2005 No. 2705

CONSUMER PROTECTION

The Consumer Protection (Code of Practice for Traders on Price Indications) Approval Order 2005

Made - - - - -	*11th September 2005*
Laid before Parliament	*29th September 2005*
Coming into force - -	*21st October 2005*

Whereas the Secretary of State has, in accordance with section 25(1) of the Consumer Protection Act 1987(**a**), consulted the Office of Fair Trading and such other persons as he considered it appropriate to consult;

Now therefore the Secretary of State, in exercise of the powers conferred upon him by section 25 of that Act, hereby makes the following Order:

1. This Order may be cited as the Consumer Protection (Code of Practice for Traders on Price Indications) Approval Order 2005 and shall come into force on 21st October 2005.

2. The Consumer Protection (Code of Practice for Traders on Price Indications) Approval Order 1988(**b**) is hereby revoked.

3. The Secretary of State hereby approves the Code of Practice which is set out in the Schedule to this Order issued by him for the purposes of—

(a) giving practical guidance with respect to the requirements of section 20 of the Consumer Protection Act 1987; and

(b) promoting what appear to the Secretary of State to be desirable practices as to the circumstances and manner in which a person gives an indication as to the price at which goods, services, accommodation or facilities are available or indicates any other matter in respect of which any such indication may be misleading.

Gerry Sutcliffe
Parliamentary Under Secretary of State
for Employment Relations and Consumer Affairs,
Department of Trade and Industry

11th September 2005

(**a**) 1987 c. 43; section 25(1) has been amended by paragraph 16(1) and (2) of Schedule 25 to the Enterprise Act 2002 (c. 40).
(**b**) S.I. 1988/2078.

SCHEDULE

Article 3

CODE OF PRACTICE FOR TRADERS ON PRICE INDICATIONS

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Introduction

The Consumer Protection Act

1. Section 20 of the Consumer Protection Act 1987 makes it a criminal offence for a person in the course of his business to give consumers a misleading price indication about goods, services, accommodation (including the sale of new homes) or facilities. It applies however you give the price indication—for example, in a TV or press advertisement, on a website, by email or text message, in a catalogue or leaflet, on notices, price tickets or shelf-edge marking in stores, or if you give it orally, for example on the telephone. The term "price indication" includes price comparisons as well as indications of a single price.

2. This Code of Practice is approved under section 25 of the Act, which gives the Secretary of State power to approve codes of practice to give practical guidance to traders. It is addressed to traders and sets out what is good practice to follow in giving price indications in a wide range of different circumstances, so as to avoid giving misleading price indications. The Code is not comprehensive. It cannot address every circumstance in which a misleading price may be given, particularly for new and innovative selling practices. It is guidance, rather than mandatory, although it may be taken into account in establishing whether an offence has been committed under the Act. You may, therefore, still give price indications which do not accord with this Code, provided they are not misleading. Equally, compliance with specific aspects of the Code will not, of itself, establish that a price indication is not misleading. Where an offence of giving a misleading price indication is alleged, a Court would have regard to all the relevant circumstances.

3. "Misleading" is defined in section 21 of the Act. The definition covers indications about any conditions attached to a price, e.g. additional charges that may be payable, about what you expect to happen to a price in future and what you say in price comparisons, as well as indications about the actual price the consumer will have to pay, for example about a price which is additionally subject to VAT. It applies in the same way to any indications you give about the way in which a price will be calculated and to any relevant omissions from an indication which makes a price misleading.

Price comparisons

4. If you want to make price comparisons, you should do so only if you can justify them. You should be able to show that any claims you make are **accurate and valid**. As a general rule, you should only compare like with like, but comparisons with prices which you can show are being charged for very similar goods, services, accommodation or facilities and have applied for a reasonable period are also unlikely to be misleading. Guidance on these matters is contained in this Code.

Enforcement

5. Enforcement of the Consumer Protection Act 1987 is the responsibility of officers of the local weights and measures authority—usually called Trading Standards Officers. Trading Standards Officers operate in accordance with the Home Authority principle (under which a specific Trading Standards Service acts as the Home Authority for a major retailer with multi-store outlets) and with the principles of consultation and co-operation that are set out in the Enforcement Concordat. Further information about the Home Authority principle and the Enforcement Concordat can be obtained from your local Trading Standards Service or your Home Authority. Details of the location of your local Trading Standards Services can be obtained at the main Trading Standards website—http://www.tradingstandards.gov.uk. In Northern Ireland enforcement is the responsibility of the Department of Enterprise, Trade and Investment.

