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|  Regulatory Policy Committee | Opinion | |
| Impact Assessment (IA) | Alternative dispute resolution | |
| Lead Department/Agency | Department for Business, Innovation and Skills | |
| Stage | Consultation | |
| IA Number | BIS CCP004 | |
| Origin | European | |
| Expected date of implementation (and SNR number) | July 2015 (SNR10) | |
| Date submitted to RPC | 29/11/2013 | |
| RPC Opinion date and reference | 15/1/2014 | RPC13-BIS-1967 |
| Overall assessment | GREEN | |
| RPC comments | | |
| <p>This clear and well-presented IA is fit for purpose. Use of a median hourly earnings rate for estimating costs to consumers of submitting additional ADR cases is reasonable, but should reflect net, rather than gross, earnings.</p> <p>The IA states that the proposals are European in origin, and therefore they are out of scope of One-in, Two-out. As two of the options could go beyond the minimum requirements of the directive, this will need to be reviewed at the final stage.</p> | | |
| Background (extracted from IA) | | |
| <p>What is the problem under consideration? Why is government intervention necessary?</p> | | |
| <p><i>Consumers considering cross-border purchases within the European Union can be discouraged by concerns about resolving disputes with traders based abroad, with the result that consumers are not participating fully in the Internal Market. One reason for this is that coverage of alternative dispute resolution (ADR) schemes is not universal across the Internal Market. Even where sectors are covered by ADR, consumer awareness of ADR as a means of redress is limited and, therefore, it is rarely used. These issues impact on consumers' participation in domestic, as well as cross-border, markets.</i></p> <p><i>Without access to ADR, consumers may have to resort to costly court action to resolve complaints. Intervention is needed to improve access to quick, easily accessible and low-cost ADR mechanisms so EU consumers are able to solve problems quickly and without going through the courts. Consumers would have greater confidence that problems will be resolved, meaning they are more likely to shop with unfamiliar traders, driving competition and economic growth both within and across member states.</i></p> | | |
| <p>What are the policy objectives and the intended effects?</p> | | |
| <p><i>The main objective of the ADR directive is to improve the functioning of the retail internal market by enhancing redress for consumers. The legislation will achieve this by requiring member states to ensure quality ADR is available for all contractual disputes between consumers and business, to address existing gaps. It will promote awareness of ADR by ensuring businesses provide information to consumers about ADR schemes. The online dispute resolution (ODR) regulation will enhance the digital single market by establishing an EU-wide portal, that will signpost consumers to ADR providers able to resolve online, cross-border and domestic disputes.</i></p> | | |

Options

- *Do nothing - the current landscape that does not provide sufficient ADR coverage to fulfil EU obligations.*
- *Minimal option - establish a residual ADR body to capture consumer disputes not already covered by existing ADR schemes. This body would operate alongside existing providers.*
- *Minimal option plus creation of a consumer-facing complaints helpdesk.*
- *Simplification of ADR landscape - merge existing bodies to form a consumer ombudsman body, which would operate alongside existing statutory bodies.*

Identification of costs and benefits, and the impacts on business, civil society organisations, the public sector and individuals, and reflection of these in the choice of options

The IA sets out clearly the estimated costs and benefits of each option considered. The estimated costs to consumers of submitting additional ADR cases is based on a median gross hourly earnings rate as a proxy for the value of free time. Use of an hourly earnings rate for this purpose is reasonable but it should reflect net, rather than gross, earnings.

Comments on the robustness of the small & micro-business assessment (SaMBA)

The proposals are European in origin. A SaMBA is therefore not applicable.

Comments on the robustness of the One-in, Two-out (OITO) assessment

The IA states that the proposals are from a European directive, and therefore they are out of scope of OITO. It nevertheless acknowledges that two of the options would go beyond the minimum requirements of the directive. If the ongoing costs of these options were funded by business, they would be in scope of OITO.

Based on the information presented, this conclusion appears to be reasonable and consistent with paragraph 1.9.8 ii of the Better Regulation Framework Manual (July 2013). It will need to be reviewed once a decision on the options is made following consultation.

Signed



Michael Gibbons, Chairman