers' scores: Quality 9 Service 9 Value 8

[Read previous customers comments](#)

Appendix 3 – Summary of Better Business Bureau

The first bureau was founded in 1912, and in response to market demand a network of bureaux spread quickly across the United States. Today there are 145 bureaux across America, Puerto Rico and much of Canada, engaging with 24 million consumers and businesses every year.

The Council for Better Business Bureaus (CBBB) is the umbrella organisation for the bureaux in the US. The Council develops programmes and provides services for implementation by individual bureaux, monitors and investigates complaints about national advertising, issues reports on national charitable organisations, and administers the BBB national dispute resolution programme.

Members of individual bureaux are businesses and firms that meet BBB membership standards, agree to follow stated principles of business ethics and voluntary self-regulation, and have accepted an invitation from their BBB to join. The membership dues these businesses pay make up the large core of BBB funding.

Each bureau provides some of the following core services to consumers and businesses:

- Business reliability reports – information on a business’s performance in the marketplace, which can alert consumers to a history of unanswered or unresolved complaints, law enforcement actions and advertising violations.
- Dispute resolution – help in resolving a complaint against a company, using conciliation, mediation and arbitration.
- Consumer and business information – brochures, books, public library videos and internet fact sheets on different topics to assist consumers and businesses in making informed purchasing decisions.
- Charity reports – information on charities and other non-profit organisations that seek public donations.
- Business ethics promotion – promoting truthful, accurate advertising and selling practices, both online and off-line, by monitoring advertising and seeking appropriate corrections.
- Fighting fraud – alerting consumers and law enforcement agencies about current marketplace scams and frauds.

A BBB cannot:

- force a business to do what the consumer wants
- give legal advice
- help either party break a legal contract
- collect or provide credit information
- make recommendations or endorsements
- check the goods or pass judgement on the price charged for merchandise, the quality of services or workmanship, the operating efficiency of devices, or the length of time merchandise should wear or last.

The most interesting component of the BBB to us is the business reliability reports. The reports give individual businesses a satisfaction rating (satisfactory, unsatisfactory or no rating) based on past performance. A satisfactory rating is achieved if the firm has been in business for at least one year; has voluntarily provided their bureau with information about its business; has no unusual volume or pattern of complaints; and has not been the subject of any major law enforcement action that materially calls into question its marketplace integrity. A satisfactory rating is a precondition for membership to the BBB. Unsatisfactory ratings are given to firms

that have a problematic history of consumer complaints and failure to resolve them, or have been the subject of past enforcement actions that 'materially calls into question the firm's marketplace integrity'. A 'no rating' is given when the BBB has insufficient information about a firm to determine the appropriate rating, or where performance falls between satisfactory and unsatisfactory.

Sample BBB Reliability Report

Bruce's Chimney Service

2070 Milford Road
E Stroudsburg, PA 18301
(Yahoo Map)

General Information

Original Business Start Date: January 1986
Principal: Jill Burnley, Manager
Phone Number: (570) 424-7250
Fax Number: (570) 424-5884
Membership Status: Yes
Type-of-Business Classification: CHIMNEY SWEEPS/CLEANING & SERVICE

BBB Membership

This company is a member of this Better Business Bureau. This means it supports the Bureau's services to the public and meets our membership standards.

Program Participation

This company participates in the Membership Identification Program. This allows the company, within certain limitations, to advertise its affiliation with the Better Business Bureau.

Nature of Business

This company offers all types of roofing, waterproofing, fireplace and chimney repairs, masonry cap installation, new fireplaces and chimneys built, chimney cleaning, garages and playgrounds.

Customer Experience

Based on BBB files, this company has a satisfactory record with the Bureau. One complaint has been processed by the Bureau in its three-year reporting period. The complaint was resolved. The number and type of complaints are not unusual for a company in this industry.

To have a 'satisfactory record' with the Bureau, a company must be in business for at least 12 months, properly and promptly address matters referred to the Bureau, and be free from an unusual volume or pattern of complaints and law enforcement action involving its marketplace conduct. In addition the Bureau must have a clear understanding of the company's business.

