

example, advertising the price of goods as "£15.24 VAT extra"); and

(b) the practice of advertising for the attention of consumers recommended retail prices which take no account of any amount that the retail seller is likely to seek to recover from a consumer on account of value added tax (for example, including in advertisements statements such as "Recommended retail price £58.50 excluding VAT").

4. The reference, under Part II of the Fair Trading Act 1973, was made on 19th January, 1977.

5. The Committee are to consider the reference and to submit their conclusions in a report to the Secretary of State for Prices and Consumer Protection.

6. The Fair Trading Act provides that, in carrying out an investigation to which section 17 of the Act applies, the Committee must take into account representations from persons or bodies who appear to the Committee to have a substantial interest in the subject matter of the reference or appear to them to represent substantial numbers of persons who have such an interest.

7. The Consumer Protection Advisory Committee hereby invite written representations from persons or bodies claiming such an interest in the reference.

8. Representations for consideration by the Committee must reach the Committee **not later than Wednesday, 16th February, 1977**, and should be addressed to The Secretary, Consumer Protection Advisory Committee, Room 523, 1 Victoria Street, London SW1H 0ET.

9. The full text of the reference is published in this issue of the Gazette.

10. A supporting dossier which includes the full text of the reference has been prepared by the Office of Fair Trading. It explains how the practice is carried on and how it is claimed to affect consumers. It also explains the Director's proposals for changing the law so as to protect consumers with respect to the practices concerned.

11. Copies of the dossier are available for inspection at the Office of Fair Trading in London and Edinburgh, at the Department of Commerce in Belfast and at Regional Offices of the Department of Industry.

*D. Seideman, Secretary*

January, 1977.

## OFFICE OF FAIR TRADING

### REFERENCE TO THE CONSUMER PROTECTION ADVISORY COMMITTEE BY THE DIRECTOR GENERAL OF FAIR TRADING

- (1) The Director General of Fair Trading pursuant to sections 14, 17 and 19 of the Fair Trading Act 1973 hereby refers to the Consumer Protection Advisory Committee—
- (a) in relation to each of the practices mentioned in paragraph (2) below the questions—
- (i) whether the practice adversely affects the economic interests of consumers in the United Kingdom; and
- (ii) if so, whether it does so by reason, or partly by reason, that it has, or is likely to have, one or more of the effects specified in section 17(2) of that Act;
- (b) proposed recommendations to the Secretary of State to exercise his powers under section 22 of that Act to make such an order as is in his opinion appropriate to give effect—
- (i) in the case of the practice mentioned in paragraph (2)(a) below, to the proposals set out in paragraph 1 of the Schedule hereto; and
- (ii) in the case of the practice mentioned in paragraph (2)(b) below, to the proposals set out in paragraph 2 of that Schedule
- (2) The practices referred to in the preceding paragraph are—
- (a) the practice of advertising, displaying or otherwise quoting to consumers as the price sought for

goods to be supplied or the charge sought for services to be supplied or where an estimate is given, quoting to consumers as the price or charge likely to be sought, an amount which excludes a sum which the supplier proposes to charge on account of value added tax (for example, advertising the price of goods as "£15.24 VAT extra").

(b) the practice of advertising for the attention of consumers recommended retail prices which take no account of any amount that the retail seller is likely to seek to recover from a consumer on account of value added tax (for example, including in advertisements statements such as "Recommended retail price £58.50 excluding VAT").

(3) (a) The practice mentioned in paragraph (2)(a) above appears to the Director General to be a consumer trade practice within section 13(a), (b), (c) or (d) of the Fair Trading Act (depending upon the particular circumstances in which it is employed) and to have, or to be likely to have, the following effects specified in section 17(2) (a) and (b) of the Act, namely—

(i) misleading consumers as to, or withholding obligations under relevant consumer transactions from them adequate information as to, their actions, in particular as to the amount they will be obliged to pay; and

(ii) confusing consumers with respect to the amount sought in connection with relevant consumer transaction.

(b) The practice mentioned in paragraph (2)(b) is one which appears to the Director General to be a consumer trade practice within section 13(c) of that Act and to have, or to be likely to have, the following effect described in section 17(2)(b) thereof, namely, misleading or confusing consumers with regard to the amount of the recommended retail price.

(4) In paragraph (2)(a) above references to the amount of a charge include references to an amount expressed as a percentage (such as a commission expressed as a percentage of a selling price).

19th January, 1977. Director General of Fair Trading

#### SCHEDULE Proposals

In paragraph 1 of this Schedule, "aggregate price or charge" means a price or charge which includes the amount the supplier seeks to recover by reason of value added tax; and

in paragraph 2, "aggregate recommended retail price" means a price which reflects,—

- (a) the recommended retail price mentioned in paragraph (2)(b) of this reference; plus
- (b) the amount the seller is likely to add to that price if he additionally seeks from a buyer the amount of the value added tax payable on the supply of goods at that price.

1 As respects the practice described in paragraph (2)(a)— that the employment of this practice by persons when seeking to supply goods or services to consumers in the United Kingdom should be prohibited; but this prohibition should not extend—

(a) to a statement in writing of a price or charge which does not take account of the amount the supplier seeks on account of value added tax if there is in close proximity thereto in figures or words no less prominent than those employed to indicate that price or charge a statement of the aggregate price or charge sought and the difference between the stated prices or charges is clearly attributed to value added tax;

(b) to an oral statement of a price or charge which does not take account of the amount the supplier seeks on account of value added tax if any consumer to whom the statement is addressed is also clearly advised of the aggregate price or charge sought and the difference between the prices or charges is clearly attributed to value added tax.