



Performance Scorecard Progress Note

Issue date: 17 July 2019

Purpose of this document

The FCA, Ofcom, Ofgem, Ofwat and the Consumer Council for Water¹, through the UKRN, have been working together to develop a set of performance scorecards to measure the customer experience across key sectors. This document sets out:

- the purpose of performance scorecards and what they can achieve;
- the context and background to the work;
- progress to date, timelines and next steps;
- the initial metric themes proposed by the regulators (Annex A); and
- examples of the range of existing metrics in this area, on which this work draws (Annex B)

The purpose of Performance Scorecards

Transparent, high quality performance information is an important tool for consumers, consumer groups, price comparison websites (PCWs), regulators, government and other stakeholders. It can help to identify where consumers are being well-served and where performance needs to improve.

This kind of information can lead to improved outcomes in many ways:

- through engaged consumers using information at the point of purchase to inform their choice of provider, driving consumers away from poor performers and towards those providing good consumer outcomes;
- through pressure from consumer groups, the press, regulators or others leading to companies focusing on areas of poor performance in order to prevent reputational damage; or
- through direct regulatory action to tackle poor performance, using regulatory tools.

Within sectors, regulators and other bodies already collect and publish a wide range of good quality data on the performance of regulated firms, and use this to assess and improve performance within their sectors. However, more can be done to effectively signpost these data to consumers and stakeholders and maximise their impact in improving outcomes: visibility is key.

Performance scorecards will highlight key metrics for each sector, and can also be used to signpost to, and increase the visibility of, the range of other easily accessible performance data across key sectors. This should make it easier for consumers, consumer groups², the press and other interested stakeholders to access these data.

¹ CCWater is independent of both the regulator, Ofwat, and the water companies. CCWater represents the interests of water and sewerage consumers in England and Wales. CC Water have been involved in this project as much of the data being used in Performance Scorecards have been provided by them.

² We recognise that in some cases the information is held by consumer groups in addition to, regulators.

While these data are unlikely to be used in their current format by consumers at point of purchase, we anticipate that this approach will increase the public debate about performance, through media reporting of key metrics, which should in turn benefit consumers.

Good information at the point of purchase remains important. In addition to work on metrics, regulators and BEIS will continue to explore how best to work with Price Comparison Websites (PCWs) and other trusted consumer-facing groups to increase consumer access to performance data.³

Background

In April 2018, the Department for Business, Energy & Industrial Strategy (BEIS) published a Green Paper entitled 'Modernising Consumer Markets'.

The government wanted to use the power of data and reputational incentives to improve consumer outcomes in regulated sectors'. Whilst regulators already publish performance data, government felt that there was more that could be done to improve the availability, coverage and visibility of this data and to enable comparability across sectors, where relevant.

As such, the green paper proposed the following action:

1. Ofgem, Ofcom, Ofwat and the FCA, through the UK Regulators Network, will develop performance metrics for companies and digital comparison tools operating in their sectors, where relevant.
2. These will be:
 - Published regularly
 - Provide a set of comparable data on consumer outcomes such as **price differentials, consumer engagement, service quality** and **complaints** across these sectors, where appropriate.

In September 2018 Citizens Advice submitted a super complaint to the CMA, raising concerns about long term customers paying more for goods and services, which it refers to as 'the loyalty penalty'. This focused on five key markets: cash savings, home insurance, the mortgage market and the mobile and broadband markets.

In December 2018, the Competition and Markets Authority (CMA) published their response. This included a recommendation to regulators to 'publish metrics on the size of the loyalty penalty in key markets and for each supplier, for example in an annual joint loyalty penalty report'. UKRN were identified as a possible vehicle for coordinating this work as part of its work on performance scorecards.

³ Given that consumers are not able to switch water providers this will not apply to performance data for water

Actions to Date

In January, UKRN appointed a project lead to drive the Performance Scorecard work forward and established a Performance Scorecards Working Group (PSWG), to explore the technical and practical details of scorecards. The PSWG is a temporary Network established within the UKRN framework and consists of the following regulators and interested parties:

- The Financial Conduct Authority (FCA)
- Office of Communications (Ofcom)
- Office of Gas and Electricity Markets (Ofgem)
- Water Services Regulation Authority (Ofwat)
- Consumer Council for Water (CCWater)
- The Department for Business, Energy & Industrial Strategy (BEIS)

The CMA have attended some PSWG discussions in an advisory capacity for discussions on price differential metrics and the extent to which the performance scorecard is a suitable vehicle for reporting on those metrics. The Behavioural Insight Team (BIT) have also attended some PSWG discussions in an advisory capacity as well as providing some additional support to UKRN during the scoping phase of the scorecards project.