6. If a Trading Standards Officer has reasonable grounds to suspect that you have given a misleading price indication, the Act gives the Officer power to require you to produce any records relating to your business and to seize and detain goods or records which the Officer has reasonable grounds for believing may be required as evidence in court proceedings. Be prepared to co-operate with Trading Standards Officers and respond to reasonable requests for information and assistance. It is in your interest to be able to demonstrate that any claims you have made are accurate and valid. The Act makes it an offence to obstruct a Trading Standards Officer intentionally or to fail (without good cause) to give any assistance or information the Officer may reasonably require to carry out his duties under the Act.

Court proceedings

7. If you are taken to court for giving a misleading price indication, the court can take into account whether or not you have followed this Code. If you have done as the Code advises, that will not be an absolute defence but it will tend to show that you have not committed an offence. Similarly if you have done something the Code advises against doing it may tend to show that the price indication was misleading. If you do something which is not covered by the Code, your price indication will need to be judged only against the terms of the general offence. The Act provides for a defence of due diligence, that is, that you have taken all reasonable steps to avoid committing the offence of giving a misleading price indication, but failure to follow the Code of Practice may make it difficult to show this. The Act also provides for specific defences (e.g. if a misleading price indication is given in a book, newspaper or magazine, film or broadcast programme, it is a defence for the publisher to show that the indication was not contained in an advertisement).

Regulations

8. The Act also provides power to make regulations about price indications and you should ensure that your price indications comply with any such regulations. There are specific regulations dealing with indications of exchange rates in Bureaux de Change(**a**), with price indications where different prices are charged depending on the method of payment (eg by cash or credit card)(**b**) and with the resale of tickets for admission to places of entertainment(**c**). Your local Trading Standards Service or Home Authority will be able to advise you on these regulations.

Other legislation

9. This Code deals only with the requirement of Part III of the Consumer Protection Act 1987. In some areas there is other relevant legislation. For example, the way in which prices for goods sold by traders to consumers must be displayed is subject to regulations made under the Prices Act 1974 (for example, the Price Marking Order 2004(**d**)) and price indications about credit terms must comply with the Consumer Credit Act 1974 and the regulations made under it. Those selling by distance contracts should also be aware of the requirements of the Consumer Protection (Distance Selling) Regulations 2000(**e**) and where traders make use of advertisements they should have regard to the relevant rules governing misleading advertising (further information on these is available from the Advertising Standards Association—www.asa.org.uk).

10. Your local Trading Standards Service, or your Home Authority will be pleased to advise you or direct you to sources of information on the regulations that are applicable to your particular business. Some legislation may also be accessed at the website of the Office of Public Sector Information—http://www.legislation.opsi.gov.uk.

Definitions

Words and expressions used in the Code are explained below. However, the legal effect of terms used in the Consumer Protection Act 1987 and other legislation depends on the definitions in that legislation.

Accommodation	includes hotel and other holiday accommodation and new homes for sale freehold or on a lease of over 21 years but does not include rented homes.
Consumer	means anyone who might want the goods, services, accommodation or facilities, other than for business use.
Distance contract	means any contract concerning products concluded between a trader and a consumer by any means, without the simultaneous physical presence of the trader and the consumer.
Price	means the total amount the consumer will have to pay to get the goods, services, accommodation or facilities or any method which has been or will be used to calculate that amount.

(**a**) The Price Indications (Bureaux de Change) (No. 2) Regulations S.I. 1992/737.
(**b**) The Price Indications (Method of Payment) Regulations S.I. 1991/199.
(**c**) The Price Indications (Resale of Tickets) Regulations S.I. 1994/3248.
(**d**) S.I. 2004/102.
(**e**) S.I. 2000/2334.

Price comparison	means any indication given to consumers that the price at which something is offered to consumers is less than or equal to some other price.
Product	means goods, services, accommodation and facilities (but not credit facilities, except where otherwise specified).
Services and facilities	means any services or facilities whatever (including credit, banking and insurance services, purchase or sale of foreign currency, supply of electricity, and off-street car parking), making arrangements for a person to keep a caravan on land (unless the caravan is the person's main home) but not services provided by an employee to his employer under an employment contract.
Outlet	means any shop, store, stall or other place (including a vehicle or the consumer's home) and any means through which a distance contract may be concluded (including a website) at which goods, services, accommodation or facilities are offered to consumers.
Trader	means anyone (retailer, manufacturer, agent, service provider or other) who is acting in the course of a business.

