

Press release: Proposals for consumer protections when companies collapse unveiled

- Government to consider new laws to protect consumers who have prepaid for products when a business becomes insolvent
- proposed measures will include guaranteeing consumer schemes like Christmas savings clubs can safeguard customers' money
- reforms are part of the government's modern Industrial Strategy to ensure markets work in the interests of consumers

New laws to protect consumers who have already paid for products but not received them when businesses go bust will be considered by the government, it was announced today (Thursday 27 December).

Business Secretary Greg Clark confirmed that next year the government will consult on laws requiring consumer prepayments to be protected in particular sectors. This would further strengthen the government's ability to respond quickly to problems involving consumers who have prepaid for goods or services before a firm becomes insolvent. Common forms of prepayment include internet orders, the purchase of gift vouchers and money saved in payment schemes marketed as forms of saving like Christmas savings clubs.

If a business running a savings club becomes insolvent, consumers' money is not protected unlike when it is saved in a UK-regulated bank account. New laws proposed today would see this money safeguarded, with legislation requiring businesses to adopt measures to protect customers against losses – whether that is through trusts, insurance or other mechanisms.

Business Secretary Greg Clark said:

When consumers prepay for items through savings clubs it is reasonable to expect that if something goes wrong, their money should have some degree of protection. The measures we are consulting on will give shoppers greater peace of mind.

It's all part of how we're helping make markets fairer for all, especially the most vulnerable, as part of our modern [Industrial Strategy](#) – with more to come next year through our comprehensive Consumer White Paper.

The consultation is part of the [government's response](#) to a report by the Law Commission on consumer protections in the event of insolvencies. The Law Commission had been asked by the government to investigate the issue and make recommendations, and [their final report was published in 2016](#).

Today's announcement builds on recent measures from the government to protect consumers following insolvencies, including working to increase the proportion of funds that can be paid to unsecured creditors – who are often consumers – in the event of insolvencies.

The government has also worked with the card payment industry, consumer groups and others to deliver guidance on 'chargeback' schemes, in which consumers can ask their credit or debit card issuer to reclaim prepayments on their behalf following insolvencies. The guidance, published last year, raises consumer awareness of the availability of chargeback and clarifies to insolvency practitioners that they are not favouring consumers over other creditors if they appropriately publicise the availability of chargeback.

In April 2018, the government published its [Consumer green paper](#) to examine markets which are not working fairly for consumers. This includes examining digital markets, where payments are made before delivery and insolvencies can result in customers not receiving the goods they have ordered. The findings of the Law Commission will also be considered as part of the government's Consumer White Paper, to be published next year.

The measures announced today include a commitment from the government to work with consumer groups and businesses to clarify the law so that it is clearer at what point a consumer legally owns a product.

There are cases where a consumer will have paid for goods which are still in a retailer's possession when the retailer enters administration or becomes insolvent, making it unclear if legal ownership of the goods has been transferred and can be used to pay creditors or not.

By working to clarify the law, the government will ensure that consumers get what they are owed.

[Government response to the Law Commission Report](#)