EXPLANATORY MEMORANDUM TO

THE DIGITAL MARKETS, COMPETITION AND CONSUMERS ACT 2024 (ALTERNATIVE DISPUTE RESOLUTION) (CONSEQUENTIAL AMENDMENTS) REGULATIONS 2026

2026 No. [XXXX]

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Department for Business and Trade and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Kate Dearden, Minister for Employment Rights and Consumer Protection at the Department for Business and Trade confirms that this Explanatory Memorandum meets the required standard.

2.2 Tony Thomas, Deputy Director for Consumer Policy, at the Department for Business and Trade confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Jason Cole at the Department for Business and Trade can be contacted by email at the following address with any queries regarding the instrument: jason.cole@businessandtrade.gov.uk.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The instrument is part of a group of instruments that implement Chapter 4 Part 4 of the Digital Markets, Competition and Consumers Act 2024 ("the 2024 Act") replacing the voluntary Alternative Dispute Resolution (ADR) accreditation framework in the UK and introducing a mandatory accreditation framework for ADR providers for consumer contracts disputes:

- The Digital Markets, Competition and Consumers Act 2024 (Commencement No. 3 and Transitional Provisions) Regulations 2026, which will bring into force Chapter 4 Part 4 of the 2024 Act and make transitional provisions.
- The Digital Markets, Competition and Consumers Act 2024 (Alternative Dispute Resolution) (Conferral of Functions) Regulations 2026, which confers certain functions on relevant authority to operationalise the ADR system in the UK and the mandatory accreditation requirement for ADR providers for consumer contracts disputes.
- The Digital Markets, Competition and Consumers Act 2024 (Alternative Dispute Resolution) (Consequential Amendments) Regulations 2026 ("this instrument").

4.2 Further secondary legislation will be introduced to make provisions for information to be provided by ADR providers to the CTSI and consumers and for fees payable for application, variation and maintenance of accreditation.

4.3 This instrument makes amendments to primary and secondary legislation in consequence of coming into force of the Chapter 4 Part 4 of the 2024 Act and the revocation of the Alternative Dispute Resolution for Consumer Disputes (Competent Authorities and Information) Regulations 2015 ("the 2015 Regulations"). The consequential amendments remove redundant references of the 2015 Regulations and in some cases, replace them with a reference to Part 4 Chapter 4 of the 2024 Act.

4.4 This instrument removes reference to the 2015 Regulations from the list of relevant infringements in paragraph 20A of Schedule 5 to the Consumer Rights Act 2015. Paragraph 20A of the Act includes both references to the 2015 Regulations and to Chapter 4 Part 4 of the 2024 Act in the list of enactments which, if contravened, could amount to a 'relevant infringement' for the purposes of Schedule 5 of the Consumer Rights Act 2015 investigatory powers in relation to consumer law enforcement. The reference to the 2015 Regulations is redundant and there is no need for authorised enforcers to exercise powers related to contravening them. The amendment in the instrument removes section 218 of the Energy Act 2023, as the 2024 Act does not make reference to competent authorities (unlike its predecessor, the 2015 Regulations), such that the powers of the Department for the Economy in Northern Ireland to designate its heat networks regulator as a competent authority with responsibility for approving ADR bodies in Northern Ireland is redundant. The amendment also removes reference to the 2015 Regulations in Part 1 of Schedule 15 to the 2024 Act, as the court-based enforcement regime in the 2024 Act will not apply to the revoked 2015 Regulations. It substitutes reference to the 2015 Regulations with the 2024 Act, which it supersedes, in paragraph 7 of Schedule 5 to the Package Travel and Linked Travel Arrangement Regulations 2018 so that information provided in package travel contacts about in-house complaint handling procedures on ADR is pursuant to the 2024 Act. Finally, it adds a point in time reference to article 71 of Financial Services and Markets Act 2000 (Claims Management Activity) Order 2018 to clarify that the reference to paragraph 13 of Schedule 3 to the 2015 Regulations is fixed to the specific point in which article 71(7) came into force and does not reference the 2015 Regulations as they exist following revocation.

Where does the legislation extend to, and apply?

4.5 The extent of this instrument (that is, the jurisdictions which the instrument forms part of the law of) is England, Wales, Scotland and Northern Ireland.

