

## Press Release

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### Low income consumers at most risk of disadvantage in complex communications markets

New research into behavioural economics shows that low income consumers are more likely to suffer in complex communications markets because they are less likely to select the right products to suit their needs, the Consumer Panel says.

Consumer Panel Chair Anna Bradley said: “Regulators and policy makers must develop a more nuanced understanding of consumer behaviour. Regulatory and policy decisions must reflect the way consumers actually behave, rather than assuming that they behave in the way they’re supposed to in economics text books. None of us behave ‘rationally’ the whole time; using perfect information to make flawless decisions.”

Giving an example of the importance of this approach, Anna Bradley said: “Often the regulatory response to a problem is to give consumers more information. But the evidence shows that when consumers are faced with decisions that involve too many options or too much information, they become less inclined to take action and more likely to make bad decisions. We need to take into account the real behaviour of different groups of consumers when designing regulation, otherwise there is a risk that consumers, particularly some of the most vulnerable groups, will not be properly protected.”

The Consumer Panel is now calling on regulators and policy makers to work harder to understand differences in behaviour for different groups of consumers, particularly vulnerable consumers, and to take proper account of how these behaviours affect consumer decision making in the high street. This emphasis on real consumer behaviour reflects the work being done by the Prime Minister’s Nudge Unit, and should be rolled out across the communications sector.

#### Key messages

Regulators and policy makers must work harder to:

- understand consumer behaviour differences, particularly for vulnerable consumers.
- identify where different behaviours may cause vulnerable consumers disadvantage.
- adapt policies and interventions to respond to behaviour differences.
- be cautious about relying on information as a way of responding to consumer needs.
- provide less complex and confusing consumer information.

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## NOTES TO EDITORS

The Communications Consumer Panel was established to advise Ofcom on the consumer interest in the markets it regulates. The Panel is independent and sets its own agenda. Visit [www.communicationsconsumerpanel.org.uk](http://www.communicationsconsumerpanel.org.uk) for more information.

The Panel's members appointed by Ofcom are:

- Anna Bradley (Chair)
- Fiona Ballantyne (member for Scotland)
- Colin Browne
- Roger Darlington (member for England)
- Maureen Edmondson (member for Northern Ireland)
- Bob Warner

Behavioural economics suggests that, in contrast to traditional economic models, consumers do not act in a perfectly rational manner. Consumers have limits to their ability to take in information; they are influenced by how things are presented, often to the extent of making bad decisions; they tend to be bad at anticipating the future; they care about other people and fairness; and they care more about losses than gains. The Government's 'nudge unit', or Behavioural Insight Team, based at the Cabinet Office, is looking at how the insights generated by behavioural economics can inform government decisions and help develop more effective policies across a wide range of areas, from improving public health to pensions and regulation of markets.

The research pulls together and reviews the latest findings of international research. It was conducted independently on behalf of the Panel by Dr. Pete Lunn and Dr. Sean Lyons from the Economic and Social Research Institute (ESRI). For more details about the ESRI go to [www.esri.ie](http://www.esri.ie) For a copy of *Behavioural economics and vulnerable consumers* go to our website at [www.communicationsconsumerpanel.org.uk](http://www.communicationsconsumerpanel.org.uk)