



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem

# Consumer Protection Code Review

## Radiocentre Ireland Response

## Response Information

**I am completing this form as:**

An organisation or representative body

**What is the name of your organisation or representative body?**

Radiocentre Ireland

**Please specify your organisation/representative body type.**

Other



## Broad Theme A – Availability and Choice

### Q.1 What are your views on availability and choice of financial services and products for consumers?

We agree that effective market functioning requires consumers to have access to clear and unbiased information in relation to products and services. Clear disclosure of product features, risk and price, allows consumers to select the provider and product that can best serve their needs, promoting competition amongst firms.

Because Radiocentre Ireland has a specific focus in relation to the Consumer Protection Code Review, we have not expanded on this specific question.

### Q.2 How important are new providers and new delivery channels to serving consumers' financial needs?

We agree that technological advances and behavioural changes have driven an evolution in public expectations for the delivery and distribution of many goods and services, both from existing providers and new entrants.

While new entrants and increasing digital delivery of services improves availability and choice for many, it is important that a focus on digital service delivery channels does not contribute to financial exclusion. Lack of digital literacy or access to digital tools, can limit availability and choice for some consumers.

Because Radiocentre Ireland has a specific focus in relation to the Consumer Protection Code Review, we have not expanded on this specific question.

### Q.3 In implementing its consumer protection mandate, how should the Central Bank reflect the importance of competition in its regulatory approach?

We support innovations that enhance financial service provision for consumers, while also remaining vigilant to the potential impacts and risks of such innovations on the stability of the financial system and on consumers. Innovation should be for the purpose of generating efficiencies or enhancements to products and services that can benefit both firms and consumers.

Because Radiocentre Ireland has a specific focus in relation to the Consumer Protection Code Review, we have not expanded on this specific question.

## Broad Theme B – Firms Acting in Consumers' Best Interests

### Q.4 Do you agree that the Central Bank should develop guidance on what it means for a firm to act in the best interests of its customers?

Agree

**Q.5 Does the suggested outline of ‘customer best interest’ guidance capture the essence of the obligation to act in customers’ best interests? What other guidance would you suggest?**

Yes

## **Theme 1 – Innovation and Disruption**

**Q.6 Do you agree with our proposed approach to enhancing our Innovation Hub?**

Yes

**Q.7 What more should be done to support innovation while ensuring consumers’ best interests are protected?**

Because Radiocentre Ireland has a specific focus in relation to the Consumer Protection Code Review, we have not expanded on this specific question.

**Q.8 How can regulators ensure that neither firms currently in the market, nor new entrants, have unfair advantages which could be a barrier to fair competition?**

Because Radiocentre Ireland has a specific focus in relation to the Consumer Protection Code Review, we have not expanded on this specific question.

## **Theme 2 – Digitalisation**

**Q.9 Do you agree with our analysis of the benefits, challenges and risks around digitalisation in the area of financial services? What are the key issues for you?**

We agree that the increase in the use of and reliance on technology brings clear benefits to consumers of financial services. However, these new ways of doing business can have downsides. Consumers can be excluded from services due to limitations in their access to and/or their ability to use digital technology. The extent to which personal data is available to firms is open to misuse. Increased reliance on technology also leaves firms and consumers exposed to operational resilience issues in terms of system weaknesses, outages and cyber vulnerabilities

We also agree that the opportunity to read and digest important information can be reduced during digital transactions, limiting the potential for consumers to fully appreciate and understand the commitments and risks being undertaken.

**Q.10 How do you think the personalisation and individual-targeting of ads can be made compatible with the requirement for firms to act in the best interests of customers?**

We agree that personalisation and targeting can impact on consumer choices and decisions. We feel that a potential remedy to the practices of targeting and personalisation, is to provide consumers with transparent communication about the personalisation that was occurring.

We agree that consideration needs to be given to the extent to which financial services firms can be allowed to use personal data, particularly big data and techniques such as machine learning to target consumers.

### **Theme 3 – Unregulated Activities**

**Q.11 The Code requires regulated firms to provide a statement indicating that they are ‘regulated by the Central Bank’. Do you think this is useful for consumers?**

Yes

**Q.12 How can the difference between regulated and unregulated activities be made clearer for consumers?**

Legislators need to strike a balance between imposing regulatory costs and the need to protect the stability of the financial system and the interests of consumers. It is important that consumers have clarity on what financial services are regulated, and that they understand risks associated with unregulated products and services.

Because Radiocentre Ireland has a specific focus in relation to the Consumer Protection Code Review, we have not expanded on this specific question.

**Q.13 Should there be additional obligations on regulated firms when they undertake unregulated activities?**

Yes

### **Theme 4 – Pricing Matters**

**Q.14 What can firms do to improve transparency of pricing for consumers?**

A well-functioning competitive market should facilitate the formation of fair and reasonable prices without intervention. This requires consumers to have access to clear and unbiased information.

Because Radiocentre Ireland has a specific focus in relation to the Consumer Protection Code Review, we have not expanded on this specific question.