Part 1: Price comparisons

1.1 Price comparisons generally

1.1.1 Information on different kinds of price comparisons is given in the paragraphs below, although it is the provisions of the Consumer Protection Act 1987 relating to misleading price indications with which you will ultimately need to comply. Generally, you should compare like with like and where a reduced price is claimed then the product should have been offered for sale at the higher price for at least 28 days in the previous 6 months in the same outlet. If your comparison does not meet those criteria then you should provide an explanation which is unambiguous, easily identifiable and (except where it is impractical, for instance, in distance contracts that are concluded orally) clearly legible to the consumer.

1.1.2 Always make the meaning of price indications clear. Do not leave consumers to guess whether or not a price comparison is being made. If no price comparison is intended, do not use words or phrases which, in their normal, everyday use and in the context in which they are used, are likely to give your customers the impression that a price comparison is being made. Price comparisons should always state the higher price as well as the price you intend to charge for the product (goods, services, accommodation or facilities). Do not make statements like "sale price £5" or "reduced to £39" without quoting the higher price to which they refer. If you refer to the previous price for the purpose of claiming there has been a reduction it should be to the cash price. If it is not, then an unambiguous, easily identifiable and clearly legible explanation of what the previous price referred to should be given.

1.1.3 It should be clear what sort of price the higher price is. For example, comparisons with something described by words like "regular price", "usual price" or "normal price" should say whose regular, usual or normal price it is (eg "our normal price"). Descriptions like "reduced from" and crossed out higher prices should be used only if they refer to your own previous price. Words should not be used in price indications other than with their normal everyday meanings.

1.1.4 Do not use initials or abbreviations to describe the higher price in a comparison, except for the initials "RRP" to describe a recommended retail price or the abbreviation "man. rec. price" to describe a manufacturer's recommended price (see paragraph 1.6.2).

1.1.5 Follow the part of the Code (sections 1.2 to 1.6 as appropriate) which applies to the type of comparison you intend to make.

1.2 Comparisons with the trader's own previous price

General

1.2.1 In any comparison between your present selling price and the last selling price at which the product was offered, you should state the previous price as well as the new lower price.

1.2.2 In any comparison with your own previous price—

(a) the previous price should be the last price at which the product was available to consumers in the previous 6 months unless the situation covered by paragraph 1.2.8 below applies;

(b) the product should have been available to consumers at that price for at least 28 consecutive days in the previous 6 months; and

(c) the previous price should have applied (as above) for that period at the **same** outlet where the reduced price is now being offered.

The 28 days at (b) above may include public holidays, Sundays or other days of religious observance when the outlet was closed (or otherwise unavailable for business); and up to 4 days when, for reasons beyond your control, the product was not available for supply. The product must not have been offered at a different price between that 28 day period and the day when the reduced price is first offered.

1.2.3 If the previous price in a comparison does not meet one or more of the conditions set out in paragraph 1.2.2 above then—

(a) the comparison should be fair and meaningful;

(b) give a clear and positive explanation of the period for which and the circumstances in which that higher price applied. The explanation should be unambiguous, easily identifiable and clearly legible to the consumer.

For example "these goods were on sale here at the higher price from 1st February to 26th February" or "these goods were on sale at the higher price in 10 of our 95 stores". **Display the explanation clearly, and as prominently as the price indication**. You should not use general disclaimers saying for example that the higher prices used in comparison have not necessarily applied for 28 consecutive days.

1.2.4 A previous price used as a basis of a price comparison should be a genuine retail price. It should be a price at which you offered the goods for sale in the reasonable expectation that they could be sold by you at the higher price. In any case where a sale price is compared to a price that is higher than the usual retail price in the particular outlet, that fact should be made clear.

Food, drink and perishable goods

1.2.5 For any food and drink you need not give a positive explanation if the previous price in a comparison has not applied for 28 consecutive days, provided it was the last price at which the goods were on sale in the previous 6 months and applied in the same outlet where the reduced price is now being offered. This also applies to non-food items, if they have a shelf-life of less than 6 weeks.

