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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**on a harmonised methodology for classifying and reporting consumer complaints and
enquiries**

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1. INTRODUCTION

- (1) The Single Market Review¹ called for regulation and policy to be underpinned by a better understanding of real outcomes for consumers in the internal market. The Commission has since made a significant effort to better understand how markets function for consumers through the Consumer Markets Scoreboard². The Scoreboard aims to identify markets which are malfunctioning in terms of economic and social outcomes for consumers. Consumer complaints are one of the key indicators, along with consumer satisfaction, prices, switching and safety, for monitoring the consumer dimension of the internal market.
- (2) The Commission's Consumer Policy Strategy 2007-2013³ lays emphasis on developing a proper evidence base for consumer policy including consumer complaints. The Consumer Policy Network, a grouping of senior national consumer policy officials, has also identified consumer complaints as an important policy indicator. Article 16 of the Regulation on Consumer Protection Cooperation⁴ specifically authorises the Commission to work with the Member States on developing a common classification.
- (3) The European Parliament has welcomed the Scoreboard and the use of complaints as a key indicator and called on the Commission and the Member States to work towards harmonising their complaint classification systems and establishing an EU-wide database of consumer complaints⁵. Widespread consultation of citizens throughout Europe⁶ led to calls for a speedier response to citizens' complaints.

¹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the regions, "A single market for 21st century Europe".{COM(2007) 725 final}

² Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the regions, "Monitoring consumer outcomes in the single market: the Consumer Markets Scoreboard".{SEC(2008) 87}

³ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, "EU Consumer Policy strategy 2007-2013". {SEC(2007) 321}{SEC(2007) 322}{SEC(2007) 323}

⁴ Regulation (EC) No 2006/2004 of the European Parliament and of the Council of 27 October 2004 on cooperation between national authorities responsible for the enforcement of consumer protection laws

⁵ European Parliament Resolution on the consumer markets scoreboard, EP reference number: A6-0392/2008 / P6_TA-PROV(2008)0540

⁶ The European Citizens' Consultations 2009 were run by a unique consortium of more than 40 independent European partner organisations.

- (4) In 2008, the Commission carried out a public consultation seeking stakeholders' views on developing a harmonised methodology for classifying and reporting consumer complaints across the European Union. A wide range of 114 stakeholders responded. Overall, the majority of respondents supported the development of a harmonised methodology under a voluntary system.
- (5) This Communication sets out the merits of using consumer complaints as a key indicator of internal market functioning. It shows the limitations of the complaints data currently available and the huge potential benefits of harmonising complaints data. To this end, the Commission believes that all third-party organisations collecting consumer complaints in the EU should voluntarily adopt a harmonised methodology to classify and report the resulting data. This Communication is accompanied by a Staff working document introducing a draft harmonised methodology. In order to maximise the acceptance of a voluntary methodology, the harmonised methodology is published in draft form for public consultation. The Commission will use the feedback from the consultation to improve the draft harmonised methodology. The deadline for comments is 05/10/2009.

2. THE IMPORTANCE OF MONITORING CONSUMER COMPLAINTS

2.1. The value of complaints data

- (6) Consumer complaints are a key indicator of how the market is functioning from a consumer perspective. Consumers may complain for a variety of reasons, such as poor quality of goods and services, dangerous products, faulty products, delivery problems, etc. Consumers' dissatisfaction with goods or services can be addressed directly to traders and/or to third-party organisations dealing with consumer complaints, such as national authorities, consumer organisations, regulators, alternative dispute resolution bodies, etc. Given the effort required to complain, each complaint is a hard fact which indicates a potential problem in the market.
- (7) In the year leading up to February 2008, 16% of EU consumers made a formal complaint to a trader about a problem they encountered⁷. By extrapolation, this equals around 78 million European citizens making formal complaints in one year. A quarter of those consumers took the matter to a third party organisation.
- (8) The number of complaints addressed to third parties is just the tip of the iceberg. There are many factors determining whether consumers seek third-party involvement, such as the perceived effectiveness of complaining, the level of anxiety involved, access to the legal system and so on. Despite this, complaints to third parties are a powerful indicator of how well the market meets consumer expectations and can lead to a better understanding of market conditions, identify emerging trends, and inform strategy for enforcement and policy authorities. Complaints to traders are a normal part of the market process that does not necessarily indicate market malfunctioning and so they are outside the scope of this exercise.
- (9) The collection and monitoring of complaints has the power to shape dialogue between public authorities and business, as has been shown for example in Denmark,

