

Competition rules must continue to evolve with emergence of digital platforms

- Businesses and regulators must also find ways to end the “worst effects” of business models that exploit loyalty
- government to consult on Competition and Markets Authority’s audit recommendations as Business Secretary urges sector to voluntarily reform as quick as possible before legislation
- Sir Jonathan Thompson appointed as new CEO of Financial Reporting Council to take forward establishment of new Audit, Reporting and Governance Authority

Competition rules must change as platforms and big data are disrupting the basic plumbing of markets – and despite the huge benefits they have brought, sometimes create new forms of harm, especially for ordinary consumers, Business Secretary Greg Clark said today, Thursday 18 July.

Speaking at the Social Market Foundation in London, Mr Clark said that ensuring retail markets in utilities “consistently work in the interest of all households” also presents “unfinished business” for government, competition authorities and regulators.

The Business Secretary said strengthening the role and remit of the Competition and Markets Authority (CMA) will be crucial to ensuring that consumers are protected and that new digital markets and big data work in the interest of all households.

He said:

The CMA, our regulators, government, our Parliament and our people collectively have the knowledge, pragmatism and experience to be winners at the economically crucial global competition to design the rules of competition.

His comments came as the government set out its Strategic Steer for the Authority, published today, on the independent role it must play in championing consumers.

Greg Clark praised the CMA in highlighting the “loyalty penalty” faced by many consumers, saying:

This government has responded extremely supportively to the CMA’s recommendations on the ‘loyalty penalty’. Business and their regulators must find ways to end the worst effects of these

business models, and the companies involved should look to the energy industry as proof of our seriousness in the lengths we and regulators will go to if needed.

He warned of the consequences of markets with limited competition. He highlighted the particular issues of the audit market, dominated by the “big four” companies. Recent reports have shown the concerns that have been raised about the quality of audits, including for some of the largest audit firms. Mr Clark announced a consultation of the CMA’s “powerful and compelling package of recommendations” to reform the audit market.

The Business Secretary said:

The audit sector should be in no doubt about the need and the resolve to make these reforms. Audit quality must improve and we will do everything that’s needed. But the audit sector itself could do a great deal now voluntarily before any legislative change comes and I strongly urge them to do so. It is right, it is good for the economy, and it will give the sector much more credibility in helping shape the regime of the future.

He also announced the appointment of Sir Jonathan Thompson as the new CEO of the Financial Reporting Council (FRC), who, along with the other new members of the leadership team will take the organisation through its transformation to the new Audit, Reporting and Governance Authority, in line with the recommendations of the FRC Review. Sir Jonathan will be stepping down as Chief Executive of HM Revenue and Customs (HMRC) to take up this new role in the Autumn.

Strategic Steer

The government has today published its [Strategic Steer to the CMA](#), which recognises the independent role it must play in championing the interests of consumers by ensuring competitive markets drive through more choice, fairer prices and innovative products.

The government also encourages the CMA to take a bold approach to enforcement to tackle anti-competitive behaviour and unfair trading, now and after the UK leaves the European Union.

While the CMA has a robust range of powers, the emergence of digital markets presents new challenges. Reforms to the CMA may be needed to ensure public confidence as we move to a digital economy and these will be consulted on in due course.

Competition Law Review

The government has also published a review which looks at the effectiveness of competition enforcement and changes made to the competition regime by the Enterprise and Regulatory Reform Act 2013, which created the CMA.

The Competition Law Review finds that the direction of travel is broadly positive. More competition cases are being opened, merger reviews and market studies are being brought to conclusion more quickly, and stakeholder views suggest a good degree of confidence in the regime.

The report notes that we need to consider how well-equipped the UK's competition framework is to respond to current and future competition challenges.

In its upcoming Competition Green Paper, the Government will take a wide-ranging look at the institutions, powers and tools that promote and enforce competition in the UK.

Audit Reform

The Government has set out plans to bring forward significant reforms that deliver a competitive and resilient audit market following recommendations from the CMA.

Among other things, the CMA suggested that the government should:

- enhance regulatory scrutiny of audit committees
- give the new regulator flexible powers to implement a joint audit regime
- implement an operational split between audit and non-audit practices
- give the regulator powers to monitor the resilience of audit firms and intervene where necessary

[A consultation](#), launching today which will run for 8 weeks, will seek views on recommendations made by the CMA to improve competition and resilience in the audit market. It will close on 13 September.

Sir Jonathan Thompson has been appointed as new CEO of the Financial Reporting Council – this important appointment will lead the organisation in its transformation to the Audit, Reporting and Governance Authority.

Sir Jonathan is currently Chief Executive and First Permanent Secretary of HMRC. He has been with the organisation since April 2016.

Behaviour & Insights Research – Terms and Conditions guidance for businesses

The government has today published [new research](#) which shows companies how the use of simple Q&As, graphics and icons in their contractual terms can improve consumer understanding.

Making policies clear and easy to understand will help build customer trust and protect brand reputation. The research includes a number of key findings which the government is urging businesses to implement as good practice:

- display key terms as frequently asked questions, for example, “How can I return items?” or “Do I have to pay the return postage?”
- use icons to illustrate key terms: Choose the most important points that

you want customers to understand and illustrate these with simple icons. For example, use a stopwatch icon together with an explanation like, "Must return purchase within 14 days for a refund"

- show customers your terms within a scrollable text box instead of requiring a click to view them
- provide information in short chunks at the right time – Use pop-up notifications or comments to the side of forms e.g. provide information about terms and conditions as customers fill in their personal details
- use illustrations and comics, for example comics' speech bubbles give customers information about facts, dates, and figures
- tell customers how long it will take to read a policy to increase the chance that they will open T's and C's and/or privacy policies
- when a customer is about to buy something or set up an account, let them know when it's their last chance to read any relevant policies before they do so.