Additional Information

Additional Doing-Business-As Names: Roofing & Building by Bruce, Inc.
Roofing By Bruce

Additional Addresses: P O Box 324, E Stroudsburg, PA 18301

Additional Phone Numbers: 570-424-8891

Additional TOB Classifications: GARAGE & STORAGE SHED BUILDERS & CONTRACTORS

ROOFING AND GUTTER CONTRACTORS

MASONRY / CEMENT / SURFACE REFINISHING

CHIMNEY BUILDERS & REPAIR

WATERPROOFING CONTRACTORS

FIREPLACES DEALERS AND CONTRACTORS

STOVES-WOOD, COAL, GAS, ETC

Company Management

Additional company management personnel include:

Bruce Burnley - Owner

Noel Burnley

Report as of 07/16/2002

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The Better Business Bureau reports on members and non-members. Membership in the BBB is voluntary, and members must meet and maintain BBB standards. If a company is a member of this BBB, it is stated in this report.

Appendix 4 – Snapshot of current initiatives

The findings are organised by type of information provider. One reason for doing this is because the nature of the information provider is important to the perceived credibility of the scheme. Our research shows that consumers want the source to be independent and acting in the interests of consumers. Many schemes involve partnerships between two or more organisation types. Where this happens, the scheme is listed under the lead partner heading. A non-exhaustive list of information providers is given below. For each provider, we give an example of relevant initiative and briefly assess its effectiveness from the consumer perspective.

- Government
- Regulator
- Professional institute
- Trading Standards department/local authority
- Charity
- Industry
- Media
- Private enterprise.

Government – Quality Mark

The Quality Mark is a government-backed initiative, piloted in Birmingham and Somerset, currently being rolled out nationwide, which aims to improve the home improvement and repair market. It has three primary objectives, to:

- develop a practical solution to the problems caused by cowboy builders in the domestic home improvement and repair sector by setting up a register of reputable companies who meet a series of technical and customer standards – which will offer consumers peace of mind when employing builders and tradesmen to undertake work on their homes – without adding necessarily to the burdens on legitimate companies.
- provide an effective dispute resolution mechanism, linked to a warranty, in the event that things go wrong.
- provide reputable builders and tradesmen with independent confirmation of their skills and business competence, a competitive edge in the marketplace which can improve their bottom line and access to consumers who value quality workmanship.

In order to attain the Quality Mark, businesses are assessed by accredited certification bodies against a range of criteria, including technical competence, skills and qualifications, financial probity, health and safety, compliance with a code of practice and provision of a warranty. Based on a risk-based surveillance model, the certification bodies are likely to undertake annual site visits to ensure member businesses adhere to the scheme standards.

The Quality Mark certificate has been issued to 239 companies so far, with a further 320 in the pipeline. Companies already registered have reported a range of business benefits, including improvements to turnover and profitability, a broader range of clients and the opportunity to use the assessment as a platform for business improvement on a broad front (including better health and safety awareness, improved staff morale, better subcontractor management and more efficient business process).

Consumers may access the register on the quality mark website (www.qualitymark.org.uk) or through a telephone call centre.

Assessment

A key feature of the scheme is that businesses must meet comprehensive, specific and rigorous criteria to be a member (based on recognised industry standards). We note from the pilot's evaluation exercise that the strict nature of the criteria apparently did not represent a barrier to smaller businesses, and the application process was not overly bureaucratic. We do not think it is unrelated that consumers reported high levels of satisfaction with the scheme, and particularly that consumers reported few problems with the work carried out by registered businesses. Market research conducted as part of the pilot evaluation found that the scheme met a demonstrable consumer need and that consumers were likely to use the scheme in future. The inclusion of United Kingdom Accreditation Service (UKAS) accreditation gives the scheme credibility by providing a transparent and independent assessment method. The qualitative research we commissioned for this report revealed that having an independent information provider is an indicator of the credibility of a scheme. That the Quality Mark is government sponsored, yet with backing from industry, consumer and local authority backing, may be important here – consumers gain reassurance when information has an 'official stamp' attached.

The main weakness of the Quality Mark has been the slow take up by business, despite a sustained marketing campaign, the backing of a range of trade bodies and the offer free entry for a limited period. Common with all voluntary schemes that are likely to face initial opposition from industry, achieving good coverage of businesses is proving a difficult problem to overcome.

Regulator – Office of Telecommunications (Of tel)

Of tel is the regulator for the UK telecommunications industry. Its goal is to ensure consumers receive the best quality, choice and value for money for all their telephone services. To help achieve this objective Of tel, in conjunction with industry and consumer groups, has developed a set of comparable performance indicators for a range of telecommunications services. The indicators are based on a combination of statistical data collected by the telecommunications companies using agreed procedures which are independently audited and checked for comparability, and customer satisfaction surveys conducted by independent market research companies. The performance indicators measured are:

- order completion
- faults
- fault repairs
- complaint handling
- billing.