Distance contracts

1.2.6 Where products are sold only through distance contracts, any comparison with a previous price should be with your own last price. If you sell the same products for different prices in different types of outlets (e.g. charging a different price in your High Street store compared to a direct sale from your website), the previous price should be the last price at which you offered the product at the outlet in relation to which the claim is made. You should also follow the guidance in paragraphs 1.2.2(a) and (b). If your price comparison does not meet these conditions, you should follow the guidance in paragraph 1.2.3.

Factory outlets

1.2.7 Retailers located in factory outlets sites (i.e. sites where it is a condition of tenancy that a substantial majority of the goods must be sold at a discount), who have not sold the same goods at a higher price in the same store, may display an unambiguous, easily identifiable and clearly legible general notice stating that all (or a specified proportion) of goods have been bought in from elsewhere, which may include outlets outside the UK. Specific comparisons and reductions made for particular items must comply with the other relevant guidance in this Code of Practice and they must be verifiable in the event of a challenge by the local Trading Standards Service or Home Authority.

Making a series of reductions

1.2.8 If you advertise a price reduction and then want to reduce the price further during the same sale or special offer period, the intervening price (or prices) need not have applied for 28 days. In these circumstances unless you use a positive explanation (paragraph 1.2.3)—

(a) the highest price in the series must have applied for 28 consecutive days in the last 6 months at the same outlet;

(b) you must show the highest price, the intervening price(s); and

(c) the current selling price.

1.3 Introductory offers, after-sale or after-promotion prices

Introductory Offers

1.3.1 Do not call a promotion an introductory offer unless you intend to continue to offer the same product for sale at the same outlet after the offer period is over and to do so at a higher price.

1.3.2 Do not allow an offer to run on so long that it becomes misleading to describe it as an introductory or other special offer. What is a reasonable period will depend on the circumstances (but, depending on the shelf-life of the product, it is likely to be a matter of weeks, not months). An offer is unlikely to be misleading if you state the date the offer will end and keep to it. If you then extend the offer period, make it clear that you have done so.

Quoting a future price

1.3.3 If you indicate an after-sale or after-promotion price, do so only if you are certain that, subject only to circumstances beyond your control, you will continue to offer identical products at that price for at least 28 days in the 3 months after the end of the offer period or after the offer stocks run out.

1.3.4 If you decide to quote a future price, write what you mean in full. Do not use initials to describe it (eg "ASP", "APP"). The description should be clearly and prominently displayed, with the price indication.

1.4 Comparisons with prices related to different circumstances

1.4.1 Comparisons should be fair and reasonable. You should only compare like with like or very similar products in terms of quality, composition and description. If there is a difference, then an unambiguous, easily identifiable and clearly legible explanation of the difference(s) should also be provided. This section covers comparisons with prices—

(a) for different quantities (eg "15p each, 4 for 50p");
(b) for goods in a different condition (eg "seconds £20, when perfect £30");
(c) for a different availability (eg "price £50, price when ordered specially £60");
(d) for goods in a totally different state (eg "price in kit form £50, price ready-assembled £70"); or
(e) for special groups of people (eg "senior citizens' price £2.50, others £5").

General

1.4.2 Do not make comparisons with prices related to different circumstances unless the product is available in the different quantity, conditions etc at the price you quote. Make clear to consumers the different circumstances which apply and show them prominently with the price indication. Do not use initials (eg "RAP" for "ready-assembled price") to describe the different circumstances, but write what you mean in full.

"When perfect" comparisons

1.4.3 If you do not have the perfect goods on sale in the same outlet—

(a) follow section 1.2 if the "when perfect" price is your own previous price for the goods;
(b) follow section 1.5 if the "when perfect" price is another trader's price; or
(c) follow section 1.6 if the "when perfect" price is one recommended by the manufacturer or supplier.

Goods in a different state

1.4.4 Only make comparisons with goods in a totally different state if—

(a) a reasonable proportion (say a third by quantity) of your stock of those goods is readily available for sale to consumers in that different state (for example, ready assembled) at the quoted price and from the outlet where the price comparison is made; or
(b) another trader is offering those goods in that state at the quoted price and you follow section 1.5.