### **Q.15 In relation to pricing, are there examples of firms using unfair practices to take advantage of customer vulnerabilities**

Because Radiocentre Ireland has a specific focus in relation to the Consumer Protection Code Review, we have not expanded on this specific question.

## **Theme 5 – Informing Effectively**

### **Q.16 How can regulation improve effectiveness of information disclosure to consumers?**

We agree that information overload makes it difficult for consumers to understand the key features and terms and conditions of products or services. This can make it difficult for consumers to make effective comparisons and choices between products or service providers. Information can only assist consumers if they consume it.

Research demonstrates that the inclusion of the lengthy information reduces the effectiveness of Ts&Cs – only 4% of listeners say they can recall any salient facts, as listener attention plummets when they are broadcast. The same research shows long and complicated information often diminishes listener trust in radio advertising. Many listeners wrongly believe Ts&Cs are there to protect the advertiser or the media brand, rather than the consumer.

Financial promotions influence consumers at the start of this decision-making journey. They play an important role in making consumers aware of financial products which might be of interest to them and encouraging them to investigate further. It is therefore important for firms to provide accurate and balanced information in financial promotions to ensure that any

product benefits are not misrepresented. It is also important that the information is provided in a manner in which it can easily be understood and recalled by the consumer. In the case of radio promotions, additional information needed under existing rules is read aloud, usually at the end of the radio promotion.

Often referred to by consumers (and many advertisers) as terms and conditions (Ts&Cs), this information has to be read in a manner that is clearly audible so that consumers can process and recall the information. However, research demonstrates that when the information becomes too complex, listeners fail to absorb or recall important features and therefore could result in a reduction of trust. Clarity and simplicity of content of Ts&Cs on radio are therefore vital, in addition to ensuring they are read at an audible pace. At their worst (usually when there is a financial offer) Ts&Cs can be as long as the original ad (over 20 seconds of a 40 second spot), and far too complicated for the listener to either understand or recall.

A 2004 study by Navigator revealed that consumers viewed the value of wealth warnings (financial Ts&Cs) in advertising with some cynicism. They also felt that wealth warnings on radio were particularly problematic because of the sequential way in which the information is delivered, making the listener more likely to zone out when the caveats were too long.

From 2013 to 2016 Radiocentre in the UK invested in a programme of research to further understand and quantify the impact of lengthy financial terms and conditions in radio advertising on consumer perceptions and recall. This included the commissioning of three online panel surveys of 3,200 commercial radio listeners in total<sup>2</sup> and research conducted by Lancaster University in 2016 which explored the extent to which listeners absorb financial information in radio ads when engaged in other tasks as well as the impact of Ts&Cs on brand trust.

Credit ads for motors brands were used as the core stimulus for each study.

Collectively this programme of research has provided valuable insight into the importance of keeping terms and conditions on radio as clear and concise as possible.

The evidence

- Consumers don't feel radio is the right place to include detailed financial terms and conditions which need time and attention to understand and 72% of commercial radio listeners would prefer to read financial terms and conditions in their own time on a website. This is not surprising - over 98% of radio listening is in real time and in nine out of ten listening occasions listeners are engaged in other activities with radio in the background.
- 60% of commercial radio listeners believe that the terms and conditions are there to protect the advertiser (rather than the consumer) and this trend is ever more exaggerated amongst younger consumers where 70% of 18-24s think that the terms and conditions are there to protect the advertiser.
- In the Lancaster University study, there was also some indication that longer terms and conditions can have a negative effect on brand trust and favourability. Participants were asked to score brands for favourability and trust immediately prior to being exposed to radio ads and again immediately afterwards. When participants had heard an ad with long financial Ts&Cs, scores for favourability and trust in the brand declined. However when participants had heard the same ad but with shorter Ts&Cs brand scores increased.
- Crucially, listeners don't recall figures easily no matter how important they might be to the advertiser. Across the 3 online surveys less than 4% of respondents could recall the total cost from a representative example immediately after listening to the radio ad. Indeed for one ad this dropped to below 2%. And in the Lancaster study, where radio was playing in the background whilst listeners were engaged in a task (a more realistic representation of radio listening) spontaneous recall of the total cost from 2 separate ads was zero.
- When the financial information is reduced to only one key figure, recall increases: in the case of the three online surveys recall of total cost increased almost three fold on average, and from 0% to 7% for one of the ads tested in the Lancaster University distraction study.
- However it should also be noted that recall of numbers in general is low - even when the financial information is shortened and includes just one number, spontaneous recall doesn't get any higher than 11% in any of the studies.

**Q.17 How can firms better support consumers' understanding – can technology play a role?**

Less is clearly more and simplicity is vital when communicating important financial information effectively on radio. The longer and more complex the financial Ts&Cs, the less likely listeners are to pay attention and the more likely they are to simply zone out. To increase the chances of critical information landing effectively and in doing so protecting consumers, it is vitally important that Ts&Cs are kept as clear and concise as possible, without technical jargon or too many numbers and with clear signposting to further details online or at point of sale.

**Q.18 Does the way in which firms approach disclosure in respect of mortgage products need enhancing? If so, how? - taking account of the wide variety of features of mortgage products, and borrowers' different circumstances and needs.**

Because Radiocentre Ireland has a specific focus in relation to the Consumer Protection Code Review, we have not expanded on this specific question.

