

1. Home (<https://www.gov.uk/>)
2. Protecting consumers during the coronavirus (COVID-19) pandemic: update on the work of the CMA's Taskforce (<https://www.gov.uk/government/publications/protecting-consumers-during-the-coronavirus-covid-19-pandemic-update-on-the-work-of-the-cmas-taskforce>)



1. **Competition & Markets Authority** (<https://www.gov.uk/government/organisations/competition-and-markets-authority>)

Research and analysis

Protecting consumers during the coronavirus (COVID-19) pandemic: update on the work of the CMA's Taskforce

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Contents

Background

Overview

Complaints analysis

Tackling harmful practices

Helping government and businesses protect consumers



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Background

The Competition and Markets Authority (CMA) works to ensure that consumers get a good deal when buying goods and services, and that businesses operate within the law.

The CMA established its COVID-19 Taskforce (<https://www.gov.uk/government/news/cma-launches-covid-19-taskforce>) to identify, monitor and respond to competition and consumer problems arising from coronavirus and the measures taken to contain it.

This report sets out some of the work of the Taskforce, focusing on the complaints we have received and the actions we have taken in response. We intend to publish further reports while the problems persist, updating the data published here and providing additional information about the work of the Taskforce.

People and businesses who have seen or experienced businesses behaving unfairly during the coronavirus outbreak can report it to the CMA by using our dedicated online form (<https://www.coronavirus-business-complaint.service.gov.uk/>). Where there is evidence that businesses have breached competition or consumer protection law, the CMA will take enforcement action if warranted.

Overview

The vast majority of businesses are behaving responsibly and fairly in the unprecedented circumstances created by the coronavirus outbreak.¹ But we are concerned that a small minority may be exploiting the situation, for example by making misleading claims about goods or services, charging excessive prices, or ignoring customers' cancellation or other rights.

The CMA's assessment of the current situation is based on:

- monitoring and analysis of complaints received, both through email and its online form. From 10 March to 19 April 2020, the CMA has received almost 21,000 complaints about coronavirus-related issues;
- information received from consumer bodies, such as Which? and Citizens Advice, and through enforcement partners such as Trading Standards and sector regulators.

Based on this information and data, the CMA's principal concerns currently relate to:

Unfair practices in relation to cancellations and refunds

- The restrictions on travel resulting from the coronavirus outbreak have meant consumers have been obliged to cancel holidays, travel and other plans. The CMA is particularly concerned about businesses refusing refunds in these circumstances; introducing unnecessary complexity into the process of obtaining refunds; charging high administration or cancellation fees; and pressuring consumers into accepting vouchers instead of cash refunds.
- A growing proportion of complaints to the CMA are about cancellations and refunds, and they currently account for around four in five complaints. Complaints are concentrated among a small number of large businesses.
- The CMA will set out further steps in relation to cancellations and refunds next week.

Unjustifiable price increases, particularly for essential goods

- The volume of price-related complaints received by the CMA has declined in recent weeks. But the coronavirus outbreak, and the necessary restrictions on businesses and people, continue to present significant risks that prices are raised above justifiable levels in a number of sectors.
- The CMA is investigating complaints of unjustifiable price rises, and taking steps to prevent it, including by writing to 187 traders that have collectively been the subject of over 2,500 complaints. It is also collecting further evidence, including about price rises further up the supply chain.
- Where there is evidence that competition or consumer protection law has been broken, the CMA will not hesitate to take enforcement action if warranted.

Section 3, below, gives an analysis of the complaints received through the CMA's online form. Section 4 describes the actions taken in response to the two principal areas of concern set out above. Section 5 summarises other work being undertaken by the Taskforce to help businesses and government protect consumers.