⁷ Eurobarometer 69.1, "Consumer protection in the Internal Market, 2008"

France and the UK, where third-party organisations collect and monitor consumer complaints for a wide range of policy purposes. They use complaints as an important piece of information in the identification of systemic issues that cause detriment to consumers. Complaints are collected by consumer authorities or complaint bodies in all Member States.

- (10) For example, the French authorities have established a system of collecting and classifying consumer complaints, "*le baromètre des réclamations des consommateurs*". Complaints are registered according to different sectors, medium of purchase (e.g. phone, post, internet, at a shop), and type of complaint. Results are used to identify the most problematic sectors and, if necessary, take appropriate action (e.g. the French authorities have asked the telecommunications industry to develop a code of conduct). The latest results of the "*baromètre des réclamations*" were published in March 2009. In 2008, the French authorities received over 139 000 complaints.
- (11) In the air transport sector, consumer complaints are dealt with by the national enforcement bodies (NEBs) according to Article 16 of Regulation (EC) 261/2004⁸ and Article 14 of Regulation (EC) 1107/2006⁹. The Commission has agreed with the NEBs and the airline associations a common European complaint form which is available on the Commission website. This form has contributed greatly to the harmonisation of reporting of air passengers' complaints with the NEB network handling over fifty thousand complaints yearly and a considerably higher number of other enquiries.
- (12) The US also sets a good example on the use of complaints data for enforcement purposes. It has a centralised database of consumer complaints data, operated by the Federal Trade Commission, called Consumer Sentinel. Complaints are then forwarded to different local authorities in the US and other international authorities. In 2008, Consumer Sentinel received over 1.2 million complaints relating to fraud (52%), identity theft (26%) and other matters. Consumers reported paying around €1.2 billion¹⁰ in those fraud losses, with the median amount being around €300.
- (13) In addition to enforcement, national authorities can use complaints data to carry out an evidence-based dialogue with businesses to address issues of concern to consumers. The data can be used to improve business practices, promote better self-regulation or, as a last resort, to design new legislation.

2.2. The case for an EU harmonised methodology for classifying and reporting complaints

- (14) The value of harmonising complaint classifications at EU level would be considerable, whether for EU institutions and stakeholders or for national institutions and stakeholders and all complaint-handling bodies themselves. An EU classification

⁸ Regulation (EC) No 261/2004 of the European Parliament and of the Council of 11 February 2004 establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights

⁹ Regulation (EC) No 1107/2006 of the European Parliament and of the Council of 5 July 2006 concerning the rights of disabled persons and persons with reduced mobility when travelling by air

¹⁰ Exchange rate used for conversion \$1 = €0.6797, on 01/07/2008

would both stimulate statistical harmonisation at national level and enable comparison of markets and consumer problems between Member States in the Consumer Markets Scoreboard.