The purpose of the PSWG is to work collaboratively to scope and agree the metrics for each sector and how they will be presented, published, maintained and updated. Collaboration across the PSWG has been extremely positive. While the scope of the metrics may evolve in 2020, if this is found to be of value, in the first instance the focus has been on consumer engagement, service quality, complaints and price differentials.

The work of the network has been informed by extensive desk-based research undertaken by the UKRN, and by engagement with other UKRN members and stakeholders to understand the effective metrics used within their industries, assess the benefits and challenges of these, and draw on existing best practice.

UKRN have kept key stakeholders updated on progress of the work, including updates via the BEIS Consumer Forum and through a meeting between UKRN CEO Jonathan Oxley and Kelly Tolhurst MP, Minister for Small Business, Consumers and Corporate Responsibility.

Comparability of metrics

As noted above, the proposals in the green paper indicated that metrics should be comparable where possible. Comparable metrics across sectors would aid in understanding the relative consumer experience across each sector 'and could help to drive improved outcomes through reputational pressure and by enabling insight about what practices lead to improve consumer outcomes'.

While the data used in the first iteration of the scorecards is not directly comparable across sectors, we are continuing to assess areas where data can be made more comparable as well as investigating the potential use of other sources of data that are consistent across markets.

Incorporating price differential measures

We have been working closely with the FCA, Ofcom and Ofgem on how best to incorporate price differential metrics⁴. Ofgem already publishes these metrics, and a high-level measure of the difference between the average annual cheapest tariff price and the average annual standard variable tariff price in energy is included in the metrics. This measure is the product of a long-standing programme of existing work on price differentials by Ofgem.⁵

Ofcom also publishes some metrics on price differentials in its annual Pricing Report. It is also undertaking further work to assess and understand price differentials in telecoms in more detail.

The FCA is also undertaking work to understand price differentials in financial services markets.

This work is complex, requiring the need to obtain and analyse robust data on price differentials by supplier, and to analyse the results of that data clearly, recognising the complexities of the relevant markets. Ofcom and the FCA will be concluding their analysis over the coming months, and the UKRN will be working closely with both regulators to consider how best to link this analysis to the existing performance scorecard metrics.

More details on the work being conducted by Ofcom and the FCA is detailed below.

Ofcom

Ofcom's purpose is to make communications work for everyone. To achieve this Ofcom wants customers to get a fair deal for their services and is working to stand up for customers to make sure companies treat them fairly, including fair pricing⁶. This includes ensuring that consumers have the information they need to make informed choices and shop around with confidence.

Ofcom already publishes information about pricing practices in communications markets in order to empower consumers as highlighted above. Ofcom's annual Pricing Reports highlight trends in UK communication service pricing, including price differentials and levels of consumer engagement in the market. The next report is due in November 2019 and will set out the extent of price differentiation in the broadband and mobile markets, including how many consumers may be paying more than they need to for these services. It will highlight discounting practices and in-and out-of-contract spend for standard and superfast broadband services and, in mobile, information on how many combined handset and airtime customers continue to pay the full monthly fee after the end of their minimum contractual period, and data relating to the average monthly overpayment.

Ofcom is also examining industry pricing practices in mobile and broadband-as part of its current policy projects and expects to publish its findings, including relevant metrics where appropriate.

⁴ As there is no consumer retail market in water, price differential metrics are not relevant for this sector.

⁵ The penalty paid by loyal consumers has been well-established in the energy market following years of investigation by Ofgem, the CMA and Government which led to a range of new protections for consumers - first capping the cost of prepayment meters, then capping the bills of vulnerable customers and - ultimately - capping the cost of energy for all customers on default tariffs in the market, expected to save consumers £75 a year on average.

⁶ [Ofcom's Fairness Commitments](#)

In mobile, Ofcom will shortly publish a review of pricing practices. This will provide detailed information on the prices paid by customers on bundled contracts (i.e. those including a handset as part of the package) beyond the minimum contract period.

Ofcom's review of price differentiation in the fixed broadband market is looking at how companies set their broadband prices, and why some customers pay more than others – particularly those who may find themselves in vulnerable circumstances. It is undertaking thorough and robust research of the market, examining the prices paid by tens of millions of broadband customers to understand the scale of any harm to consumers, who is affected and what actions may be required. Ofcom will act on the basis of evidence and will announce next steps in the autumn.