Every six months business and residential data are published on-line, with residential information also available in a leaflet at UK libraries.

Assessment

Our discussion paper is mainly targeted at smaller businesses in the home improvements, motor and other traditionally problematic trades, but this is a good example of how the general principle of publishing track record information may be more widely applied.

A strong feature of the scheme is its coverage of all the 'main players'. The independent audit mechanisms in place should give consumers confidence in the accuracy of the data. Our qualitative research reveals that consumers appreciate a mixture of hard and soft information about traders, which this scheme provides by combining statistical data with customer satisfaction surveys. The information is also clearly presented to enable easy comparison of companies' performance. Importantly, the publication explains the terms used, and gives guidance for consumers on how to use the information.

On the negative side, information about smaller operators may not be available because the scheme sets threshold figures for inclusion. There also appears to be gaps in data, which are not fully explained to the consumer.

Professional institute – Trading Standards Institute (TSI)

The Trading Standards Institute represents the interests of trading standards professionals. Under development is TS Interlink - an integrated national database of trader profiles and an online portal, aimed at improving communication between Trading Standards professionals, consumers and business.

There are three levels of access:

- Consumers could see trader profiles, containing contact details, membership of professional associations, Stop Now Orders, publicity, warnings issued by Trading Standards, civil injunctions and County Court Judgements. It may also include the number of justified complaints against a trader over and above a certain threshold. This could be supplemented by advice, product recalls and safety news.
- Businesses could have access to complaint information.
- The enforcement agencies could have access to a range of intelligence materials, including progress on criminal enforcement action.

Assessment

The TSI's project is still in the planning stage, so it is not possible to evaluate its effectiveness. However, of all the initiatives we have come across, this project comes the closest to our vision of a one-stop-shop source of information about the track records of traders. At its heart lies the principle of collaboration between key enforcement bodies, which are pooling their resources to create an effective enforcement tool, which will also enable consumers to make informed choices. By pulling together known information about traders into one place, consumers are given a single point of reference for their needs. The database also brings together key factual information, which may be easily verified. The information is of a type that may send a clear early warning signal to consumers to avoid businesses with a history of problems with enforcement agencies.

Trading Standards department/local authority – The Golden Spanner

The Approved Motor Trader Scheme or 'The Golden Spanner' is run by Cheshire Trading Standards. Its main aims are to:

- encourage and promote high standards in car sales, servicing and repairs
- improve the image of the motor trade in Cheshire
- increase compliance with consumer legislation
- improve consumer confidence by promoting Approved Traders

To join the scheme, businesses must have been trading satisfactorily for 12 months (and be currently located in Cheshire) and meet the requirements of a stringent quality programme. These requirements include technical standards, legal compliance, advertising, staff training, customer service, record keeping, complaint procedures and liaison with Trading Standards. Monitoring of standards is achieved by at least one audit visit per year, and complaint monitoring. In addition, every service and repair outlet undergoes a full annual 'mystery shop'. Membership costs £470 per year for service and repair and £470 per year for vehicle sales businesses (£940 if a business covers both areas).

There are currently 31 individual members of the scheme with a total of 44 approved service/repair or sales outlets. Consumers may identify a member of the scheme by looking for

the Cheshire Trading Standards logo in advertising and on business premises, checking the Golden Spanner website (www.goldenspanner.com) or telephoning Cheshire Trading Standards. This scheme in Cheshire includes all the minimum standards of customer service proposed by the DTI Task Force.

Assessment

The Golden Spanner is one of a growing number of approved trader schemes operated by trading standards departments across the country. Indeed, the DTI's Task Force on Car Servicing and Repairs identified about 40 such schemes in this sector alone (6).

The same report reviewed the strengths and weaknesses of these schemes based on experience to date. The strengths included exploiting knowledge and local business activity and on the spot links between trading standards services, traders and consumers. The criteria for entry to the schemes may have indirectly contributed to improved levels of training of staff within garage businesses. The schemes were also found to be popular with members and improved their relationship with trading standards. In the case of Golden Spanner, we were impressed by the wide-ranging set of entrance criteria and the regular monitoring mechanisms in place.

