



# NATIONAL CONSUMER FEDERATION

## NCF response to CMA's investigation into consumer protection in Green Heating and Insulation

### Who we are

The National Consumer Federation (NCF) represents the voice of UK consumers. We are an independent, not-for-profit charity, with over 50 years' experience of tackling issues that affect large numbers of consumers, and campaigning for positive change. We work to influence Government, regulators and businesses to ensure that the consumer voice is at the heart of decision-making.

### Introduction

NCF reviewed the questions posed by CMA. The NCF is concerned about the spread of responsibilities across a number of regulators and Government departments when it comes to consumer protection as consumers' homes are brought up to net zero energy performance.

We therefore concluded that the framework of questions did not address the real issue of consumers within the overall net zero homes policy objective. As we will explain, green energy needs to be considered as a series of closely related products. In policy terms they are held together by an overall needs assessment of existing properties that leads to an individual strategy to progress towards a low carbon objective.

The CMA needs to support and reinforce the consumers' need to **insulate first**.

The missing link is the market for Energy Performance Certificates that have a central role in policy and are required when properties are marketed in both the owner occupier and rented sectors. For both consumers and policy makers the EPC has key role in securing net zero. Putting EPCs and the policy context into the investigation would give a better focus in identifying problems with the existing consumer law.

The other elements are the continual changing of green incentives, skill shortages and uncertainty surrounding technical developments such as commercially available green hydrogen, all of which provide perverse incentives on businesses for pressure selling and misleading claims.

We are not an organisation currently having direct contact with enough consumers to establish direct evidence on issues where, for example, the existing consumer law is inadequate. We have however worked for years on 'what good looks like' for consumers in regulatory matters, having for example pre-pandemic made a proposal to BEIS for bringing consumers into the BEIS Regulators Code<sup>1</sup>.

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<sup>1</sup> <https://thencf.org.uk/wp-content/uploads/2021/04/0001-NCF-Proposals-for-revision-of-the-BEIS-Regulators-Code-2014-FINAL.pdf>

Hence, in our response we have made a contribution that brings in that wider context of consumer net zero decision making. Further, we propose important first steps for a regulator in terms of research aimed at quantifying the risks posed to consumers by poor quality 'dodgy' suppliers and outright scammers.

### **Net zero home**

Getting an existing property to net zero involves a sequence of steps and a number of separate products. For the consumer it is vital to see these products as part of a package that starts from an assessment of the property in the form of an Energy Performance Certificate (EPC) that not only assesses current performance but outlines possible ways to improve it. Reaching net zero involves a combination of both using less energy and switching to low carbon energy. To guide consumers through this process NCF has produced a structured step by step Home Energy Guide<sup>2</sup>. The main message that should come across to consumers is **INSULATE FIRST** so as to use less but also green energy.

What follows is generally in the context of retrofit and primarily reducing the energy consumed by existing homes, though it could apply where green options are offered for new build, eg, heat pumps offered as an alternative to a gas boiler.

CMA's questionnaire refers to products which should be seen as closely interrelated, including

- Biomass boilers
- Heat pump - air source and ground source
- Home solar - Photovoltaic (PV) panels and Thermal (or water heating) systems
- Hydrogen-ready boiler
- Insulation for the home - under the roof; over the loft floor; into the gap between cavity walls; as an added layer to solid walls (either to the exterior walls or to outer-facing interior walls); or underfloor (ie, to the underside of timber floors or above or below concrete floors).

Here 'products' include manufacture, installation and maintenance.

Of these products only heat pumps and insulation significantly reduce the total energy consumption of a home. While solar panels can reduce bills by substituting grid electricity with home generated power.

For heat pumps replacing gas consumption with lower electricity consumption, consumers face electricity prices are ~ 3x the cost of gas for a 1/3<sup>rd</sup> reduction in their heating energy consumption leading to unchanged bills, with the risk of poor heat pump installation leading to much higher overall bills.

Insulation provides energy and bill reduction for any home where more insulation is needed – which is the majority of UK homes.

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<sup>2</sup> <https://thencf.org.uk/wp-content/uploads/2022/10/Guide-format-for-A4-A5-Oct-22.pdf>

## **Measuring energy consumption and planning for improvements**

The primary method of assessing the energy efficiency of homes is the Energy Performance Certificate (EPC) and also where consumers wish to pay, or funding sources call for it a Retrofit Coordinator's Assessment. Both provide recommendations for home energy improvements.

We therefore ask whether EPC's and Retrofit Coordinator's Assessments should be an additional products market for CMA to consider?

Moving towards a net zero home involves a combination of products and in the case of retrofit combining these products within an existing building. The 'product' that is missing from the list above is the overall property assessment that starts from EPCs and can have Retrofit Coordinator's Assessments (RCA) added. CMA might consider adding the provision of advice through EPCs and RCA's as a separate product market which could act as a gatekeeper to the remaining products. EPCs provide a focus for regulatory interventions in the form of targets for efficiency improvements.