Ofcom will continue to consider how best to provide consumers with information about pricing practices, including price differentiation, in future as it takes forward its reviews in the mobile and broadband markets.

Ofcom already provides consumers with accurate tools to help people shop around with confidence and find the best deal for their needs. At the end of last year, it launched a major new information campaign and website – Boost Your Broadband – to help people get faster broadband and save money. It also regularly shines a light on which major telecoms and pay TV providers are best and worst for customer service through its Comparing Service Quality report.

Ofcom believes that these publications offer the most appropriate means of highlighting information on price differentials. Given the complexity of deals in broadband and mobile, Ofcom suggests that the performance scorecard includes a link to these data sources.

FCA

The FCA remains committed to making markets work well for consumers, as highlighted in their Mission and operational objectives. The loyalty penalty is an important issue and the fair treatment of existing customers has been, and remains, a priority for the FCA in its ongoing programme of work:

The FCA have completed their mortgages market study and identified specific issues that lead to harm for some consumers who pay more than they need to for their mortgage. They have proposed a package of remedies to address this, which includes: proposals for new rules on how lenders assess customer affordability to switch to new loans; proposals to change mortgage advice rules and guidance to help remove potential barriers to innovation; and challenging the market to continue making progress with developing new tools to allow intermediaries to more easily identify the products a consumer is likely to qualify for, earlier in the sales process. Alongside this it is undertaking further, in-depth analysis to understand more about those customers that do not switch mortgage to inform any necessary further interventions.

In the cash savings market, the FCA is concerned that competition is not working well, particularly for long standing customers who generally receive lower interest rates than those who opened accounts more recently. The FCA has published a discussion paper setting out a range of options to

address issues faced by longstanding customers and signaled that its preferred option is the introduction of a basic savings rate (BSR) to better protect long-standing customers, alongside a sunlight remedy linked to a BSR. The FCA has received responses from a variety of stakeholders, including banks, building societies, industry bodies and consumer organisations. The FCA is considering these responses carefully and will publish a Consultation Paper or Feedback Statement setting out the action it will take by the end of 2019.

The FCA's thematic work on Pricing Practices considered the impact of insurance firm's pricing modules on different groups of consumers. The findings of this work were set out in a thematic report published in October 2018. The FCA also sent a 'Dear CEO' letter on the same date emphasising the need for firms to address the issues raised by the thematic work immediately, particularly the governance and controls over their pricing practices, including in relation to differential pricing and the Equality Act. The FCA's current general insurance pricing practices market study will provide a deeper understanding of the scale of any harm to consumers from pricing practices in motor and home insurance, who it affects and, if required, what actions are required to improve the market. The interim report is to be published in Summer 2019.

In addition, last year the FCA published a discussion paper which presented a framework for how they assess the fairness of pricing practices in retail markets. They will be publishing a feedback statement later this summer and this work will feed into the general insurance pricing practices market study. The FCA will consider the role of price differential measures as an effective intervention once it has completed its work in relevant markets.

The FCA already requires banks to publish information about their current account services. The information covers five areas: account opening speed, debit card replacement speeds, how quickly customers can access overdraft facilities, how quickly customers can access internet banking, and information on major operational outages. This information is published quarterly and May's results can be found [here](#). The next set of results will be available in August 2019.

The FCA's recent High Cost Credit review work has built on detailed and thorough research to deliver policy changes across the sector in areas such as Overdrafts, Buy Now Pay Later, and Rent-to-Own. These changes will make markets work more effectively for some of the most vulnerable consumers in society. Following its recent work on overdrafts, the FCA is also consulting on proposals to require firms to publish a range of overdraft pricing details, along with their quarterly current account services information. The aim of this proposal is to improve transparency and raise awareness of overdraft charges.

Next steps

- An initial set of metrics will be published by the end of 2019. These are set out in the Annex, and will be updated to incorporate the most up to date data prior to publication.
- Each regulator will publish their own metrics on their website, providing links to enable the easy discoverability of metrics in the other sectors. The metrics for all four regulators will be displayed on the UKRN website. The four regulators, CC Water and UKRN will coordinate their communications activity when publishing the Performance Scorecards.
- Publication will be used as an opportunity to signpost stakeholders to the range of additional performance data already collected and published, increasing the visibility of this information and the reputational incentive this provides for firms.
- Following publication of the metrics, in the Spring of 2020, regulators will engage with key stakeholders, including consumer groups and Price Comparison Websites (PCWs), to test the effectiveness of the initial metrics and how they could be used by stakeholders.
- Regulators will also consider how best to evaluate the impact of Performance Scorecards, to measure their effectiveness and impact on consumer outcomes.
- UKRN will continue to work closely with regulators as their work progresses to determine the feasibility of incorporating price differential metrics.
- Following the initial evaluation of the impact of the performance scorecards and how they are being used, regulators will assess the extent to which it is feasible to include additional metrics. Regulators will also assess the best way to update the scorecards.