The weaknesses identified by the report included poor coverage of businesses, despite often enjoying the backing of trade associations. A key difficulty was resources, including staff, marketing and technical expertise. The schemes were considered to be very expensive to run in overall terms, especially given the economies of scale that could be derived from running a national scheme. Lastly, large traders with multiple branches across regions could find it difficult to support local schemes because inconsistencies in detail of individual schemes would not enable them to apply uniform standards across their groups.

Trading Standards Department – Surrey Trading Standards

Surrey County Council Trading Standards has established a reputation for exposing and dealing with problem traders. It sets out its vision as 'a fair and safe trading environment for the public and business community in Surrey'. To help it achieve this vision, Surrey Trading Standards has produced a list of businesses that it has prosecuted since 1 January 2000. The list identifies:

- the name of the company or person against whom the prosecution was brought
- brief details of the offence
- the penalty imposed by the courts
- the legislation under which the offence was committed.

Assessment

According to research conducted for Surrey Trading Standards by NOP in March 2000, the concept of naming and shaming met with widespread public approval (7). Only 2 per cent of respondents disagreed with the statement that Trading Standards Departments should name and shame the businesses that are complained about most. Publishing such a list could also act as a deterrent to some traders. Legal issues related to privacy, data protection and defamation might explain why other local authorities have been reluctant to follow suit, but Surrey has proved it should not be an insurmountable barrier. Our one concern about the scheme regards the total emphasis on negative information about businesses. Our qualitative research showed that consumers want help knowing whom to choose as well as whom to avoid, and appreciated stimulus material which gave a balance of negative and positive information. This route may also make it difficult for trading standards to build positive relationships with local traders. Therefore, we think it important to name, shame and praise.

Charity – Age Concern (York) in partnership with City of York Council Trading Standards, Safer York Partnership and North Yorkshire Police

The Home Services Directory was set up to provide older people and vulnerable people (not defined) with a list of traders who operate in a fair and honest way and maintain consistently good standards of workmanship. Age Concern (York) runs the scheme in partnership with City of York Council Trading Standards, Safer York Partnership and North Yorkshire Police. Traders in the directory provide Age Concern with details of their charges and agree to abide by a code of practice set up by Trading Standards. Traders have been checked out by the Police, Trading Standards and the Registry of County Court Judgements, and have provided three references. They are issued with identity cards and pledge to prioritise work for older people. City of York Trading Standards operate a conciliation service for unresolved disputes.

Assessment

This initiative is similar to other approved trader schemes we have considered, so has similar strengths and weaknesses to these initiatives. Particularly impressive is its focus on helping vulnerable members of the community, and the extensive vetting procedures that are in place. The issuing of identity cards to scheme members is also a unique feature. Lastly, the Directory includes useful advice to consumers about obtaining services from traders.

Industry – Scotland and Northern Ireland Plumbing Employers' Federation (SNIPEF)

SNIPEF is the national trade association for all types of businesses involved in installing and maintaining plumbing and heating systems in domestic and commercial properties throughout Scotland and Northern Ireland. It operates the Plumbing Industry Licensing Scheme. Firms that wish to become Licensed Businesses must satisfy a number of entry requirements. For example, they have to employ properly qualified operatives, maintain Public Liability insurance of at least £2 million, be subject to an inspection procedure, provide financial integrity information and carry out work in accordance with all relevant legal requirements. In addition, there is an independent third party complaints procedure, which consists of conciliation and arbitration to resolve complaints against Licensed Businesses. Firms are subject to disciplinary procedures and action taken may include written warnings and suspension or expulsion from the scheme. Work undertaken by Licensed Businesses will also be covered by a warranty scheme.

Assessment

The Plumbing Industry Licensing Scheme has very recently been re-launched, so it is difficult to comment on its effectiveness. However, it has many of the ingredients found in other approved trader schemes we have seen, such as a range of entry criteria (including qualifications and financial integrity), monitoring and public liability insurance. Of particular note, the complaints procedure is independent of the scheme, which will help give consumers reassurance SNIPEF is not looking after its own members. In devising the scheme, SNIPEF has engaged with stakeholders, who may lend credibility to the scheme. It has listened to the consumer perspective through consultation with the Scottish Consumer Council and General Consumer Council for Northern Ireland, who are both represented on the scheme's Board and on its Complaints Panel. The head of Glasgow City Council Trading Standards, who is representing the Chief Officers of Trading Standards, chairs the Complaints Panel. Similarly, it has sought OFT approval for a set of standard conditions for domestic work, which are recommended for use by Licensed Businesses.