The price of a collection of items should only be compared with the previous price of the same collection of items, unless any differences are explained in an unambiguous, easily identifiable and clearly legible way. For instance, do not compare the price of a complete fitted kitchen with the price of the items when sold separately, unless this difference is explained in an unambiguous, easily identifiable and clearly legible way.

Prices for special groups of people

1.4.5 If you want to compare different prices which you charge to different groups of people (eg one price for existing customers and another for new customers, or one price for people who are members of a named organisation (other than the trader) and another for those who are not), do not use words like "our normal" or "our regular" to describe the higher price, unless it applies to at least half your customers.

1.5 Comparisons with another trader's prices

1.5.1 Comparisons should not be misleading. Only compare your prices with another trader's price if—

(a) you know that the other trader's price which you quote is accurate and up-to-date — if the comparison becomes misleading it should be removed as soon as is practicable;
(b) you give the name of the other trader clearly and prominently, with the price comparison;
(c) you identify the circumstances where the other trader's price applies; and
(d) the other trader's price which you quote applies to the same product — or to substantially similar product and you state any differences clearly (see paragraph 1.4).

Comparisons should also be with prices of outlets in the same locality, unless it can be shown that it makes no difference because of a national pricing policy.

1.5.2 Do not make statements like "if you can buy this product elsewhere for less, we will refund the difference" about your "own brand" products which other traders do not stock, unless your offer will also apply to other traders' equivalent goods. If there are any conditions attached to the offer (eg it only applies to goods on sale in the same town or excluding Internet sales) you should show them clearly and prominently, with the statement.

1.5.3 "Lowest price" claims must be backed up by suitable evidence to show that the trader is offering a lower price than competitors. Offering a "price promise", eg to beat a competitors' cheaper price if informed of that price by a customer, does not, of itself, justify a "lowest price" claim if the latter cannot be supported. You should make clear that the claim is limited to a price matching promise if that is the case.

1.6 Comparisons with "Recommended Retail Price" or similar

General

1.6.1 This Section covers comparisons with recommended retail prices, manufacturers' recommended prices, suggested retail prices, suppliers' suggested retail prices and similar descriptions. It also covers prices given to co-operative and voluntary group organisations by their wholesalers or headquarters organisations.

1.6.2 Do not use initials or abbreviations to describe the higher price in a comparison unless—

(a) you use the initials "RRP" to describe a recommended retail price; or

(b) you use the abbreviation "man. rec. price" to describe a manufacturer's recommended price.

Write all other descriptions out in full and show them clearly and prominently with the price indication.

1.6.3 Do not use a recommended price in a comparison unless—

(a) you can show that it has been recommended to you by the manufacturer or supplier as a price at which the product might be sold to consumers;

(b) you deal with that manufacturer or supplier on normal commercial terms. (This will generally be the case for members of co-operative or voluntary group organisations in relation to their wholesalers or headquarters organisations); and

(c) the price is not significantly higher than prices at which the product is generally sold at the time you make that comparison.

Do not use an RRP or similar for goods that only you supply.

1.7 Pre-printed prices

1.7.1 Make sure you pass on to consumers any reduction stated on the manufacturer's packaging (eg "flash packs" such as "10p off RRP").

1.7.2 You are making a price comparison if goods have a clearly visible price already printed on the packaging which is higher than the price you will charge for them. Such pre-printed prices are, in effect, recommended prices (except for retailers' own label goods) and you should follow paragraphs 1.6.1 to 1.6.4. You need not state that the price is a recommended price.

1.8 References to value or worth

1.8.1 Do not compare your prices with an amount described only as "worth" or "value".

1.8.2 Do not present general advertising slogans which refer to "value" or "worth" in a way which is likely to be seen by consumers as a price comparison.

1.9 Sales or special events

1.9.1 If you have bought in items especially for a sale, and you make this clear, you should not quote a higher price when indicating that they are special purchases. Otherwise, your price indications for individual items in the sale which are reduced should comply with section 1.1 of the Code and whichever of sections 1.2 to 1.6 applies to the type of comparison you are making.

1.9.2 If you just have a general notice saying, for example, that all products are at "half marked price", the marked price on the individual items should be your own previous price and you should follow section 1.2 of the Code.

1.9.3 Do not use general notices saying, eg "half price sale" or "up to 50% off" unless the maximum reduction quoted applies to at least 10% of the range of products on offer at the commencement of the sale.