Complaints analysis

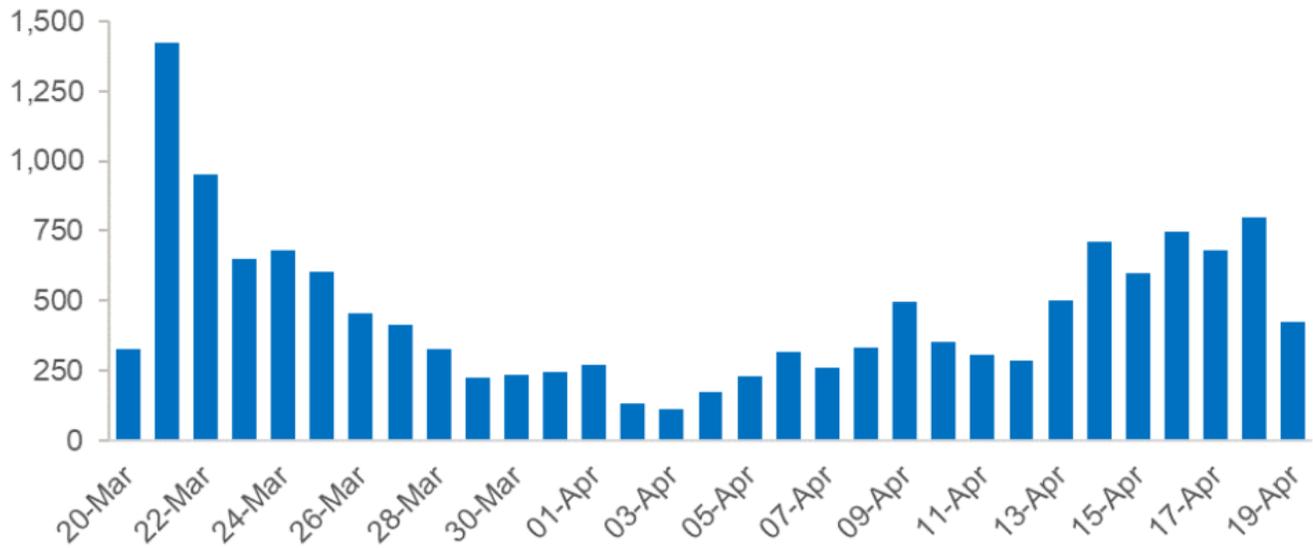
The CMA has received almost 21,000 complaints about coronavirus-related issues via emails and the CMA's online form from 10 March to 19 April 2020. The best way to report unfair business behaviour is by filling out the dedicated online form (<https://www.coronavirus-business-complaint.service.gov.uk/>), and this section provides an analysis of the more than 14,000 complaints received through that channel up to and including 19 April 2020.

Number of complaints

The chart below shows, by day, the 14,000 complaints received by the CMA via the online form since 20 March. Fluctuations should be interpreted cautiously because they can be caused by organised campaigns, news coverage and other public statements about the CMA, about the work of the Taskforce and about harmful practices.

In the week to 19 April, complaints averaged 637 per day, almost double the previous seven-day period (336 per day), but lower than the volumes received in the week following the launch of the Taskforce on 20 March.

