



Scottish Expert Panel for the Collaborative Economy

Participation: Consumers, Providers, Business & Digital Skills

Written briefing from Citizens Advice Scotland

Citizens Advice Scotland (CAS), our 61 member Citizen Advice Bureaux (CAB), the Citizen Advice consumer helpline, and the Extra Help Unit, form Scotland's largest independent advice network. Advice provided by our service is free, independent, confidential, impartial and available to everyone. Our self-help website Advice for Scotland provides information on rights and helps people solve their problems.

In 2015/16 the Citizens Advice network in Scotland helped over 310,000 clients in Scotland alone and dealt with over one million advice issues. With support from the network clients had financial gains of over £120 million and our Scottish self-help website Advice for Scotland received over 4 million unique page views.

Introduction

CAS welcomes the opportunity to provide evidence to the Scottish Expert Panel for the Collaborative Economy. The benefits to consumers and to the economy of the collaborative economy are potentially significant, although it is important that protections are in place to ensure that consumers, providers and workers do not suffer from any poor practice or policies.

In this initial briefing, we provide high level evidence on the consumer experience of aspects of the collaborative economy as collated by citizens advice bureaux and the Citizens Advice Consumer Helpline. Due to the nature of advice provision, evidence from the CAB network predominantly focuses on problems that consumers experience in any sector. This briefing therefore focuses on consumer protection and the types of problems that people can experience in the collaborative economy – whether they are consumers, providers or workers. This is structured around seven key consumer principles, which are listed below. Our presentation to the Expert Panel will consider the key questions asked by the panel in more detail.

Consumer Principles and the Collaborative Economy

Consumer Principle	Description
Access	Can people get the goods and services they need or want?
Choice	Is there any?
Safety	Are the goods and services dangerous to health or welfare?
Information	Is it available, accurate and useful?
Fairness	Are some or all consumers unfairly discriminated against?
Representation	Do consumers have a say in how goods or services are provided?
Redress	If things go wrong, is there a system for putting them right?

Access - can people get the goods and services they need or want?

A key feature of the collaborative economy, and one of the reasons for its rapid growth as a means of purchasing or sharing goods, is the ease of access it offers. Consumers are able to access the goods and services that they want, often on terms that best suit their needs.

However, not all consumers are – or can be – engaged in the collaborative economy. While some consumers choose other methods of obtaining goods and services, other consumers are precluded from the collaborative economy by their lack of digital access and skills. In a survey of 1,250 citizens advice bureau clients in summer 2017, we found that almost a fifth of clients (18%) never used the internet, a figure that has barely improved since a previous survey in 2013. In terms of digital skills, clients reported an even greater problem, with 64% stating that they would need support to complete an official form or apply for a job online. These findings were higher for older consumers, and for those living in deprived areas and/or rural areas. Digital access and skills is therefore a barrier to many consumers engaging in and benefitting from the collaborative economy.

Evidence from consumers also shows that while they can easily access goods or services, they may not turn out to be what they wanted or ordered. This is covered in more detail under the information principle below.

Choice - is there any?

A positive feature of the collaborative economy is that it promotes consumer choice and provides the opportunity for smaller providers to enter the market without substantial capital outlay. In many instances, consumers are able to access review systems that enable a positive choice. However, one potential concern – outlined in responses to the Scottish Government's consultation – is that bigger providers may be able to achieve a monopoly on the market, which may decrease consumer choice and increase costs. When searching our evidence on the collaborative economy, most cases concerned a small number of large providers.

Safety - are the goods and services dangerous to health or welfare?

There are a number of reasons why health and safety may be more of an issue in the collaborative economy:

- Smaller providers may be new to the role and may not be aware of the regulations and health/safety rules that they should be following
- Less is likely to be known about the provider, in terms of their background and suitability, while they may be less likely to have had training
- It may be more difficult for consumers to enforce their rights through complaint systems
- Holding consumer bank details online may increase the potential for fraud

Callers to the Citizens Advice Consumer Helpline reported experiences of fraud when using services in the collaborative economy, although more research would be needed to show if fraud was more prevalent in these services than in more traditional services. The following cases outline some consumer experiences:

Citizen Alert – Fraud

A consumer was unable to make an online payment for accommodation as the company's credit card system was not working. The consumer was subsequently asked to send the money (£7000) directly to host's bank account. The company warns customers not to do this, so the consumer spoke to an online adviser to verify, who advised that the client should proceed and send the money. The client then discovered that this is a fraudulent listing but the company refuses to compensate as the payment was made outside their system. The client then asked how to escalate the matter but was told that this was the final answer.

Citizen Alert – Fraud

A consumer was scammed by a fake post on an accommodation website by a trader in Hong Kong. They paid £850 to this trader. The company confirmed it is a scam on their website, but neither the company nor bank is able to do anything. The case was referred to Trading Standards but it may be hard to enforce any rights as trader is based in Hong Kong. The adviser commented that there are a large number of similar cases reported.

These cases show examples of where consumers have suffered considerable financial detriment and have struggled to access any form of compensation or redress. It is important that consumers accessing services are protected in the first instance and then compensated if things go wrong, particularly when the company listing or advice led to the fraud taking place.

Other cases involved consumers and/or workers being placed in a position of potential harm. The first example may not be representative, but may indicate the potential dangers of a new provider not knowing their obligations to consumers, a potential lack of training, and possibly a negative aspect of a review system.

Citizen Alert – Health and safety

A consumer entered a taxi with food in hand. The consumer asked if she could eat in the cab and the driver said no, so she did not throughout the entire trip. However, the driver continually checked in the mirror to see if client was eating, constantly complaining about how expensive it was for him to clean. The client gave the driver a one star rating for the service. The client subsequently forgot her sunglasses, and, upon calling the driver to ask if she could retrieve them, the driver stated this would only be possible if she changed her rating and that 'he knows where she lives'.

