


A new statutory consumer advocate for insurance?

29 January 2025  Joanna Wallens

Citizens Advice has called for it to be appointed as statutory consumer advocate in all essential markets, including insurance.

In doing so, it has quoted the previous chair of the FCA, Charles Randall, on the disparity in access and power.

Charles Randall

FCA

“Now, more than ever, financial regulation needs to work for the whole country. Financial businesses or their lobbyists met Treasury minister nearly 200 times last year. In the same period Treasury minister met consumer organisations fewer than a dozen times. UK Finance and the Association of British Insurers (banking and insurance lobby groups) were granted ten times more meetings by ministers than Citizens Advice.”

[Written evidence from Citizens Advice \(UKR0063\)](#) →

Citizens Advice also referenced the loyalty penalty (insurance firms offering new customers more competitive premiums compared to existing customers), saying that it had called out this practice in 2017 and referring to its 2018 ‘super-complaint’ to the Competition and Markets Authority (the CMA). Citizens Advice argues that the loyalty penalty suggests that regulators use demand side information remedies to address problems which need supply side remedies. Citizens Advice further argues that the FCA initial use information remedies were not effective and that the loyalty penalty eventually needed be banned, which happened in 2021. Citizens Advice says that the delay meant consumers were not protected when they could have been, and that the FCA had to spend time revisiting the issue when it could otherwise have moved on to new issues.

Citizens Advice argues that there is a need for a statutory advocate in the industry to be integrated into the decision making and challenge processes within the regulators, in order to address structural imbalances around the strength of industry voices and ensure that consumer voices are at the heart of regulatory strategies and decision making.

Citizens Advice advocates that a structural solution is required to give the consumer voice greater weight and put it in a place where it can present a real challenge to regulators, statutory consumer advocates that are an integrated part of the decision making process.

What is a statutory consumer advocate?

Citizens Advice is the designated statutory consumer advocate for the post and energy markets. This is funded by industry levy and provides Citizens Advice with more resources to act as the voice of the consumers. In these sectors, Citizens Advice also has information gathering powers laid down in statute. Citizens Advice say that this statutory footing means it can put the consumer voice forward in technical debates.

Statutory consumer advocates act as champions for consumers, with the aim of improving consumer advice and education. As many consumers are reluctant to initiate court action themselves, statutory consumer advocates may also have the power to take cases on behalf of groups of consumers.

They represent consumers at the table with regulators, industry and the government. They have conversations and provide briefings to MPs and select committees. They can also inform Parliament, to aid its scrutiny of regulators. Citizens Advice describes the role of consumer advocates as “similar and complementary... to that of regulators”. In particular, Citizens Advice says it looks to address two drivers of consumer harm, namely:

1. The imbalance of power between consumers and firms: Highlighting market failures which allow firms to exploit the imbalance.
2. Where the market makes incorrect assumptions about consumer needs or behaviours, Citizens Advice highlights the actual needs of consumers and how they are not a homogenous group. It has particular regard to the needs of consumers in vulnerable circumstances.

Citizens Advice says that statutory consumer advocates, where resourced and structured in a way to effectively scrutinise both industry and its regulators, play an essential role in addressing both these drivers for regulatory and market failure.

What does this mean for insurers?

Citizens Advice says that the level of expertise and engagement it has in markets where it is statutory consumer advocate is not feasible without its statutory sector-specific role and funding; it is not something that it can replicate in sectors where it is not statutory consumer advocate. If Citizens Advice were appointed [statutory consumer advocate for the insurance industry](#), it would likely lead to heightened scrutiny, especially for personal lines insurance; such a development would likely mean that they are given powers to force insurers to disclose data.

Data gathering powers and a sharp focus on consumer interests would mean that, were a statutory consumer advocate appointed, it would cause a reconfiguration of power relations within the market.

Insurers must ensure that they consider consumer needs and do not treat consumers as a homogenous group. The FCA already provides guidance to firms on the fair treatment of vulnerable customers. The Consumer Duty sets high standards of consumer protection across financial services and requires firms to put their customers' needs first.

Citizens Advice says it is unrealistic to expect consumers to read and understand all information given to them, consider the information, shop around and make a decision based on all the available information. Firms should be mindful that consumers have a lot of competing demands. Given the above, it is extremely important to ensure that critical information is highlighted and drawn to the attention of consumers. Firms should go to great lengths to ensure that documents are as clear and easily understood as possible. Firms need to be able to test and evidence the Consumer Understanding outcome of the Consumer Duty.

In conjunction with Thinks Insight & Strategy, a leading behavioural insight agency whose work is specifically referenced in the Consumer Duty, Browne Jacobson has developed a unique product that enables firms to gather objective and rigorous evidence of [customer understanding](#). Please contact us with any enquiries or requests for further information.

Contents

[The Word, January 2025](#)



[North Carolina Supreme Court COVID-19 decision in North State Deli v Cincinnati Insurance Co](#)



[Consumer Duty: Latest good and poor practice report from the FCA](#)



[A new statutory consumer advocate for insurance?](#)



[The Vulnerability Registration Service: Helping insurers support vulnerable customers](#)



[Hiscox CEO's vision for AI](#)



Author

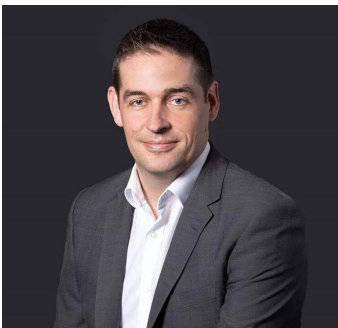


Joanna Wallens

Associate

joanna.wallens@brownejacobson.com

+44 (0)330 045 2272



Tim Johnson

Partner

tim.johnson@brownejacobson.com

+44 (0)115 976 6557

Related expertise

Complaint handling

Financial services and insurance advisory

Financial services regulation