Annex A: proposed scorecard metrics

Below listed are the themes to be covered by the initial performance scorecards to be published in Autumn 2019 from Ofgem, Ofcom, Ofwat/CCWater and the FCA.

Ofgem

- Customer satisfaction - % who are satisfied with their supplier.
- Do customers recommend? – Net Promoter Score (NPS).
- Average annual supplier’s Standard Variable Tariff price (£).
- Average annual supplier’s Cheapest Tariff (£).
- Customer complaints – number of complaints received by supplier per 100,000 gas and electricity customer accounts in (time period) - **Large and medium suppliers.**
- Customer complaints – number of complaints received by suppliers per 100,000 gas and electricity customer accounts in (time period) – **Selection of small suppliers.**

Ofcom

- Satisfaction (%) – Landline/Broadband/Mobile/Pay TV.
- Net Promoter Score (NPS) – Landline/Broadband/Mobile/Pay TV.
- Complaints (per 100,000 subscribers) – Landline/Broadband/Mobile/PayTV.
- Satisfaction (%) with value for money (VFM) – Landline.

Ofwat/CCWater

- Overall Service Quality (%) – would you recommend your water and sewerage company?
- Priority Service Register (PSR) – number of customers registered per 10,000 properties, per water and sewerage company.
- Complaints – written complaints per 10,000 properties, per water and sewerage company.
- Net Promoter Score – (NPS).
- Satisfaction (%) with value for money (VFM) – water and sewerage company.

FCA

- CMA personal current account service quality metrics
 - Overall Service Quality (%) – would you be likely to recommend your personal current account provider to friends and family?
 - Online and mobile banking service (%) – would you be likely to recommend your provider’s online and mobile banking services to friends and family?
 - Services in branch (%) – would you be likely to recommend your provider’s branch services to friends and family?
 - Overdraft Services (%) – would you be likely to recommend your provider’s overdraft services to friends and family?
- Complaints – Number of complaints per 1,000 banking and credit card accounts.

Annex B: Other existing metrics

In addition to the combined metrics the 4 named regulators have individually taken significant steps forward in developing metrics to measure the quality of the consumer experience, drawing on shared knowledge and best practice. **Some recent examples are provided below.**

In **retail banking**, following action by the FCA and CMA performance information is published rating 16 of the biggest providers of current accounts (which covers circa 90% of the market). These tables are published in August and February each year and measure the likelihood that customers will recommend their provider to a friend or family member. Four areas are measured: overall service quality; online/mobile banking services; overdraft services; and quality of service in branches. These are promoted via the providers' websites and in branches and strong performers have promoted their scores, including via TV advertising. [The February 2019 results are available here](#). This survey remains ongoing and the next set of results will be available in August 2019.

In **water**, there are a number of metrics highlighted by Ofwat, the Consumer Council for Water (CC Water) and Water UK via the [Discover Water website](#) and customer research conducted by the Consumer Council for Water ([Water Matters](#)). It is not possible for a household consumer to actively switch their water and /or sewerage provider. However, these metrics are used to drive up performance through reputational incentives as well as being used to inform Ofwat's regulatory oversight of the sector.

In **Energy**, Ofgem provide metrics via the [Data Portal](#) on their website. At the moment, it is not possible to display results by individual company. Rather an average figure is presented for all companies in three groups: 'large' (one of the big 6 providers), 'medium' (8 providers) and 'small' (49 providers). We are working with Ofgem to explore the barriers to presenting this data per provider, and how these can be overcome. Some energy data is also made available exclusively via Citizens Advice, via the '[star ratings for energy](#)' matrix.

In **Telecoms**, Ofcom recently presented [their third annual Comparing Service Quality \(CSQ\) report](#). This report is very concise and gives an excellent overview of the broadband, mobile and landline provider landscape. The report very clearly highlights the providers who are performing well and those which need to improve from customer research undertaken. To quote a line from the Overview of the report 'by shining a light on the performance of the UK's main mobile, broadband and home phone providers, this report allows people to look beyond the price of a service'.