

Conduct of the inquiry

Background to the reference

1. In December 2003, the TSC published a report¹ on the transparency of credit card charges. The report also specifically addressed store cards, in respect of which the Consumers' Association,² the National Consumer Council and Citizens Advice, in particular, had highlighted concerns during the TSC's inquiry. The TSC expressed concern about lack of transparency as regards the interest rates charged for store card credit, the level of those interest rates (particularly by comparison with rates for credit cards), the apparent lack of control by retailers over the level of the interest rate on their own store cards and certain point of sale practices.
2. In the course of its inquiry, the TSC had also taken evidence from the OFT. Although the OFT had previously received few complaints about store cards from consumers or the bodies representing their interests, the Chairman of the OFT undertook to look into the store card sector and announced the start of the OFT's own preliminary examination in September 2003. The OFT's subsequent report on store cards³ identified some features that appeared to prevent, restrict or distort competition in the way that store card credit and related services were made available to retailers, and in the provision of consumer credit through store cards, which, in its view, required further investigation. The OFT accordingly made a reference to the CC on 18 March 2004, the day on which its own report was published.

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The collection of evidence

3. We have collected evidence for the purpose of the inquiry through a wide variety of means. These include questionnaires and information requests to parties, the receipt of written evidence, comments and representations from parties, oral hearings, surveys postings on the CC Store Cards website and advertisements in the press. We refer in more detail to this evidence below. Appendix 1.6 lists those companies and organizations which submitted written and/or oral evidence to us during the course of the inquiry.
4. We sought initial background information and submissions from store card providers, and submissions from retailers, government bodies and other interested parties. Notices inviting such parties to submit evidence were placed in the *Financial Times*, *Daily Mail* and *Retail Week*. An invitation to submit evidence was also placed on the CC Store Cards website, together with an administrative timetable for the inquiry. This timetable was updated as the inquiry progressed and notice of changes posted on that website.
5. Submissions received from store card providers, retailers and other interested parties throughout the inquiry were placed on the website. At the request of respondents,

¹House of Commons Treasury Select Committee report *Transparency of Credit Card Charges*, published 17 December 2003.

²This body has since changed its name to 'Which?'.

³Office of Fair Trading: *Store Cards—Report of the OFT's inquiry*, March 2004 (OFT706).

some have been anonymized and/or exclude commercially sensitive information as appropriate.

6. All documents published in relation to the Store Cards inquiry can be found at: <http://www.competition-commission.org.uk/inquiries/current/storecard/index.htm>.
7. Site visits were held in June and July 2004. We visited the operations of store card providers GECF in Leeds and HSBC in Birmingham, as well as the retailers Debenhams, JLP, Laura Ashley and Marks & Spencer (central London), Harrods (Knightsbridge), and B&Q (Sutton).
8. We held an open meeting at Victoria House, London on 21 July 2004. This meeting was advertised on the website and through a general press release. It focused on the costs and benefits of store cards, and possible further developments in the market for store cards. Presentations were made by John McFall MP (Chairman of the TSC), *Which?*, Credit Action, GECF, FLA, Datamonitor and the DTI. A transcript and photographs taken at the open hearing are available on the website (see paragraph 6).
9. We commissioned NOP to produce a report on the findings of a survey that it had carried out in January 2004 for the OFT on the experience of customers who had recently taken out store cards. NOP had interviewed a representative sample of around 550 consumers who had taken out a store card in the preceding six months. Summary results of the survey were published in Annex C of the OFT report. A copy of the full report is available on the CC website.
10. We also commissioned our own consumer research to explore users' perceptions and experiences of store cards. In July and August 2004, ORC conducted a qualitative survey that used in-depth interviews with members of the general public who had store cards. The interviews covered different types of store card user including people that regularly used the credit offered by store cards and those that did not do so. Between October and November, ORC also conducted a quantitative survey by means of telephone interviews with 1,002 respondents who each held at least one store card. We also considered other survey and 'expert' material commissioned by store card providers. Results from these surveys can be found on the CC website.
11. Throughout the inquiry, we also corresponded, as appropriate, with providers and/or retailers on particular facts or issues. In addition, all material that was to be published on the CC website was sent to parties for factual checking and to give parties the opportunity to identify any material in respect of which they wished to make excision requests, as described above.

The various stages of the inquiry

12. Following consideration of the first round of evidence submitted by the parties, we held a series of clarification hearings with a number of providers and retailers during July and August 2004.
13. On 22 September 2004 we published a Statement of Issues. This statement was based on evidence that had been received in the first six months of the inquiry and its aim was to highlight issues which appeared then to be relevant in deciding whether any feature of the store card market prevented, restricted or distorted competition. Following publication of the statement and receipt of comments, we held further hearings with the main providers, retailers and other interested parties.

14. On 5 November 2004 the CC sought a variation of the terms of reference. The request related specifically to extending the terms of reference to include network cards and insurance associated with the provision of consumer credit through store cards. The OFT consulted relevant parties on the proposed variation and, after considering the representations, issued varied terms of reference on 3 March 2005 (see Appendix 1.3).
15. We published our Emerging Thinking document on 11 January 2005. Together with ten supporting evidential annexes, it set out our then current thinking on the central issues of the inquiry that we believed merited consideration under the provisions of the Act. It was intended both to assist the parties in understanding our concerns at that stage of the inquiry and to aid transparency more generally.
16. Following publication of the Emerging Thinking document and receipt of comments, we held another round of hearings with providers and retailers and all the evidence was re-assessed.
17. Provisional findings and an accompanying Notice of Possible Remedies were published on 22 September 2005, and interested parties given three weeks to respond. Further hearings, particularly in relation to the proposed remedies, were conducted with interested providers, retailers and government departments, including the OFT.
18. On 23 December 2005 a Statement of Provisional Decisions on Remedies was published. This document outlined the proposed remedies in more detail, having taken account of all the evidence received in both submissions and hearings.
19. Responses to the Statement of Provisional Decisions on Remedies were considered. In the light of those responses, and further analysis, the provisional remedies were amended, as appropriate.
20. Concurrent with our consideration of the proposed remedies, we also considered the responses and comments which had been received, both in submissions and in hearings, in respect of the provisional findings. Those findings were reviewed and amended, where necessary, to take account of additional information received.
21. We would like to thank all those who have assisted in our inquiry.