For the consumer, EPCs and RCA's provide a set of recommendations that consumers can use as a basis for setting priorities and planning the work.

As publicly available documents EPCs have the potential to generate marketing leads with obvious scope for misrepresentation. See (2) below. There are also implications for privacy and data protection.

Across these green products the CMA's investigation focuses on:

- 1 How consumers select products and business suppliers
- 2 How businesses in the sector promote their products/services to consumers
- 3 The provision of key information to consumers by businesses before, during and after purchase and installation
- 4 The complaints and redress process if things go wrong
- 5 The role of certification schemes and codes of practice in this sector

We will deal with these in turn :

### **1 How consumers select products and business suppliers**

Who is the "consumer"?

Media topics dealing with moving to net zero homes tend to address owner occupiers of detached houses. However, 'Consumers' here cover a range of situations by type and age of property and tenure which can affect who are the decision makers - who pays and who benefits. 'Consumer' might extend to small businesses that rent out a few properties and will have many of the considerations falling to owner occupiers. Leaseholders - depending on the terms of the lease - may have control over only limited parts of the building they occupy. Eg, they may not be responsible for decisions on external insulation or building-wide services.

## Trusted sources of consumer information

Research<sup>3</sup> shows that the top two most trusted sources of consumer information (trusted by over 90%) are friends and family followed by review web sites. Next (over 70%) then comes press articles and company web sites ranked above blogs, social media and finally advertising at less than 40%. There is obvious scope for suppliers to pressure consumers by mis-representation and the lack of clarity about future legislation or technical change. Eg, future of gas supplies or the possibility of using hydrogen in a domestic setting. Such misrepresentation is more likely to be made orally in pre-sales situations.

As many (most) of the products involved are either novel or infrequently purchased, most consumers will have no real basis for either assessing their need for or selecting a best value supplier to meet that need. Consumers, therefore, may rely on EPCs/RCA's and advice from suppliers, both manufacturers and installers who have no obligation to act in the interests of consumers.

'Brands will want to leverage reputation from their existing product ranges into these markets for recently developed 'green' products, a read-across that may not be justified.

The selection of suppliers of an unfamiliar product is made more difficult by a shortage of installers with the requisite skills and qualifications.

## **2. How businesses in the sector promote their products/services to consumers**

Promotions may come either from the manufacturers of particular equipment, eg, heat pumps, or from installers who in turn may promote a particular brand.

Previous CMA work on social media and green washing is clearly relevant to explain the use of targeted advertising that encourages consumers to request quotes or otherwise generate leads. Manufacturer advertising is intended to build brand awareness. None of this necessarily promotes products or services in the wider context starting from the need to create a zero-carbon house.

### **Supply side risks to consumers**

Whether home owner or renter with a landlord, whoever is responsible for the fabric of the homes faces the challenge of finding a trader who will do the job properly, so that the investment leads to intended energy consumption and bill reduction. To this end there is no data on the supply side quality and risks to consumers from dodgy or rip off suppliers making misleading claims or who do not have the capability to deliver a quality job.

A good example of a regulator conveying transparently the supply quality of the markets they regulate is the CQC with their annual report 'The state of health care and adult social care in England 2021/22'<sup>4</sup> and the Appendix: Ratings charts. These charts provide the risk profile for each of the products ( services in this case ) for which they have responsibility.