- (15) The aim of the Scoreboard is to use the main indicators in an integrated way. Policy should not be based solely on the number of complaints. A high number of complaints in a single country cannot necessarily be interpreted as a sign of a failing market but may be due to the presence of effective complaint-handling bodies or a new information campaign on consumer rights. By the same token, a low number of complaints in a particular sector may not mean a clean bill of health. Two major surveys are therefore planned to complement complaints data and address these factors. A survey of consumer empowerment will, inter alia, map the willingness of consumers to complain in general. The future regular surveys on satisfaction will complement complaints data by surveying those who do not complain and will also measure the ratio between those who do complain and those who do not, but who still encounter problems.
- (16) Harmonised data therefore promise a double dividend at EU and national level. At national level they will provide a powerful tool for national authorities to compare the functioning of the market with their peers and identify common emerging themes and threats, enabling them to better respond to the concerns of their citizens. The adoption of a harmonised methodology by as many third-party organisations as possible at national level will allow Member States to construct a more complete picture of national consumer markets. At the moment, with a few exceptions, in most Member States there are a multitude of bodies collecting complaints, with each body classifying them differently. This precludes the establishment of benchmarks and monitoring of the national market over time. At EU level, there would be scope both for better prioritisation of policies and for delivering a powerful tool for EU citizens to communicate their everyday concerns to policymakers and stakeholders at EU level. The time taken by EU institutions to respond to problems faced by European consumers in their daily lives should therefore be reduced considerably.
- (17) The adoption of a harmonised methodology can also be of immense value to non-governmental organisations such as consumer associations. Many consumer organisations lack the necessary resources to develop complaint-handling methodologies and tools. This affects negatively their ability to influence the policy agenda upstream, at an early stage when the framework for policy discussion is set. The adoption of a harmonised methodology for classifying complaints and the availability of solid and comparable data will be an important asset not only in their discussions with policymakers and business but also for setting their own priorities and designing their information campaigns.
- (18) Regulatory bodies such as competition authorities and sectoral regulators (e.g. telecommunications, energy, financial services) would also benefit. Consumer complaints provide a key indicator of market outcomes in regulated sectors. Indeed in some sectors such as energy and postal services, Member States or regulators have the explicit role of monitoring market opening and competition at retail level by taking into account consumer complaints. In recently liberalised markets, there is an increasing trend of consumers addressing their complaints to the regulatory authorities. In some cases, businesses have set up self-regulatory bodies to address consumer complaints, such as Ombudsmen. Adoption of the same harmonised

methodology by European regulators and self-regulatory bodies will allow consistency and comparability of data collected by regulators, self-regulatory bodies and any other third parties collecting sectoral complaints.

3. CLOSING THE EXISTING DATA GAP

3.1. Mapping the current situation, differences across the EU

- (19) The results of the public consultation and the Commission's request to national authorities to supply data for the 2009 Scoreboard showed that while the national authorities and other third-party organisations in all Member States collect complaints, the arrangements for doing so differ considerably. These differences affect the total number of complaints and other relevant data. While the methodologies do not diverge radically, given that the goods and services on offer across the EU are broadly similar, the differences are significant enough to make direct comparisons impossible. However, it is clear that overall there is significant public investment in collecting complaints in the EU, with national authorities reporting over two million complaints and enquiries for 2008.
- (20) The Commission has set up an informal expert group of representatives from key third-party organisations collecting consumer complaints, to assist it in developing a harmonised methodology. Members of the expert group come from national consumer authorities, consumer organisations, sectoral regulatory bodies, self-regulatory bodies, alternative dispute resolution mechanisms and European Consumer Centres.
- (21) The Commission has also carried out fact-finding missions to five Member States (France, Germany, Poland, Sweden and the UK) and has presented its ideas on harmonising complaints data to the Consumer Policy Network, the Committee for Consumer Protection Cooperation, the European Consumers Consultative Group and the European Consumer Centres Network as well as to alternative dispute resolution bodies in the field of financial services, the energy and telecommunications regulators and other stakeholders. The expert group also serves as an interlocutor for explaining the project and receiving input from other complaint bodies at national level.
- (22) An external contractor has carried out a detailed study¹¹ to map the main stakeholders collecting consumer complaints around the EU and assist in developing a harmonised methodology. The contractor, in close cooperation with the expert group and the Commission, has developed a harmonised classification methodology and related data dictionary.
- (23) In arriving at the proposed harmonised classification methodology and data dictionary, the following principles have been taken into consideration:
- The data classified using the harmonised methodology should be comparable with other data sets, such as consumer satisfaction, from the Consumer Markets Scoreboard.