SNIPEF is one of the more comprehensive industry schemes we came across. But there are a large number of trade associations across and within sectors that claim their members are competent, reliable and fully vetted. *As we argued in our 1996 report about the home improvements and repairs sector, [Controlling the Cowboys](#).*

Undoubtedly, many are reputable bodies – although even they operate with a variety of different objectives, rules and membership requirements. Equally, there are less reputable

outfits whose objective is simply to make money from selling membership in exchange for a marketing logo. How can consumers be expected to find their way through this maze and identify a reliable trade association? (8)

This is a problem that still persists. A further problem is that trade association membership requirements and consumer protection safeguards may look good on paper, but this does not always reflect what happens in practice, and there is little external monitoring in place to ensure that such promises are kept. For this reason, we firmly support that element of the OFT's new codes of practice regime which makes approval contingent on the trade association *providing evidence* that it is meeting the OFT's criteria. Moreover, we are pleased that the OFT's revised criteria are consistent with the principles NCC has developed for credible self-regulatory schemes (9).

Media – The Times Higher Education Supplement (THES)

THES is a newspaper aimed at professional people working in higher education and research. It publishes on an annual basis league tables on university performance across a range of categories (for example, academic indicators, facilities, employment rates, staff:student ratios) to help facilitate student choice of higher education institution (HEI). The tables are compiled from statistical data drawn from different sources. THES use a weighted combination of scores to create a ranked hierarchy of institutions. The tables are published in THES and The Times, but other newspapers (for example, *The Guardian*, *The Telegraph*, *The Financial Times*) also publish their own league tables.

Assessment

While outside the sectors our report is primarily concerned with, this is a clear example of where a consumer (student) can compare providers' past performance when making a purchase decision (choosing a HEI). Research indicates the tables are currently not a significant influence on student choice, but this influence is slowly increasing.

A positive feature of the tables is that they provide data that has not previously been accessible in the public domain. There is also a complete coverage of institutions – HEI's that rank poorly continue to participate to avoid questions that would surround their absence from the tables. The tables also achieve good publicity, putting pressure on HEI's to improve their future performance. With students bombarded by marketing materials from institutions, the tables can be said to provide an independent indicator to help facilitate student choice.

The tables have been subject to a number of criticisms, and enjoy mixed support from institutions (10). The tables are said to favour research-oriented over teaching-oriented institutions. Some feel they do not take into account important qualities of a university campus, such as character and atmosphere, that cannot be measured by weightings and numbers. The use of scores to rank institutions may be considered misleading because the differences between institutions do not have any statistical significance – a tiny difference in score may separate a large number of institutions, yet ranking institutions implies one is better than another. Lastly, the tables present complex data and may be open to mis-interpretation without sufficient guidance in their use.

Private enterprise – Referenceline Limited

Referenceline's mission is to provide an independent reference service, which allows consumers to make a more informed choice when selecting a business. The service is based on the principle of word of mouth. In essence, it is a register of businesses that are rated according to consumer feedback on their personal experience of member businesses. The service works as follows:

- Customers of registered firms send their feedback directly to Referenceline, using specially designed freepost forms

- Referenceline's website shows the customer's unedited handwritten comments, and provides scores out of ten for quality, service and value. The site also records qualifications, memberships, insurance, the company's response to customer complaints, scope of work and photographs of previous jobs
- Based on the scores above, each business is awarded a quarterly star rating. Star ratings are awarded on a quarterly basis for consistent performance over a period of time. So, a business with a small number of reports with scores averaging nine out of ten may get two stars. But a business with a large number of reports with scores averaging eight out of ten may receive three or four stars.

In addition, Referenceline sends businesses regular reports to help them manage their businesses more effectively. These reports include: printed copies of the web pages; confidential reports analysing individual employees' performance; and customers' suggestions for improvement. On this theme, Referenceline has participated in a project with the Northern Ireland Construction Service, assisted by the Movement for Innovation. The Construction Service has acted on feedback from intelligence yielded from its use of the Referenceline system. As a result, levels of customer satisfaction with Construction Service contractors have seen major improvement over the course of a year.

Referenceline is approved by Hampshire Trading Standards. Its website contains the contact details of traders registered in four local 'approved trader' trading standards schemes - for Hampshire, Bournemouth, Portsmouth and Southampton.