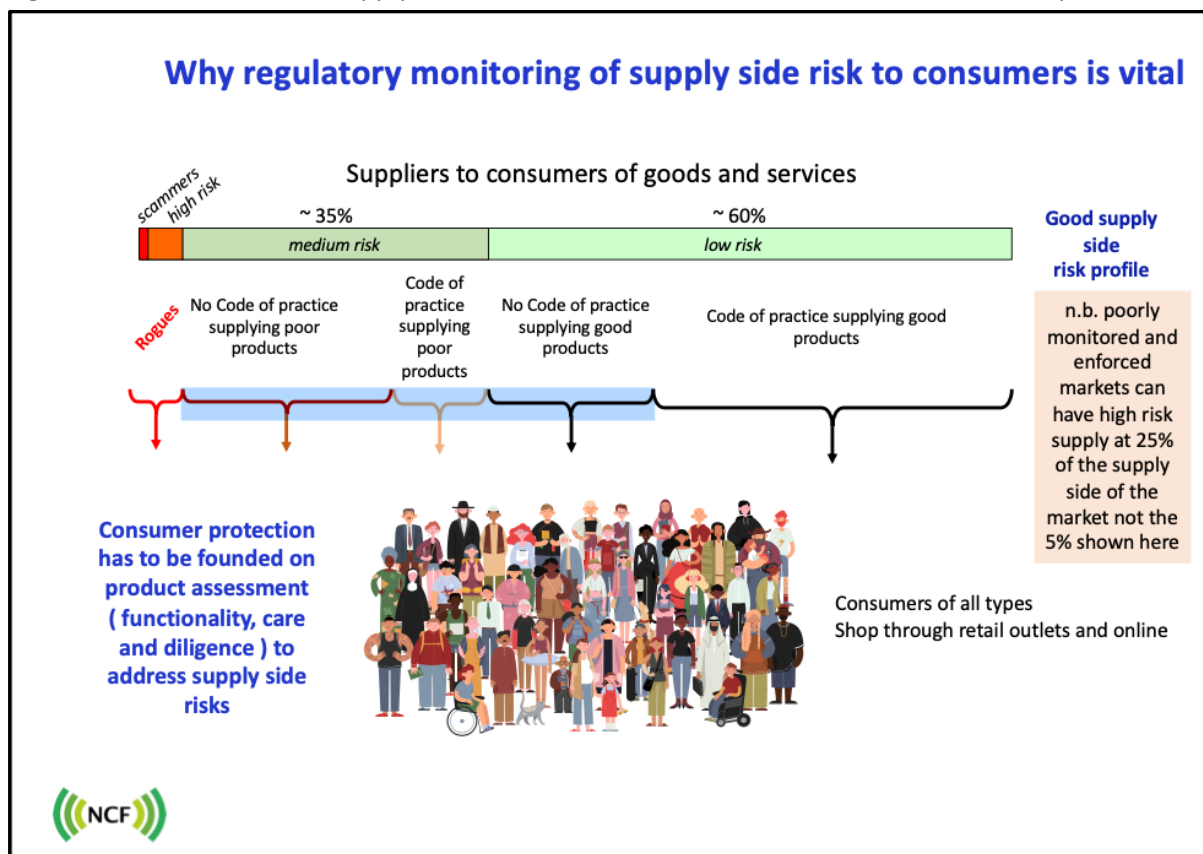
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<sup>3</sup> <https://www.marketingcharts.com/cross-media-and-traditional/word-of-mouth-113276>

<sup>4</sup> [https://www.cqc.org.uk/sites/default/files/2022-10/20221024\\_stateofcare2122\\_print.pdf](https://www.cqc.org.uk/sites/default/files/2022-10/20221024_stateofcare2122_print.pdf)

A generalised example that the NCF uses to illustrate this regulatory transparency issue is given in Figure 1.

**Figure 1** – an illustration of supply side risks to consumers based on CTSI data of the early 2000’s



### 3 The provision of key information to consumers by businesses before, during and after purchase and installation

Given the CMA’s responsibility for the promotional perspective ( Greenwashing ) of retrofit products, the NCF recommends that the CMA undertakes quantitative and qualitative research into how suppliers represent themselves to consumers and whether their claims are accurate. Results should be presentable as supply side risk/quality profiles as per the NCF and CQC examples.

This is a topic that an ad hoc NCF group<sup>5</sup> has looked at with respect to heat pump supply and for which we have an outline specification for the heat pump research.

Example: a consumer responds to a Facebook advert for Solar panels which includes some general statements about their value. The installer responds with questions about the property and energy use and follows this up with a quotation for the supply of the panels accompanied by a set of detailed calculations leading to a financial assessment shown as both payback and NPV. Present

<sup>5</sup> The NCF AHG consists of NCF, TrustMark, ESF and NAPIT

value covers upfront costs and a stream of future costs and benefits that involve considerable risk and uncertainty. This assessment includes numerous technical assumptions that the consumer is not equipped to evaluate, leading critically to the expected electricity yield and hence savings (and feed-in receipts) over use of just grid supplies. Comments from customers revealed a high level of satisfaction with the initial installation and a high-level dissatisfaction after several years of problems in use.

Products could be electrically (or gas) safe but not deliver benefits to consumers.

The quality and accuracy of review web sites for consumer feedback and rating where applied to the retrofit products should be investigated too, as these too play a significant role in consumer choice.

#### **4 The complaints and redress process if things go wrong**

Consumers have some protection from the general existing consumer law.

We are not aware of any complaints or redress processes developed specifically to address problems in these markets. Any existing complaints or redress are [likely to be] linked to accreditation systems - see (5).

Example: A heat pump may not be faulty in itself but nevertheless fails to keep a property warm because the related-pipe work and radiators have not been adapted, neither has sufficient insulation been installed to address lower working temperatures.

Risks to consumers in these markets extend beyond the initial sale and installation to risks that arise over the (expected) life and use of the products - durability, availability of maintenance, up-dates.

#### **5 The role of certification schemes and codes of practice in this sector**

Long standing certification schemes cover gas and electrical safety.

Certification has key role in this market. Consumers who qualify for government grants are required to obtain three quotes from a supplier registered with Trustmark. Installers of heat pumps and micro generation (eg, solar) required to have MCS.

Historically, codes of practice have been promoted for developed markets where there is established consumer detriment. Typically, codes involve identifying what a good outcome for consumers looks like and the good practice on the part of suppliers that should bring it about. In the heat pump example above, there would need to be an obligation on the installer to remedy any deficiencies in the pipework.