## **Theme 6 – Vulnerability**

**Q.19 Given that vulnerability should be considered more as a spectrum of risk than a binary distinction, how should firms' duty to act in their customers' best interests reflect this?**

**Q.20 What other specific measures might be adopted to protect consumers in vulnerable circumstances while respecting their privacy and autonomy?**

## **Theme 7 – Financial Literacy**

**Q.21 What can the responsible authorities do to improve financial education?**

**Q.22 How can consumers be empowered to better protect their own interests when dealing with financial matters?**

## **Theme 8 – Climate Matters**

**Q.23 How should the financial system best fulfil its role in supporting the transition to a climate neutral economy?**

**Q.24 How will climate change impact on availability, choice and pricing for financial products and services?**

**Q.25 Does the impact of climate change require additional specific consumer protections?**



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## Protecting Consumers:

### Why long and complex terms and conditions on radio don't work

#### Background

Terms and conditions (Ts&Cs) in advertising are meant to ensure consumers are not being misled through the omission or misrepresentation of information. However the longer and more complex the terms and conditions the less likely consumers are to pay attention to them or understand them.

#### **Listeners don't pay attention to complex financial information**



Base: 536 commercial radio listeners

A 2004 study by Navigator already revealed that consumers viewed the value of wealth warnings (financial Ts&Cs) in advertising with some cynicism. They also felt that wealth warnings on radio were particularly problematic because of the sequential way in which the information is delivered, making the listener more likely to zone out when the caveats were too long<sup>1</sup>.

From 2013 to 2016 three online panel surveys of 3,200 commercial radio listeners in total<sup>2</sup> and research conducted by Lancaster University in 2016 which explored the extent to which listeners absorb financial information in radio ads when engaged in other tasks as well as the impact of Ts&Cs on brand trust<sup>3</sup>. Credit ads for motors brands were used as the core stimulus for each study. Collectively this programme of research has provided valuable insight into the importance of keeping terms and conditions on radio as clear and concise as possible

1 Radio Commercials and Wealth Warnings, Navigator 2004

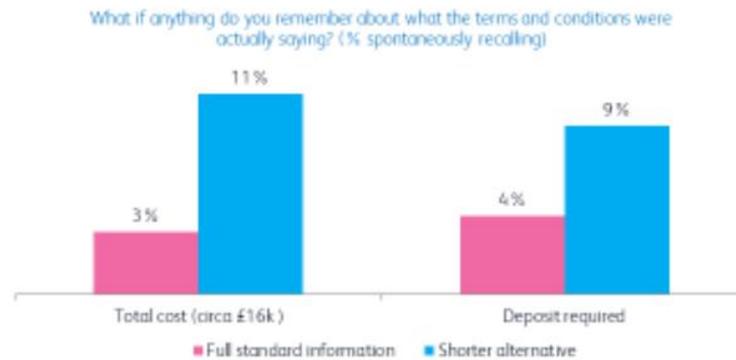
2 Online survey conducted by Other Lines of Enquiry, 800 commercial radio listeners 18+ for surveys 1 (2013) and 2 (2015) and 1600 commercial radio listeners for survey 3 (2016)

3 Lancaster University 2016 : controlled lab test of 150 commercial radio listeners, of which 100 were engaged in an online task with their favourite radio station playing in the background

## The evidence

- Consumers don't feel radio is the right place to include detailed financial terms and conditions which need time and attention to understand<sup>4</sup> and 72% of radio listeners would prefer to read financial terms and conditions in their own time on a website. This is not surprising - over 98% of radio listening is in real time and in nine out of ten listening occasions listeners are engaged in other activities with radio in the background.
- In the Lancaster University study, there was also some indication that longer terms and conditions can have a negative effect on brand trust and favourability. Participants were asked to score brands for favourability and trust immediately prior to being exposed to radio ads and again immediately afterwards. When participants had heard an ad with long financial Ts&Cs, scores for favourability and trust in the brand declined. However when participants had heard the same ad but with shorter Ts&Cs brand scores increased.
- Crucially, listeners don't recall figures easily no matter how important they might be to the advertiser. Across the 3 online surveys less than 4% of respondents could recall the total cost from a representative example immediately after listening to the radio ad. Indeed for one ad this dropped to below 2%. And in the Lancaster study, where radio was playing in the background whilst listeners were engaged in a task (a more realistic representation of radio listening) spontaneous recall of the total cost from 2 separate ads was zero.
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## Consumer recall increases when the information is simplified



Source : Other lines of enquiry 2015 survey, base 800 commercial radio listeners (400 per execution)



### Conclusion

Less is clearly more and simplicity is vital when communicating important financial information effectively on radio. The longer and more complex the financial Ts&Cs, the less likely listeners are to pay attention and the more likely they are to simply zone out. To increase the chances of critical information landing effectively and in doing so protecting consumers, it is vitally important that Ts&Cs are kept as clear and concise as possible, without technical jargon or too many numbers and with clear signposting to further details online or at point of sale.