Assessment

This is an innovative scheme, which is particularly interesting for being grounded in the principle of word of mouth - the technique the majority of consumers rely on when choosing a supplier (see chapter 1 *The consumer case*). Because the references come from unknown people, confidence in the reports can only come through respect for the provider. Our research on trust (11) found that consumers were less trusting of a recommendation from somebody they did not know compared to a recommendation from a friend or member of their family. Further, our qualitative research exposed a suspicion of schemes run by private enterprise, but Referenceline achieves legitimacy by having approval from Hampshire Trading Standards. Without full knowledge of how the scheme operates, it was interesting how our focus group respondents drew parallels between the scheme and fliers they received through their letterboxes containing (potentially fabricated) quoted endorsements from satisfied customers. The research found that being reassured about the independence of the provider is fundamental to enable the consumer to trust the reports as genuine and representative and to establish their relevance and authority.

A good feature of the scheme is that it draws together a range of hard, verifiable information (for example, qualifications and insurance) and soft, more opinionated information (for example, customers comments and complaints) – this is consistent with our consumer research about what sorts of information consumers want to know about traders. The information is also presented to allow easy comparison between traders, which may be filtered to users' individual needs. Referenceline is transparent about its processes and supports the information it presents with explanation.

Coverage of businesses is currently quite small, although we note Referenceline has developed without any substantial investment in advertising (until a very recent advertisement in the Yellow Pages). But a strong feature of the scheme is that it serves the needs of both consumers and business. By providing intelligence on consumers' experience of their business, including the performance of individual employees, companies can target areas of weakness and improve the service they offer accordingly. Encouraging business take up is one of the most difficult challenges a future 'information service' will need to overcome, so this aspect of the Referenceline service is particularly welcome.

Private enterprise – The Trade Register

The Trade Register (formerly Scoutedout) describes itself as a consumer protection service. Set up in 1998, it aims to serve local communities by informing consumers of recommended, vetted and monitored local trades and services.

Following an initial telephone call from The Trade Register, on-site interviews are conducted to assess prospective members for suitability. The next stage is to collect four customer references and two trade references. Businesses are then subjected to a credit check, checks for CORGI and other registrations where appropriate, asked for proof of public liability insurance and West Sussex Trading Standards may also be requested, subject to the business's agreement, to open their files. Prospective businesses must also sign a code of business ethics.

Member businesses are monitored through customer feedback. Upon joining the scheme, each business is required to pass feedback forms to their next ten customers, which are returned directly to The Trade Register. Consumers may also report their views via the internet or by calling the Trade Check Out Line. Consumers are encouraged to call this number or look on the website before choosing a trader, in order to get the latest vetted information. West Sussex Trading Standards offer to mediate in any unresolved dispute that may arise between the member of the scheme and a customer provided that The Trade Register has failed to remedy the situation. The Trade Register removes businesses from its register if a single dispute remains unresolved.

The Trade Register is available to consumers on-line, by telephone and in printed directories. 50,000 directories are printed every six months, which are delivered by Royal Mail to homes and businesses and placed in a variety of public outlets. Membership of the register costs £100 per year plus VAT, plus an extra £215 to appear in each printed directory.

Assessment

An impressive feature of this scheme is the variety of access points to the register, especially the printing of directories to supplement the internet and telephone service, which are delivered directly to consumers homes and imaginatively distributed elsewhere (for example, hair salons, supermarkets and Age Concern). The directories are tailored for relatively small communities, which is important given that monitoring of member businesses is achieved through the experiences of people living in these communities. Compared to similar schemes, The Trade Register has achieved a reasonable coverage of businesses (about 1000) in a relatively short period of time. A further good feature of the scheme is that West Sussex Trading Standards operate a mediation service for members of The Trade Register, which will help to give it credibility in the eyes of consumers and business.

In comparison with other 'approved trader schemes', there appear to be few criteria for membership other than references and a series of vetting checks. This may be explained by a lack of resources, but consumers will have less confidence in this scheme than the Quality Mark or Golden Spanner, which assess businesses against a wider range of standards. In a similar vein, monitoring is achieved solely through analysing customers' comments rather than by inspection visits. There is also an inherent conflict of interest in a scheme which is dependent for its existence on the fees paid by its members to advertise in a directory and also has to decide whether to remove a member from the register in the event of possible wrong doing. Lastly, in terms of presentation, we recommend The Trade Register devotes more space on its directory to explaining how its operation works – this will help to build trust in the scheme.

