

Insurance, legal and regulatory

IF1 2015 edition

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Please note the following update (amendments in **bold type**) to your copy of the July 2015 edition of the **IF1: Insurance, legal and regulatory** study text

Chapter 9, section B, page 9/6

Add the following at the end of the section:

B1 Consumer Rights Act 2015

Consumers are legally protected from unfair terms by the Consumer Rights Act 2015, which came into force on 1 October 2015. The Act seeks to reform and simplify UK consumer law, which had become complex and outdated, previously being set out in eight separate pieces of legislation. The Act consolidates or replaces a number of laws, including the Unfair Contract Terms Act 1977 (UCTA) and the Unfair Terms in Consumer Contracts Regulations 1999 (UTCCRs). It aims to make things clearer for consumers when trying to understand their rights and the remedies available to them if things go wrong. The Act complements the EU Consumer Rights Directive, implemented in the UK through the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013.

Currently, the core terms of insurance contracts, such as exclusions, cannot be challenged on the grounds of fairness. This default position will remain unchanged under the Consumer Rights Act. However, the Act also states that if a term of a contract is not transparent or prominent, it can be assessed for unfairness. A term is:

- transparent, if it is expressed in plain and intelligible language; and
- prominent, if it is brought to the consumer's attention in such a way that an average consumer would be aware of it.

The Act defines an average consumer as one who is 'reasonably well informed, observant and circumspect'.

To avoid challenges for unfairness, insurers will need to ensure that the significant terms included in their insurance contracts with consumers, such as personal insurances, meet the rules on transparency and are communicated in a prominent fashion. If a contract term is deemed unfair it will not be binding, although consumers are still within their rights to rely on a term if they wish to do so.

These rules cover both the consumer contract (the policy itself) and notices, such as renewal invitations and customer promotions. The Act applies only to consumer contracts; the requirements of the UCTA will continue to apply to business-to-business relationships.