4.6 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England, Wales, Scotland and Northern Ireland.

5. Policy Context

What is being done and why?

5.1 The 2024 Act replaces the voluntary ADR accreditation framework in the UK and introduces a mandatory accreditation framework for ADR providers for consumer contracts disputes. The consequential amendments made by this instrument ensure existing consumer law frameworks are updated to reflect these changes.

What was the previous policy, how is this different?

5.2 This instrument does not change the Government's policy. Rather, it ensures the continuity of consumer policy by making the necessary provisions to incorporate Chapter 4 Part 4 of the 2024 Act into existing consumer law frameworks.

6. Legislative and Legal Context

How has the law changed?

6.1 The 2015 Regulations will be repealed by section 309 (Schedule 27) of the 2024 Act on commencement of Chapter 4 Part 4 of the 2024 Act. The instrument makes amendments to primary and secondary legislation in consequence of the coming into force of Part 4 Chapter 4 of the 2024 Act on 6th April 2026, revoking the 2015 Regulations 2015.

6.2 The amendments either remove redundant references of the 2015 Regulations and in some cases, replaces them with a reference to Part 4 Chapter 4 of the Act, which it supersedes. The amendment also adds a point in time reference to article 71 of the Financial Services and Markets Act 2000 (Claims Management Activity) Order 2018 to clarify that the reference to paragraph 13 of Schedule 3 to the 2015 ADR Regulations is fixed to the specific point at which article 71(7) came into force and does not reference the 2015 ADR Regulations as they exist following revocation.

6.3 The vires for the instrument are in section 336 of the 2024 Act. Section 336(1) allows the Secretary of State to make by regulations provision that is consequential on the 2024 Act or on any provision made under it.

Why was this approach taken to change the law?

6.4 This is the only possible approach to make the necessary changes. This instrument is being made using the powers conferred in section 336(1) and (2) of the 2024 Act to make consequential amendments.

7. Consultation

Summary of consultation outcome and methodology

7.1 The policy of supporting consumers enforcing their rights independently, including by improving the quality and oversight of ADR services, was consulted on publicly. The Government response to that consultation was published in Reforming competition and consumer policy.[1]

7.2 In its response, the Government signalled its intention to improve the quality and consistency of ADR services in consumer markets, to further increase business and consumer confidence in ADR. This includes strengthening the accreditation process for ADR providers.

7.3 No further public consultation has taken place regarding the provisions in this instrument, as it makes only consequential amendments and does not change policy.

7.4 The Department for Energy and Net Zero, HM Treasury, the Ministry of Justice, the Northern Ireland Department for the Economy and the Northern Irish Government have been consulted concerning changes to legislation within their competence and were in agreement with the changes.

8. Applicable Guidance

8.1 This instrument does not implement or require guidance.

[1] https://www.gov.uk/government/consultations/reforming-competition-and-consumer-policy

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because this instrument does not make any material changes to the costs associated with the 2024 Act. The impact of mandatory ADR accreditation was considered in the impact assessment for the 2024 Act.[2]

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies because the instrument does not impose regulatory obligations, require familiarisation or otherwise cause costs to be incurred.

9.3 The legislation does not impact small or micro businesses.

9.4 There is no, or no significant, impact on the public sector because they are generally outside the scope of this policy.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 Given their limited impact, there is no plan to review the effect of this instrument.

[2] https://publications.parliament.uk/pa/bills/cbill/58-03/0294/ImpactAssessmentSummary.pdf and https://assets.publishing.service.gov.uk/media/60f67285e90e0764cfc22a5d/rccp-alternative-dispute-resolution-ia.pdf

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 The Minister for Employment Rights and Consumer Protection has made the following statement regarding Human Rights: "In my view the provisions of The Digital Markets, Competition and Consumers Act 2024 (Alternative Dispute Resolution) (Consequential Amendments) Regulations 2026 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts"). It does however relate to the withdrawal of the United Kingdom from the European Union because Chapter 4 Part 4 of the 2024 Act repeals and replaces the 2015 Regulations which implemented the ADR Directive and have been retained in UK law as EU-derived domestic legislation under section 2 of the European Union (Withdrawal) Act 2018 subject to amendment by regulation 9 of the Consumer Protection (Amendment etc) (EU Exit) Regulations 2018 (S.I. 2018/1326).