Appendix 5 – usefulness to consumers of information the service would record

Introduction

Here, we explore in more detail the information about traders we would like to see included in the trader information service. As we explained in *A future model* (chapter 3), the scheme could include two levels of information:

- Level 1 - information about businesses that is already in the public domain but held by a number of different agencies
- Level 2 - information not in the public domain or not yet collected that would require the input of businesses or their trade associations

Level 1 – information already in the public domain

Department of Trade and Industry

The DTI aims to increase competitiveness and scientific excellence in order to generate higher levels of sustainable growth and productivity in a modern economy.

Information: wind-up of companies, action under pyramid selling laws.

Usefulness to consumers

This information is an indication to consumers of the poor integrity of a business.

Trading Standards Institute

The Trading Standards Institute represents the interests of trading standards professionals.

Information: Trading Standards warnings, civil injunctions and County Court Judgements.

Usefulness to consumers

As we discussed in Appendix 4, the TS Interlink will collate a range of relevant factual information that may be used as indicators of the integrity of a business.

Registry Trust

Registry Trust is a non-profit company, contracted by the Lord Chancellor's Department, to maintain the statutory register of County Court Judgements (CCJs) and administration orders in England and Wales and similar registers in other jurisdictions.

Information: County Court Judgements

Usefulness to consumers

An unpaid CCJ may be used as an indicator of the integrity of a business, so the information Registry Trust holds would be useful to consumers trying to assess a business. However, the amount of information that can be supplied by the Trust is limited to the date and amount of judgment and does not include any details of the wrong for which the judgment was made.

Health and Safety Executive (HSE)

HSE enforces health and safety legislation for some industry sectors in the UK. Its work is overseen by the Health and Safety Commission (HSC), which reports to the Secretary of State for the Environment, Transport and the Regions. HSE prosecute companies and individuals for breaches of health and safety law.

Information: HSE operates a public register giving details of all prosecution cases taken by HSE, since 1 April 1999, which resulted in a conviction. A second register gives details of all enforcement notices issued since 1 April 2001. Both registers are updated on a weekly basis.

Usefulness to consumers

The registers contain important information that provides an indicator of a company's integrity. Interestingly, however, in our surveys of what types of information consumers want to know about traders, safety issues were placed after competence, integrity and solvency.

Companies House

Companies House became an Executive Agency in 1988 as part of the Government's Next Steps initiative. It has two main areas of activity:

- Information registration, including the incorporation and striking off of companies and maintaining a register of the documents delivered under companies, insolvency and related legislation
- Information provision to the public on companies, for which purpose it enforces compliance with the statutory requirements on registered companies

Information: name and registered office, date of incorporation, previous trading names, company liquidations and register of disqualified directors.

Usefulness to consumers

Our qualitative research revealed that consumers get reassurance from knowing a company has a lengthy trading history. It gives consumers a feel for how much on-the-job experience a trader has and is an indicator of the integrity of the business. Of course, this may not be a valid conclusion – a new business may do just as good a job as an old one. Equally, a business claiming 100 years trading history may employ staff with very little personal experience of their trade.

Information about company liquidations and disqualified directors gives the consumer indicators about the solvency and integrity of businesses.

It is clear that Companies House records' contain information that consumers find useful to know about traders, although this information may be limited in value. It is also of concern to this project that Companies House records information about limited companies only, so will not include information about small or sole trader businesses, who often pose the largest risk to consumers. There was also a strong feeling among respondents that companies with poor track records are able to escape notice by simply dissolving and starting afresh with a new name.

Office of Fair Trading (OFT)

The OFT's job is to make markets work well for consumers.

Information:

Stop Now Orders, undertakings, injunctive actions – the OFT can apply for a Court order against traders who breach or are threatening to breach a number of laws harming the collective interests of consumers covered by those laws, if the business:

- *Fails to agree an informal assurance or formal undertaking*
- *Does not appear likely to honour an informal assurance or undertaking*

A Stop Now Order will generally require the business to stop the named behaviour immediately and not continue with those practices or anything similar. If the business stops the unfair trading practices, then further action should not be necessary. However, if it breaks the law again, then the OFT (or enforcement partner) can take it to court for contempt.

The OFT also has a convictions register, details of which are not currently made public.