1.10 Free offers

1.10.1 Make clear to consumers, at the time of the offer for sale, exactly what they will have to buy to get the "free offer". If any sort of direct payment is required (eg postal or delivery charges) and is not referred to in the price indication, this may be misleading.

1.10.2 If you give any indication of the monetary value of the "free offer", and that sum is not your own present price for the product, follow whichever of sections 1.2 to 1.6 covers the type of price it is.

1.10.3 If there are any conditions attached to the "free offer", give at least the main points of those conditions with the price indication and make clear to consumers where, before they are committed to buy, they can get full details of the conditions.

1.10.4 Do not claim that an offer is free if—

(a) you have imposed additional charges that you would not normally make;

(b) you have inflated the price of any product the consumer must buy or the incidental charges (for example, postage or premium rate telephone charges) the consumer must pay to get the "free offer"; or

(c) you will reduce the price to consumers who do not take it up.

Part 2: Actual price to consumer

2.1 Indicating two different prices

2.1.1 The Consumer Protection Act 1987 makes it an offence to indicate a price for goods or services which is lower than the one that actually applies. You should not therefore show one price in an advertisement, website, window display, shelf marking or on the item itself, and then charge a higher price at the point of sale or checkout. In addition, specific regulations apply to particular types of sales and ways of selling—eg retail sales (including the Internet), sales of food and drink which involve service, distance contracts, resale of tickets, package travel, etc. Your local Trading Standards Services or Home Authority will be pleased to advise you on the current regulations that are relevant to your business and of any good practice guidance which is also relevant.

2.2 Incomplete information and non-optional extras

2.2.1 Make clear in your price indication the full price consumers will have to pay for the product. The consumer should always be fully aware of the total cost including eg postage, packing, delivery charges, insurance, etc. before they commit themselves to the purchase. Some examples of how to provide this information in particular circumstances are set out below.

Limited availability of product

2.2.2 Where the price you are quoting for products only applies to a limited number of, say, orders, sizes or colours, you should make this clear in your price indication in an unambiguous, easily identifiable and clearly legible way (eg "available in other colours or sizes at additional cost").

Prices relating to differing forms of products

2.2.3 If the price you are quoting for particular products does not apply to the products in the form in which they are displayed or advertised, say so clearly in your price indication. For example, advertisements for self-assembly furniture and the like should make it clear that the price refers to a kit of parts.

Postage, packing and delivery charges

2.2.4 If you sell by distance contract, make clear any additional charges for postage, packing or delivery, so that consumers are fully aware of them before they commit themselves to buy. Where you cannot determine these charges in advance, you must indicate clearly how they will be calculated (eg "Royal Mail rates apply"), or specify the place where the information is given.

2.2.5 If you sell goods from an outlet and offer a delivery service for certain items, make it clear whether there are any separate delivery charges (eg for delivery outside a particular area) and what those charges are, before the consumer is committed to buying.

Pricing in different currencies

2.2.6 There are rules about what information must in certain circumstances be provided on exchange rates and commission charges if you accept payment in a foreign currency in addition to sterling and your local Trading Standards Service can advise you on them. There is a risk that your price indications could be considered misleading if you offer products that are dual priced with sterling and a foreign currency but you will only accept sterling and the sterling price is higher. In these circumstances you should make it clear that you only accept sterling, for instance by displaying a notice to that effect.

Value Added Tax

(i) Price indications to consumers

2.2.7 All price indications you give to private consumers, by whatever means, should include VAT.

(ii) Price indications to business customers

2.2.8 Prices may be indicated exclusive of VAT at an outlet or through advertisements from which most of your business is with business customers. If you also conduct business at that outlet or through these

advertisements with consumers, however, you should make it clear that the prices exclude VAT and you should—

(a) display VAT inclusive prices with equal prominence; or

(b) display prominent statements that the quoted prices exclude VAT and state the appropriate rate. It should be noted that VAT inclusive prices for all goods offered by traders to consumers are required by the Price Marking Order 2004(**a**) (further information can be obtained from your local Trading Standards Service).

(iii) Professional fees

2.2.9 Where you indicate a price (including an estimate) for a professional fee, make clear what it covers. The price should generally include VAT. In cases where the fee is based on an as-yet-unknown sum of money (for example, the sale price of a house), either—

(a) quote a fee which includes VAT; or

(b) make it clear that in addition to your fee the consumer would have to pay VAT at the current rate (eg "fee of 1.5% of purchase price, plus VAT at 17.5%").