¹¹ The study will be published on http://ec.europa.eu/consumers/strategy/complaints_en.htm

- The harmonised classification methodology should have COICOP as its base of departure. This will allow comparability with both price inflation and household budget data collected by Eurostat and the national statistical offices.
- The design must facilitate a seamless transition from the current classifications to a harmonised methodology.
- The implementation costs of the classification methodology should be minimised and acceptable to the consumer complaint bodies.
- The harmonised methodology should be adaptable in the future as markets evolve.

Main Findings

- (24) The Commission has identified over 700 third-party organisations collecting consumer complaints. This considerably exceeds expectations and indicates a much greater scale and potential value of the project.
- (25) The work of the expert group and the Member State visits has confirmed that there are many different ways of collecting, handling, processing and storing complaints data. Many of these differences are related to different reasons for collecting the data in the first place: providing advice to consumers, collecting statistics for informing policy decisions, designing information campaigns, mediation and intervention, informing dialogue with businesses, enforcement and developing new legislation.
- (26) Other differences are found in the way different complaint bodies are staffed and financially resourced. Some are well resourced and staffed while others are poorly resourced and rely on the goodwill of volunteers. This has implications for the level of detail when collecting data, as well as the way in which data are stored and used. While some organisations use simple spreadsheets and applications to classify complaints, others use sophisticated databases.
- (27) There are relatively few complaint bodies collecting data about the type of complaint and the market concerned. While this might be sufficient to offer advice or information, it is not at all adequate for identifying potential market failures from a consumer perspective. Those organisations that tend to use complaints data for strategy or policy purposes collect the data in a disaggregated way. In order to collect more meaningful data most complaint bodies would have to voluntarily adopt a more detailed methodology than they use at present.
- (28) In discussions with the expert group and with stakeholders, the idea of a harmonised methodology has been widely supported, despite the practical challenges posed. In general, stakeholders see the benefits of the project to them and others more generally, even if the adoption of a new classification would create one-off costs which they may be reluctant to accept. The reservations initially expressed are gradually diminishing as stakeholders become more convinced of both the overall and the individual benefits of participating. One of the aims of the consultation on the draft methodology is to ensure that the views of the widest possible group of interested bodies are taken into account, in order to maximise take-up.

4. THE HARMONISED METHODOLOGY FOR CLASSIFYING CONSUMER COMPLAINTS

4.1. Structure of the harmonised methodology

(29) The draft methodology consists of three sections made up of recommended and voluntary fields for collecting data:

Section 1) General information about the complaint,

Section 2) Sector information about the complaint, and

Section 3) Information about the type of complaint.

(30) The recommended fields are considered essential for collecting information whereas the voluntary fields are designed to provide a greater degree of detail for those organisations that wish it. The recommended fields are based on the policy needs for the Scoreboard and the consensus from the earlier public consultation, the results of the work of the expert group, the Member State visits and the detailed study.

(31) Organisations that decide to participate voluntarily will have to report the underlying micro-data corresponding to these recommended fields. This is necessary in order to be able to cross-reference types of problems to sectors when data from more than one organisation is aggregated. The recommended fields contain no personal data.

(32) The recommended fields are: the country of the consumer and the trader, the name of the complaint centre, the complaint date, a distinction between a complaint and an enquiry, the selling method, the sector and the type of complaint. The Commission's work has shown that the majority of complaint bodies already collect information about most of these recommended fields. Therefore, adoption of the harmonised methodology will not entail extra work but only a one-off change.

(33) The voluntary fields are suggestions for collecting additional data. One of the voluntary fields that could be of special interest to national authorities is the "name of the trader". This could be extremely useful to enforcement agencies. National authorities could choose to exchange complaints figures for particular businesses to identify pan-European problems. The Committee on Consumer Protection Cooperation has a separate secure IT tool (CPCS) which can facilitate the exchange of this kind of sensitive data between enforcement authorities.