Codes of practice – the OFT gives formal support to trade and professional associations' codes the OFT is developing a new regime, in which the OFT will give its endorsement only when the trade or professional association provides evidence that it is meeting the criteria for acceptable of practice which it believes will deliver real benefits to consumers. It has become apparent that the existing system is not delivering the theoretical benefits of self regulation. In light of this, schemes.

Usefulness to consumers

It is too early to tell how effective Stop Now Orders will prove, but they should send a clear signal to consumers to avoid traders issued with an Order, undertaking or injunctive action. The Convictions Register, if made public, would give important information about a business's integrity.

To be effective, self-regulatory schemes, usually embodied in a code of practice, should be credible in order to deliver consumer confidence. A major problem for the consumer is the sheer number and diversity of trade or professional associations, and the large number of associations that exist within one sector. As we argued in our 1996 report about the home improvements and repairs sector, *Controlling the Cowboys* (12).

“Undoubtedly, many are reputable bodies – although even they operate with a variety of different objectives, rules and membership requirements. Equally, there are less reputable outfits whose objective is simply to make money from selling membership in exchange for a marketing logo. How can consumers be expected to find their way through this maze and identify a reliable trade association?”

This is a problem that still persists. A further problem is that trade association membership requirements and consumer protection safeguards may look good on paper, but this does not always reflect what happens in practice, and there is little external monitoring in place to ensure that such promises are kept. For this reason, we firmly support that element of the OFT's new codes of practice regime which makes approval contingent on the trade association *providing evidence* that it is meeting the OFT's criteria. Moreover, we are pleased that the OFT's revised criteria are consistent with the principles NCC has developed for credible self-regulatory schemes (13).

Advertising Standards Authority (ASA)

The ASA is the independent, self-regulatory body for non-broadcast advertisements in the UK. It administers the British Codes of Advertising and Sales Promotion to ensure that advertisements are legal, decent, honest and truthful.

Information: the ASA publishes adjudications on its complaints investigations on its web site. New adjudications are added to the site on a weekly basis and are stored in an archive dating back to 1997.

Usefulness to consumers

Our qualitative research revealed an excellent awareness of the ASA and respect for its authority, although the respondents had not previously considered it as a potential pre-purchase source of information about suppliers. When confronted with an adjudication against a trader for a misleading newspaper advertisement, there was widespread agreement that knowing this information would stop our respondents from employing the trader in their homes.

It is clear that an ASA adjudication does influence consumers to some degree. A further strong feature of the scheme is that the information is updated frequently. However, we think consumers would be more likely to search for this information if it formed part of a centralised data source that brought together other, equally useful pieces of information about traders.

Level 2 – information not already in the public domain

Individual business

Information: area of work, qualifications, trade association membership, membership of approved trader schemes, financial integrity, public liability insurance.

Usefulness to consumers

All these categories of information can enable a business to promote positive aspects of their track records. Describing the scope of activities of a business is of obvious practical value to consumers. The usefulness of qualifications is more ambiguous. In some instances, for example with gas safety, consumers should know whether traders are appropriately qualified. Qualifications figured highly in our quantitative research about what information consumers want to know about traders – qualifications are seen as a good indication as to whether a trader will do a competent job. In our qualitative research, younger respondents expected traders to be appropriately qualified but older respondents were less convinced, placing value on ‘on the job’ training. There were suspicions voiced about traders who string a lot of letters after their names, which demonstrates the need for explanations of the meaning or significance of individual qualifications.

On membership of approved trader schemes, our mapping the information landscape exercise revealed a variety of schemes with differing criteria for membership and monitoring systems. Despite this, membership of such schemes gives an indication about the commitment of a trader to practising prescribed standards of business. This information also lends local knowledge to the service.

Knowing a business is financially healthy will give consumers reassurance that the trader will not go bust before the work is completed. Public liability insurance gives consumers some protection if things go wrong.

Referenceline

For information about Referenceline, see *Appendix 4*.

Information: previous customers comments about their personal experience of companies.

Usefulness to consumers

Once reassured about the independence and robustness of the information, the evidence from our qualitative research suggests consumers are interested to know about other people’s experiences with traders. The scheme formalises the word of mouth process, which is viewed as a reliable indicator about a company. This ‘softer’ information helps consumers to build up a picture of a trader and may be the information that helps consumers to choose between companies with similarly ‘clean’ track records. This part of the model requires consumers to interact with the service by giving their feedback – experience will tell whether consumers are prepared to do this. Should they do so, this information could provide a focal point of interest for the service.

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