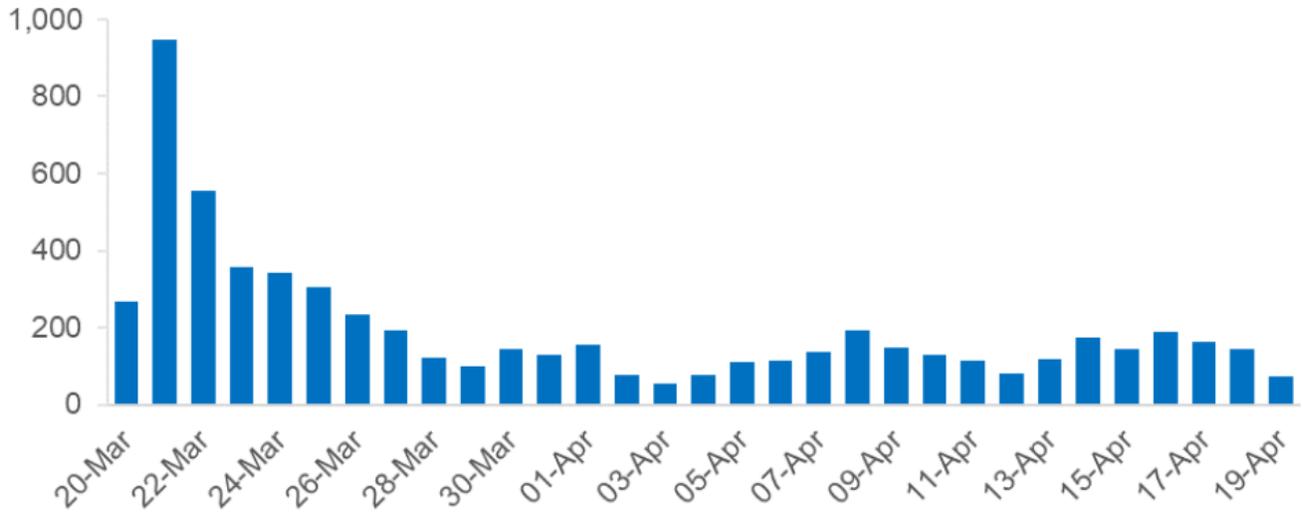
Number of complaints by day



Number of businesses

The chart below shows the number of new businesses complained about by day. Unlike the previous chart showing an upward trend in April, this chart remains relatively flat after March, at around 125 new businesses complained about per day. This difference means that many of the complaints received in April relate to businesses that others have already complained about. This concentration of complaints is driven in particular by the rise in complaints about cancellations, as explained later.

Number of new businesses complained about



Note: this chart relies on matching business names reported by different complainants; it should be regarded as a good approximation, rather than an exact reflection, of the number of individual businesses complained about.

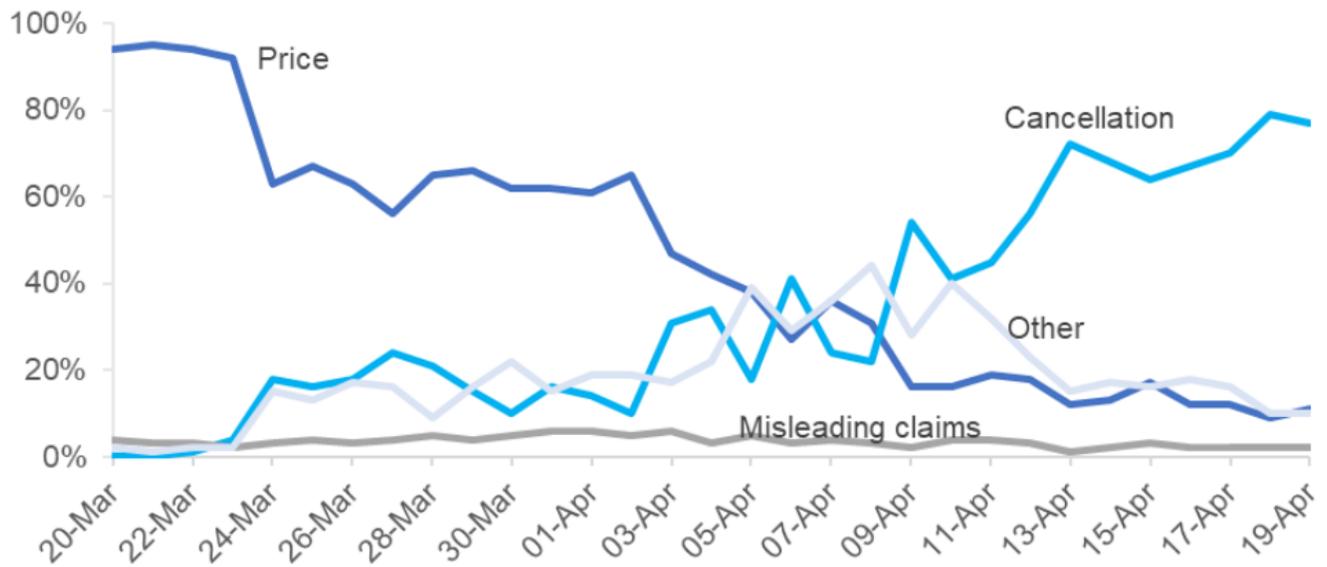
In total, there are about 6,000 businesses in this chart. This is a very small minority of the more than 5.9 million private sector businesses in the UK – around one in a thousand. ²

Many complaints are concentrated among a small minority of firms. A quarter of the businesses account for more than 70% of complaints. The three most complained about businesses received 2,422 complaints, accounting for 17% of the total. The top-ten businesses accounted for 3,961 complaints, or 28% of the total. The vast majority of these complaints concern cancellations and refunds, and they relate to large businesses.

Types of complaint

A large proportion of complaints initially received by the Taskforce related to price rises, particularly for personal hygiene goods such as hand sanitiser and basic food products such as meat. Over time, however, there has been substantial growth in the number of complaints about cancellations and refunds, and a decline in complaints about prices. Cancellation complaints decisively overtook price complaints on 9 April, and now account for around four in five complaints.