Make sure that whichever method you choose is used for both the estimate and final bill.

(iv) Building work

2.2.10 In estimates for building work, either include VAT in the price indication or indicate with equal prominence the amount or rate of VAT payable in addition to your basic figure. If you give a separate amount for VAT, make it clear that if any provisional sums in estimates vary then the amount of VAT payable would also vary.

Service, cover and minimum charges in hotels, restaurants and similar establishments

2.2.11 Do not include suggested optional sums, whether for service or any other item, in the bill presented to the customer. If your customers in hotels, restaurants or similar places must pay a non-optional extra charge, eg a "service charge"—

(a) incorporate the charge within fully inclusive prices wherever practicable; and

(b) display the fact clearly on any price list or priced menu, whether displayed inside or outside (eg by using statements like "all prices include service").

2.2.12 It may not be practical to include some non-optional extra charges in a quoted price; for instance, if you make a flat charge per person or per table in a restaurant (often referred to as a "cover charge") or a minimum charge. In such cases the charge should be shown as prominently as other prices on any list or menu, whether displayed inside or outside. Your local Trading Standards Service or Home Authority can advise you further on the legislation relevant to price marking in bars, restaurants and similar outlets.

Holiday and travel prices

2.2.13 If you offer a variety of prices to give consumers a choice (for example, paying more or less for a holiday depending on the time of year or the standard of accommodation), make clear in your brochure or website, or in any other price indication what the basic price is and what it covers. Give details of any optional additional charges and what those charges cover, or of the place where this information can be found, clearly and close to the basic price.

2.2.14 Any non-optional extra charges which are for fixed amounts should be included in the basic price and not shown as additions, unless they are only payable by some consumers. In that case you should specify, near to the details of the basic price, either what the amounts are and the circumstances in which they are payable, or where in the brochure etc the information is given.

2.2.15 Details of non-optional extra charges which may vary, or details of where in the brochure etc the information is given, should be made clear to consumers near to the basic price.

2.2.16 If you reserve the right to increase prices after consumers have made their booking, state this clearly with all indications of prices, and include prominently in your brochure full information on the circumstances in which a surcharge is payable and how it is to be calculated. There are specific rules limiting rights to increase package holiday prices in the Package Travel, Package Holidays and Package Tours Regulations 1992(**b**).

(**a**) S.I. 2004/102.
(**b**) S.I. 1992/3288.

Ticket prices

2.2.17 If you sell tickets, whether for sporting events, cinema, theatre etc and your prices are higher than the regular price that would be charged to the public at the box office, ie higher than the "face value", you must make clear in any price indication what the "face value" of the ticket is as well as the actual price that will be charged. Your local Trading Standards Service or Home Authority can advise you further on the legislation relevant to resale of tickets.

Call-out charges

2.2.18 Free call out claims should only be made when there will be no charge to the consumer unless remedial work is undertaken with their agreement.

2.2.19 If you make a minimum call-out charge or other flat-rate charge (for example, for plumbing, gas or electrical appliance repairs etc carried out in consumers' homes), ensure that the consumer is made aware of the charge and whether the actual price may be higher (eg if work takes longer than a specific time) before being committed to using your services.

Credit facilities

2.2.20 Price indications about consumer credit should also comply with the Consumer Credit Act 1974 and the regulations made thereunder governing the form and content of advertisements.

Insurance

2.2.21 Where actual premium rates for a particular consumer or the availability of insurance cover depend on an individual assessment, this should be made clear when any indication of the premium or the method of determining it is given to consumers.

Part 3: Price indications which become misleading after they have been given

3.1 General

3.1.1 The Consumer Protection Act makes it an offence to give a price indication which, although correct at the time, becomes misleading after you have given it, if—

(a) consumers could reasonably be expected still to be relying on it; and

(b) you do not take reasonable steps to prevent them doing so.

Clearly it will not be necessary or even possible in many instances to inform all those who may have been given the misleading price indication. However, you should always make sure consumers are given the correct information before they are committed to buying a product and be prepared to cancel any transaction which a consumer has entered into on the basis of a price indication which has become misleading.