Finally, advisers report numerous cases of delivery drivers crashing on delivery bicycles and drivers breaching the Highway Code. There were also cases of drivers purchasing faulty items at high costs from the company they were delivering for. As other respondents to the consultation noted, there may be a health and safety issue with the working conditions that workers experience.

Information - is it available, accurate and useful?

A benefit of the online services is that consumers are able to access and make use of a wide range of information – including from other consumers – before they make a decision.

However, for this benefit to be realised, information needs to be accurate. Callers to the Consumer Helpline reported numerous instances where the information provided to them was inaccurate. In order to build trust in the industry, it is important that the information provided is accurate and not misleading.

Citizen Alert – Misleading information

A consumer booked an apartment in Barcelona and received a number of emails confirming the address. However, the address in the final email was changed. The client didn't notice the final change as it occurred on the day she was due to leave. It was near impossible for the client to have noticed or acted upon the change at this late stage. The property was completely different from the online listing and was in a completely different location.

Citizen Alert – Misleading information

A consumer reserved accommodation which turned out to be substandard and which did not match the photos in the listing at all. The consumer deemed the accommodation unacceptable as it was advertised as fully air conditioned, however only one room had air conditioning. Upon complaining, the company stated they could not do anything and that they needed to take the problem up with the host directly. The client paid £3,000 to stay there.

Consumers accessing transport through the collaborative economy also report what they feel is misleading information, when their journey costs more than expected due to a unexpected 'surge' charge.

Citizen Alert – Unexpected increase in price

A client's son took a taxi for a journey he regularly makes. The journey takes around 10 minutes and typically costs approximately £8. This was also the estimated quoted price for this journey. However, with the 'surge', client's son was charged £52 for a 10 minute journey. The adviser stated that a large number of cases with unfair surges have been reported.

Consumers also report instances where they had been provided with a promotional code or discount coupon which the company then did not honour:

Citizen Alert – Promotional code/discount

A consumer applied a promotional code for free delivery to his order. The delivery charge of £0.00 was confirmed at the time of placing the order on the app. However, the receipts sent to the client did not show this deduction and the client was charged for delivery. The consumer contacted the company who confirmed that they were aware that there is a problem with their system and that it sometimes shows incorrect order values. However, they do not see it as an issue and were not prepared to refund the client, despite the fact that the client made the payment with grounds to believe that he would not be charged.

Numerous clients report receiving deliberately misleading promotional emails, such as 'follow this link for £5 off your next order'. However, links do not work and discounts are not applied. Upon contacting the company, consumers are told that they 'should read the small print on the company website', as these discounts are available after making one further order. The promotional emails do not state this anywhere. The company also refuses to accept that this is misleading.

Fairness - Are some or all consumers unfairly discriminated against?

Our evidence doesn't indicate that consumers are unfairly discriminated against, although some of the paragraphs above show practices that need to be improved in order to earn consumer trust and ensure fairness.

However, we do have some concerns about the working conditions that some workers in the collaborative economy face. While the flexible hours and conditions suit some workers, for others it can lead to financial and health & safety issues. As respondents to the consultation stated, it is essential that the rights of workers are protected in these industries.

Citizen Alert – employment rights

An East of Scotland CAB reports of a client who is working for a food delivery company with self-employed status who has not been paid for work on several occasions. The client obtains his jobs through the company's app. The client flagged up the money owed, but received only automated responses. The CAB wrote to the company on behalf of the client to demand a response within seven days, and flagged the possibility of submitting a grievance despite the client being 'self-employed'. However, it is difficult as the client's legal rights, like so many in his position, are unclear as he is categorised as 'self-employed' despite the fact he is a worker.

Representation - do consumers have a say in how goods or services are provided?

A positive aspect of the way in which goods and services are provided is that consumers are able to voice their experience and opinions through online review systems. It is important that providers act on these experiences in order to improve services. Just as importantly, workers need to have a say in how goods and services are provided, as they are the people providing the face-to-face service to consumers.

Redress - if things go wrong, is there a system for putting them right?

A common theme in the cases in this briefing is that consumers were unable to obtain redress when things go wrong, although this may be a prompt for them to seek advice from the citizens advice service. In the majority of the cases reported by consumers, they either had not been given any compensation or had been offered a small amount of credit to spend with the company. For consumers to have trust in the collaborative economy, it is essential that complaints and redress systems are clear and accessible to consumers.

Summary

The Collaborative Economy can have significant benefits for consumers, including ease of access, choice of providers, access to the views of other consumers when making decisions, and lower costs. It also offers the opportunity for consumers and communities to become providers, utilising their existing assets. We are particularly interested in the potential benefits of the collaborative economy in terms of its societal benefit – including supporting community groups to provide their own solutions – and the change it could support in rural areas. This briefing has focused on transactional providers – as that is where our evidence lies – but it is important that sharing providers are considered and supported by the Panel.



In order to fully realise these benefits, and ensure that consumers trust the services provided, it is important that the consumer principles outlined in this briefing are adhered to. Ultimately, these products and services need the same levels of consumer protections and redress as any other.

In particular, services offered through the collaborative economy need to:

- Contain accurate information that doesn't mislead consumers
- Minimise fraud as much as possible and compensate consumers when things go wrong
- Ensure that workers are treated fairly, their rights respected, and that they have a voice in how goods and services are delivered
- Have a system of redress to ensure that consumers have a clear and accessible route to resolving a complaint.