Complaints by type

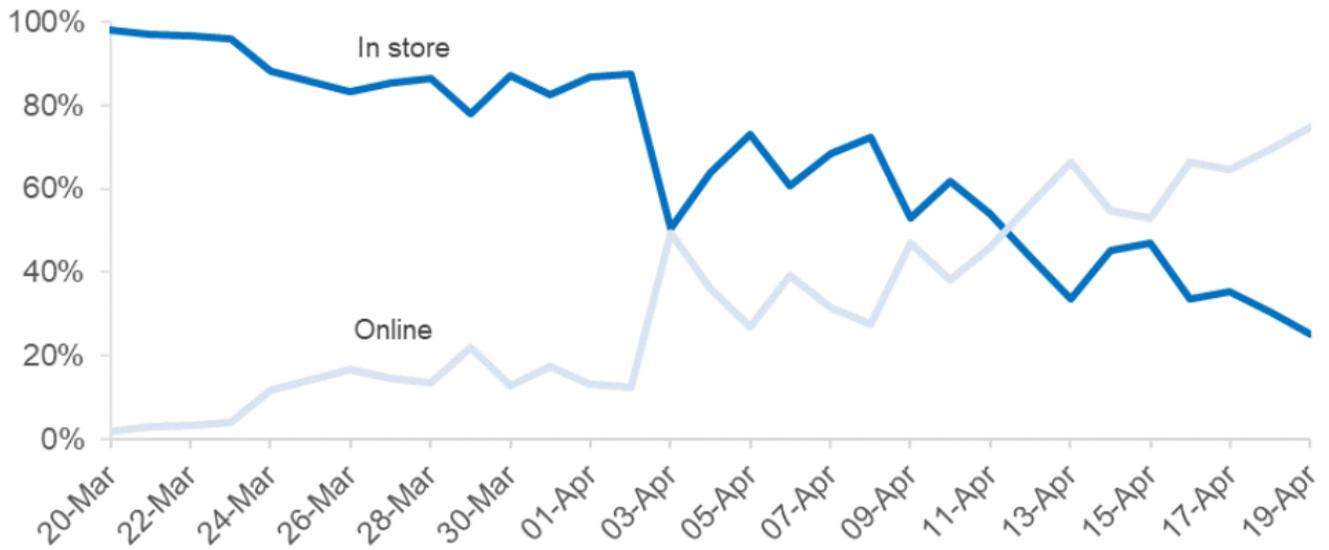


Complaints about misleading claims – for instance about the efficacy of personal protective equipment – have remained low, hovering between 2% and 5% of the total. The “Other” category includes complaints not within the remit of the CMA.³ Where appropriate, these complaints are being referred to other authorities for consideration.

Online vs in store

Since the beginning of April, the proportion of complaints relating to online goods and services has risen. This reflects a rise in complaints about cancellations: 74% of complaints about cancellations relate to goods and services bought online, while 86% of price complaints concern prices in store.