3.1.2 The following paragraphs set out what you should do in some particular circumstances.

3.2 Newspaper and magazine advertisements

3.2.1 If the advertisement does not say otherwise, the price indication should apply for a reasonable period (as a general guide, at least 7 days or until the next issue of the newspaper or magazine in which the advertisement was published, whichever is longer). If the price indication becomes misleading within this period make sure consumers are given the correct information before they are committed to buying the product.

3.3 Mail order advertisements, catalogues, leaflets, websites and similar advertising

3.3.1 Paragraph 3.2.1 above also applies to the time for which these price indications should be made. If a price indication becomes misleading within the period set out in paragraph 3.2.1, make the correct price indication clear to anyone who orders the product to which it relates. Do so before the consumer is committed to buying the product and, wherever practicable, before the goods are sent to the consumer.

3.4 Selling through agents

Holiday brochures and travel agents

3.4.1 Surcharges are covered in paragraph 2.2.16. If a price indication becomes misleading for any other reason, tour operators who sell direct to consumers should follow paragraph 3.3.1 above, and tour operators who sell through travel agents should follow paragraphs 3.4.2 and 3.4.3 below.

3.4.2 If a price indication becomes misleading while your brochure is still current, make this clear to the travel agents to whom you distributed the brochure. Be prepared to cancel any holiday bookings consumers have made on the basis of a misleading price indication.

3.4.3 In the circumstances set out in paragraph 3.4.2, travel agents should ensure that the correct price indication is made clear to consumers before they make a booking.

Insurance and independent intermediaries

3.4.4 Insurers who sell their products through agents or independent intermediaries should take all reasonable steps to ensure that all such agents who are known to hold information on the insurer's premium rates and terms of the cover provided are told clearly of any changes in those rates or terms.

3.4.5 Agents, independent intermediaries and providers of quotation systems should ensure that they act on changes notified to them by an insurer.

3.5 Changes in the rate of value added tax

3.5.1 If your price indications become misleading because of a change in the general rate of VAT, or other taxes paid at point of sale, make the correct price indication clear to any consumers who order products. Do so before the consumer is committed to buying the product and, wherever practicable, before the goods are sent to the consumer. For a period of 14 days from the date a VAT change takes effect, a general notice or notices may be used to indicate the adjustment necessary in prices to take account of the new VAT rate.

Part 4: Sale of new homes

4.1 A "new home" is any building, or part of a building to be used only as a private dwelling which is either—

(a) a newly-built house or flat, or

(b) a newly-converted existing building which has not previously been used in that form as a private home.

4.2 The Consumer Protection Act and this Code apply to new homes which are either for sale freehold or on a long lease, ie with more than 21 years to run. In this context the term "trader" covers not only a business vendor, such as a developer, but also an estate agent acting on behalf of such a vendor. For provisions applicable to commercial property, or to residential property which is not a new home, you should consult your local Trading Standards Service or Home Authority.

4.3 You should follow the relevant provision of Part 1 of the Code if—

(a) you want to make a comparison between the price at which you offer new homes for sale and any other price; or

(b) you offer an inclusive price for new homes which also covers such items as furnishings, domestic appliances and insurance and you compare their value with, for example, High Street prices for similar items.

4.4 Part 2 of the Code gives details of the provisions you should follow if—

(a) the new house you are selling, or any goods or services which apply to them, are only available in limited numbers or ranges;

(b) the sale price you give does not apply to the houses as displayed; or

(c) there are additional non-optional charges payable.

EXPLANATORY NOTE

(This note is not part of the Regulations)

This Order approves the Code of Practice issued by the Secretary of State for the purpose of giving practical advice on the requirements of section 20 of the Consumer Protection Act 1987, which is concerned with misleading price indications and promoting desirable practices in respect of price indications. Reliance may be placed on compliance with or contravention of the Code in proceedings for a contravention of section 20(1) or (2) of that Act.

The Consumer Protection (Code of Practice for Traders on Price Indications) Approval Order 1988 which approved the previous Code issued by the Secretary of State is revoked by this Order.

A full regulatory impact assessment of the effect that this instrument will have on costs to business is available from the Consumer and Competition Policy Directorate of the Department of Trade and Industry, 1 Victoria Street, London SW1H 0ET, or at www.dti.gov.uk/ccp/consultations.htm

STATUTORY INSTRUMENTS

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CONSUMER PROTECTION

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