(34) Of course, if complaint bodies wish, they can collect further information which they consider to be important, for example on the socio-demographic characteristics of complainants, or information about the outcome of complaints.

Section I: General information about the complaint

(35) Most of these fields such as "Country of consumer", "Complaint date" etc. are already collected by complaint bodies. One of the additional recommended fields is the "Selling Method" field. The reason for including this as recommended is because there can be a significant divergence in the nature of complaints, even within a sector, depending on the selling method. Regulatory regimes also differ between selling methods.

Section 2: Sector information

- (36) The second section defines a tree structure, consisting of three levels, namely Sector, Market and Market description. Complaint bodies should classify complaints and enquiries according to this structure, presented in the Staff working document linked to this Communication. In order to find out detailed enough information concerning the most problematic markets, data about each complaint should be recorded at the "Market" level. This will also allow direct comparability with data coming from the Consumer Markets Scoreboard such as consumer satisfaction, switching and prices. The combination of both data sets will provide national consumer authorities with a complete database on the functioning of consumer markets at both national level and European level. An analysis of the data collected by national authorities has shown that complaints relate to the entire economy rather than just a few sectors. It is therefore necessary to use a structure that captures the whole spectrum of the market in order to encompass all sectors where there is detriment to consumers.
- (37) Complaint bodies which currently classify consumer complaints according to sector level will only have to use a more detailed classification structure. This does not entail additional encoding, just encoding using a more disaggregated methodology. Complaint bodies which deal with complaints covering the whole consumer economy would use the complete structure whereas bodies whose line of work is focused on particular sectors (e.g. sectoral regulators, sectoral alternative dispute resolution bodies, sectoral complaints boards) could use only the relevant part of the methodology.

Section 3: Type of complaint

- (38) The third section consists of a recommended first level and voluntary second level. The bulk of EU consumer legislation is of a horizontal rather than vertical nature, applying to most sectors of the consumer economy. Data on the type of complaint will help identify any possible market malfunctioning across sectors and facilitate better regulation when the same types of consumer problems are met across the board. Therefore the fields for the "type of complaint" are made up of horizontal values such as misleading advertising, safety and prices. For example, the use of safety as one of the recommended fields will allow the identification of safety problems ranging from food to electronic goods and the provision of services.

4.2. Reporting and availability of data

- (39) The complaint bodies that decide voluntarily to adopt the harmonised methodology should report the data directly to the Commission. All participant organisations should report data, at a micro level, corresponding to all recommended fields. Participants are also encouraged to report data corresponding to the voluntary fields. The Commission does not wish to receive, or make public, data concerning the names or allowing the identification of traders.
- (40) The frequency of reporting and publishing of data is one of the questions for consultation. The Commission will make the data it receives readily available to all organisations and the public.

5. PUBLIC CONSULTATION AND THE NEXT STEPS

- (41) The Commission invites interested parties to send their comments on the detailed draft methodology presented in the Staff working document linked to this Communication using the consultation form available via the Interactive policy-making tool¹². Organisations which are potential partners in using a harmonised methodology for classifying complaints are urged to respond to the public consultation. The public consultation will close on 05/10/2009.
- (42) Following the public consultation, the Commission will consolidate the comments and adopt a Recommendation on the harmonised methodology on how to classify and report consumer complaints. The Recommendation will be accompanied by a detailed action plan for implementation aimed at encouraging as many third parties as possible to adopt the harmonised methodology. In order to facilitate its adoption, the Commission will explore ways such as the design of IT software to make it easier for complaint bodies to participate.
- (43) In order to monitor the implementation of the harmonised methodology and to allow for further flexibility and improvements to the methodology as necessary, the informal consumer complaints expert group will become a formal Commission advisory body established by a Commission decision.

¹² <http://ec.europa.eu/yourvoice/>