Proportion of complaints relating to in-store behaviour vs online

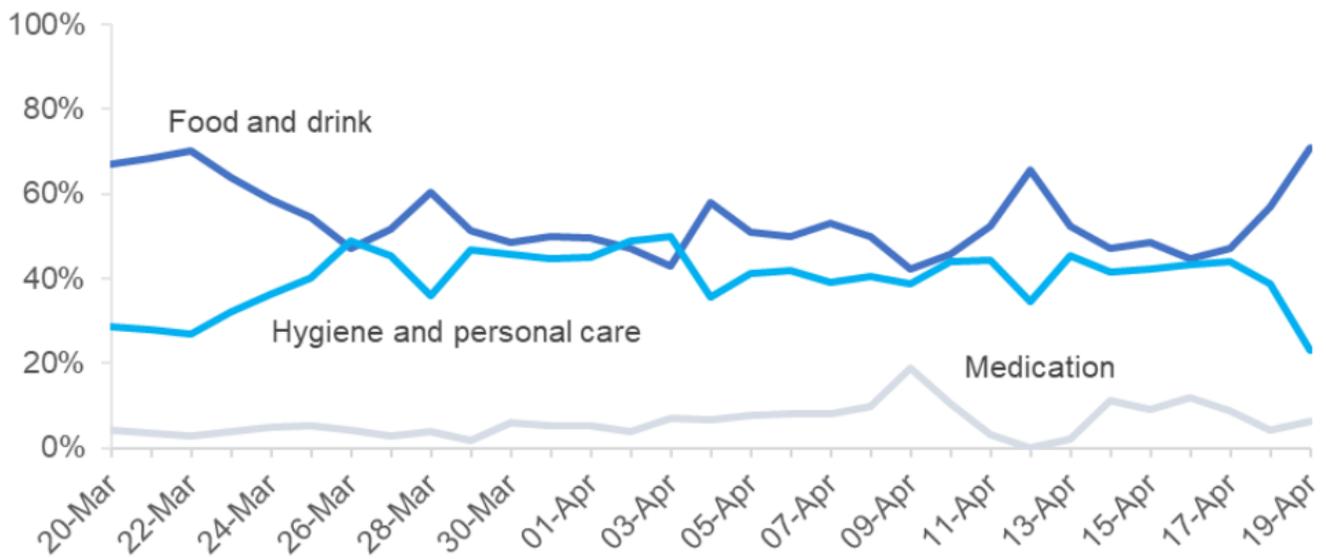


For the same reason, the trajectory of these two lines mirrors the cancellation and price lines from the previous chart about complaint types.

Price increase complaints

The chart below shows a breakdown of price increase complaints by product category.

Price increase complaints by product category



Note: this chart excludes unusual products that have not been the subject of many complaints.

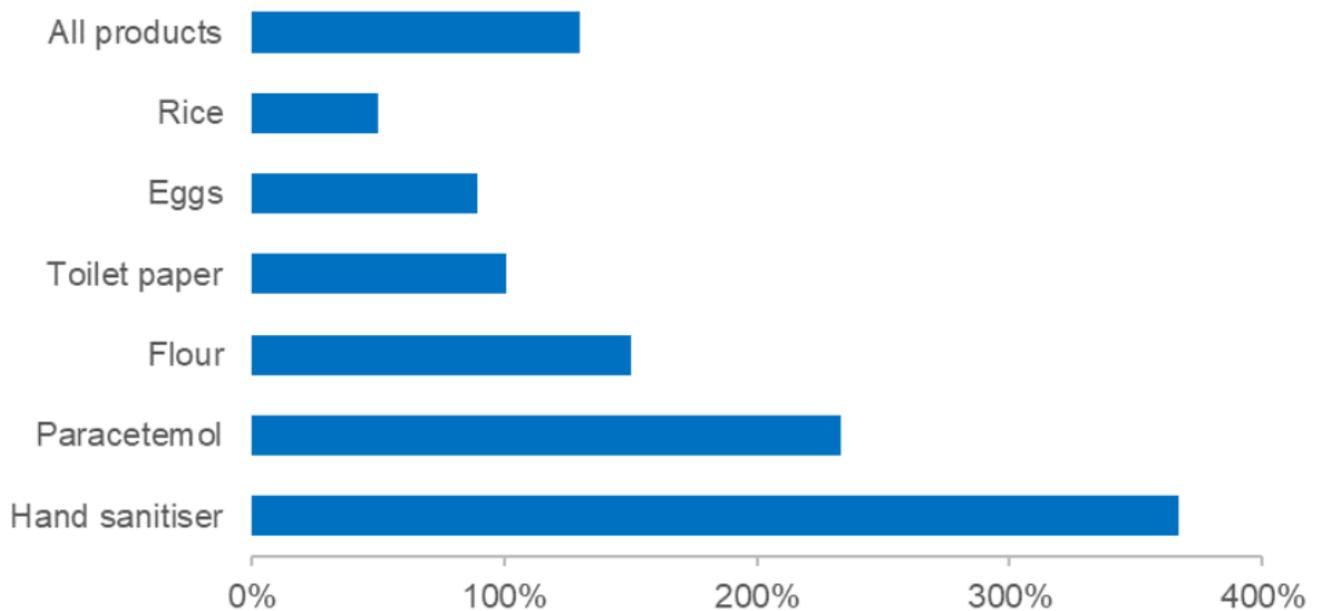
The profile of price increase complaints has remained relatively stable over time, with food and drink fluctuating above hygiene and personal care. Medication has hovered around 4-8%, with the exception of a peak on 9 April which reflects a spike in complaints about paracetamol and ibuprofen. Overall, the most complained about product is meat (e.g. chicken, lamb, beef), followed by hand sanitiser, toilet paper and rice.

Size of price increases

Since 3 April, the CMA has asked those reporting unfair price increases to specify, where possible, the original price and the raised price. The chart below shows the average (median) price increase across the 430 complaints that reported 'before' and 'after' prices, and the increase for some individual products. While total numbers of complaints have decreased, the CMA is still receiving reports of notable price rises, including in the past few days.

The largest price increases concern hand sanitiser, with a reported median rise of 367%. The average increase across all reports is 130%.

Average (median) reported price increase for all and selected products



Note: This chart is based on a small number of complaints (430) and shows only those products with at least 30 data points. Prices are as reported by complainants.

Location of price increases

The table below shows the number of shops complained about for every thousand retail premises, by nation. In proportion, five times more English shops have been reported than Scottish and Welsh shops; but this still only represents a small minority of retail premises in England – five in every thousand.

Number of shops complained about for every thousand retail premises, by country:

Nation	Number of shops complained about	Total retail premises	Complaints per thousand premises
England	2,349	487,810	5
Wales	43	29,470	1
Scotland	70	53,962	1
Northern Ireland	22	TBC	TBC

Source: CMA complaint data; Valuation Office Agency, Stock of properties 2019; Scottish Assessors Association, General Statistics, Report 2.

Note: Retail premises include bank branches in England and Wales, and exclude them in Scotland. Identifying the number of shops and their location relies on complainants providing the postcode of the shop they are complaining about. Because 32% of consumer price complaints do not report a postcode, the true number of shops complained about could be higher.

The ten local authority areas with the highest rates of complaints per thousand premises are all in or near London. This is partly a reflection of complaints against small, independent supermarkets and grocery stores. Some of these businesses, in responding to our letters, have pointed to the increased prices charged by their suppliers as the reason for increased retail prices (see Section 4 below).

The shops that consumers complain about remain a small minority even in the areas with the highest rates of complaint.

Tackling harmful practices

Depending on the amount and quality of the evidence in the complaints, the CMA has a range of options at its disposal. It can seek further information from businesses; it can issue them with advisory or warning letters; it can work with enforcement partners, consumer bodies and trade associations; where appropriate, it can take enforcement action under its competition and consumer protection law powers; and it can advise government, including on any emergency legislative changes that might be required.

The remainder of this section sets out the CMA's response to the two principal concerns that have come to light from complaints and other intelligence-gathering so far: problems with refunds and cancellations, and unjustifiable price rises.

Cancellations and refunds

As set out above, a rising proportion of the complaints received by the CMA relate to cancellations and refunds. The Taskforce continues to monitor these practices. It is particularly concerned about firms refusing refunds; introducing unnecessary complexity into the process of obtaining refunds; charging high administration or cancellation fees; and pressuring consumers into accepting vouchers instead of cash refunds. The Taskforce is looking closely at these practices – with a focus on sectors and individual businesses that have been the subject of a high volume of complaints – and next steps will be announced next week.

Unjustifiable price rises

The Taskforce has responded to complaints about unjustifiable price rises through:

- Setting out our expectations to industry and trade bodies. We have written to 26 trade associations and published an open letter to the pharmaceutical and food and drink industries (<https://www.gov.uk/government/publications/covid-19-cma-open-letter-to-pharmaceutical-and-food-and-drink-industries>). These summarised our concerns about the practices of a minority of traders, set out the CMA's expectations of how traders should behave, and sought further information. The Federation of Small Businesses (FSB) and the British Retail Consortium (BRC) are working to ensure their members are aware of latest CMA guidance. The Association of Convenience Stores (ACS) has urged retailers to report those who are attempting to raise prices unfairly to the CMA during the coronavirus pandemic.
- Engagement with online retail platforms. Many complaints about unjustifiable price rises relate to listings placed on online platforms. We wrote to Amazon and eBay and have continued to engage with them to help ensure listings that charge unjustifiable prices for essential goods are removed quickly. eBay and Amazon are taking steps to remove and block such listings, and suspending or terminating accounts of unscrupulous sellers. On eBay, the sale of goods like hand sanitisers and masks has been limited to a list of trusted businesses.
- Requesting information from individual businesses where we have concerns. As of 19 April, we have written to 187 individual businesses asking for more information, or expressing concern about unjustifiable price rises. Together, these businesses account for over 2,500 complaints – one in eight of all complaints received

by the CMA since 10 March. Businesses would be well-advised to heed these warnings, given the possibility of enforcement action, and the reputational consequences of being seen by their customers to exploit the outbreak. To date, we have received 70 responses from businesses to which we have written, many of which attribute high prices to higher costs charged by suppliers. The Taskforce is seeking further evidence of these claims. Businesses experiencing large price rises or other unfair practices from their suppliers are encouraged to report this through the CMA's online form (<https://www.coronavirus-business-complaint.service.gov.uk/>).

In the coming weeks, the Taskforce will continue to monitor complaints about price rises. It will seek further evidence, both from businesses who serve consumers directly, and from firms further up the supply chain. Businesses suspected of raising prices to unjustifiable levels will be warned about their conduct. And where there is evidence that competition or consumer protection law may have been broken, we stand ready to take enforcement action. Further updates, both about trends in complaints about price rises, and about the Taskforce's response, will be published in due course.

Helping government and businesses protect consumers

Guidance for businesses

The CMA recognises that in some cases it will be appropriate for businesses to work together during the coronavirus outbreak, to ensure that essential products and services get to the people who need them.

Competition law prohibits certain types of cooperation and information-sharing between businesses. The CMA does not want its approach to enforcing these prohibitions to stand in the way of necessary cooperation to deal with the current crisis. With that in mind, we announced on 19 March 2020 that 'the CMA has no intention of taking competition law enforcement action against cooperation between businesses or rationing of products to the extent that this is necessary to protect consumers' (<https://www.gov.uk/government/news/covid-19-cma-approach-to-essential-business-cooperation>) . Following the announcement, we published guidance on 25 March 2020 on the CMA's approach to business cooperation in response to coronavirus (<https://www.gov.uk/government/publications/cma-approach-to-business-cooperation-in-response-to-covid-19>).⁴

On 22 April, the CMA published guidance on its assessment of mergers during the outbreak (<https://www.gov.uk/government/news/covid-19-cma-approach-to-merger-assessments>). The guidance provides further information on key aspects of its practice, including information-gathering, the timing of investigations, the conduct of meetings and hearings, and its approach to interim measures and substantive assessment. The guidance also contained a summary of the existing principles that govern how the CMA assesses mergers when 'failing firm' claims are raised.

Advice to government

A function of the Taskforce is to provide advice and assistance to Government, where appropriate, on the measures and policies it is developing in response to the coronavirus outbreak. In particular, the Taskforce has advised the Government on 'exclusion orders' (which exempt certain types of agreement in specific sectors from competition law) to help ensure risks to competition and consumers are minimised. At the time of writing, four exclusion orders have been enacted in the groceries⁵, ferry transport⁶ and healthcare sectors (in England⁷ and Wales⁸

More information

All our coronavirus-related announcements and publications can be found in this collection: CMA coronavirus (COVID-19) response (<https://www.gov.uk/government/collections/cma-covid-19-response>).

1. The CMA has received complaints via its online form relating to a little over 6,000 individual businesses, around one in a thousand of the total number of private sector businesses operating in the UK. ↩
2. BEIS, Business Population Estimates, 2019, Table 1. ↩
3. The key themes include: facing dismissal; unsafe work conditions (particularly adherence to social distancing rules); non-key workers still at work; non-essential businesses still open; companies not allowing staff to work from home; staff not having PPE (especially in shops/delivery drivers); pubs still having to pay licences despite being closed; and general concerns for public health. ↩
4. This guidance made clear that “The CMA understands that this may involve coordination between competing businesses. It wants to provide reassurance that, provided that any such coordination is undertaken solely to address concerns arising from the current crisis and does not go further or last longer than what is necessary, the CMA will not take action against it”. ↩
5. <http://www.legislation.gov.uk/uksi/2020/369/made> ↩
6. <http://www.legislation.gov.uk/uksi/2020/370/made> ↩
7. <http://www.legislation.gov.uk/uksi/2020/368/contents/made> ↩
8. <http://www.legislation.gov.uk/uksi/2020/435/contents/made> ↩