

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Eighth Delegated Legislation Committee

DRAFT TIMESHARE, HOLIDAY PRODUCTS,
RESALE AND EXCHANGE CONTRACTS
(AMENDMENT ETC.) (EU EXIT)
REGULATIONS 2018

Wednesday 21 November 2018

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Sunday 25 November 2018

© Parliamentary Copyright House of Commons 2018

This publication may be reproduced under the terms of the Open Parliament licence, which is published at www.parliament.uk/site-information/copyright/.

The Committee consisted of the following Members:

Chair: MARK PRITCHARD

Berger, Luciana (<i>Liverpool, Wavertree</i>) (Lab/Co-op)	† Shapps, Grant (<i>Welwyn Hatfield</i>) (Con)
Charalambous, Bambos (<i>Enfield, Southgate</i>) (Lab)	† Sheppard, Tommy (<i>Edinburgh East</i>) (SNP)
† Dhesi, Mr Tanmanjeet Singh (<i>Slough</i>) (Lab)	† Smith, Nick (<i>Blaenau Gwent</i>) (Lab)
† Furniss, Gill (<i>Sheffield, Brightside and Hillsborough</i>) (Lab)	† Spelman, Dame Caroline (<i>Meriden</i>) (Con)
† Harris, Rebecca (<i>Lord Commissioner of Her Majesty's Treasury</i>)	Stevens, Jo (<i>Cardiff Central</i>) (Lab)
† Herbert, Nick (<i>Arundel and South Downs</i>) (Con)	† Tolhurst, Kelly (<i>Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy</i>)
† Jenkyns, Andrea (<i>Morley and Outwood</i>) (Con)	† Wragg, Mr William (<i>Hazel Grove</i>) (Con)
† Lefroy, Jeremy (<i>Stafford</i>) (Con)	Ian Bradshaw, <i>Committee Clerk</i>
† O'Brien, Neil (<i>Harborough</i>) (Con)	
† Reeves, Ellie (<i>Lewisham West and Penge</i>) (Lab)	† attended the Committee

Eighth Delegated Legislation Committee

Wednesday 21 November 2018

[MARK PRITCHARD *in the Chair*]

Draft Timeshare, Holiday Products, Resale and Exchange Contracts (Amendment etc.) (EU Exit) Regulations 2018

2.30 pm

The Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy (Kelly Tolhurst): I beg to move,

That the Committee has considered the draft Timeshare, Holiday Products, Resale and Exchange Contracts (Amendment etc.) (EU Exit) Regulations 2018.

It is a pleasure to serve under your chairmanship, Mr Pritchard, and to introduce the regulations, which were laid before the House on 22 October. The regulations will be made under the powers conferred by the European Union (Withdrawal) Act 2018. They form part of a wider programme of work to adjust our existing legislative framework in readiness for leaving the European Union next year. If approved, the regulations will make minor and technical amendments to the Timeshare, Holiday Products, Resale and Exchange Contracts Regulations 2010, to correct deficiencies that would arise from the United Kingdom's withdrawal from the European Union. The Government maintain that the best outcome for the UK is, of course, to leave the EU with a good deal. If a deal—and therefore a withdrawal agreement—is struck, the implementation date of the draft instrument could be changed by any subsequent Bill that the Government introduce to implement the withdrawal agreement in UK law. It is, however, the duty of a responsible Government to prepare for all scenarios, which is what we are doing by bringing the draft instrument, and other secondary legislation, before the House.

The Timeshare, Holiday Products, Resale and Exchange Contracts Regulations 2010 transpose into UK law a 2008 EU directive on timeshare and long-term holiday products, and improve consumer protections for those investing in timeshares across European economic area states, aiming to increase consumer confidence in the industry. That was done through a number of new rights and obligations on traders. Those regulations included greater requirements on timeshare sellers to provide key information to consumers before the contract, including the consumer's right to withdraw and the requirement that the information and the contract be provided in the language of the member state in which the consumer was resident or of which they were a national. The regime also extended consumer protections to a much broader range of holiday-related services, including resale contracts, exchange contracts and long-term holiday contracts, as well as timeshare contracts. Those services are all characterised by long-term commitment or significant financial risks for consumers.

If approved, the draft regulations before the Committee will make minor, technical amendments to the 2010 regulations, to correct deficiencies that would arise from

the United Kingdom's withdrawal from the European Union. The draft regulations amend references to the EEA states and to the existing language requirements, and include amendments that ensure that contracts governed by UK law are still protected when the UK is no longer a member state, and that widen the scope of the regulations, so that certain contracts governed by the law of EEA states will now be subject to the same regime as contracts currently governed by the law of third countries. In addition, language requirements are amended so that key information must be provided in English rather than in the language of an EEA state.

In practice, most of the protections of the 2010 regulations will continue, except that contracts applying the law of an EEA state will now be subject to the same requirements as contracts applying the law of a third country. The draft instrument will save the current regulations, so they will remain the same for UK consumers buying timeshares and other long-term holiday products in the UK and from UK companies, where the contracts are governed by the law of the United Kingdom. Where UK consumers buy certain timeshares and other long-term holiday products governed by the law of an EEA state, those contracts will now be treated in the same way as contracts applying the law of a third country, as EEA states will now be third countries.

The new regime generally will not cover contracts where UK consumers purchased timeshares and other long-term holiday products from EEA traders when they are in an EEA state. Generally, those contracts will be subject to the laws of that member state, as a UK consumer will no longer be a citizen of an EEA state. An EEA state's law might not apply to UK consumers in the same way as it did previously. Although UK and EU law is highly aligned, we encourage consumers to be aware where possible of the protections offered by the specific seller and by the member state where the seller is located. That would help to clarify whether the level of protection is different from that of the UK.

The draft regulations ensure that the contract and mandatory pre-contractual information are provided in English, but allow them also to be provided in another language, irrespective of whether it is an official language of the EEA state. An assessment of the impact of the statutory instrument has concluded that it does not represent a policy change. It is expected to result in little or no wider impacts or transfers and to have a minimal effect on UK businesses and consumers or on the wider society, environment and the rest of the economy—as I previously set out, generally the terms of the draft regulations will remain the same for timeshare and other long-term holiday products sold in the UK.

This Government believe that the draft regulations are a sensible and necessary use of the powers of the European Union (Withdrawal) Act 2018 and will ensure that our consumer law continues to function effectively on exit day. I commend them to the Committee.

2.36 pm

Gill Furniss (Sheffield, Brightside and Hillsborough) (Lab): It is a pleasure to serve under your chairpersonship, Mr Pritchard. According to the Competition and Markets Authority, there were between 500,000 and 600,000 UK timeshare owners in 2015. Almost half were in Spain, 20% in the UK, and 25% outside Europe. The 2010

regulations are important in ensuring that consumers have crucial information when they enter into what is sometimes a lifelong arrangement.

As I said in Committee on Monday, the UK has been a beacon for consumer protection in the EU and globally. We should be proud that countries across the world look at our consumer protection laws. Since the Brexit vote in 2016, however, consumers have been left in limbo, and that uncertainty has been heightened by the Government's lack of engagement with consumer groups, particularly at a senior level, on the terms of our withdrawal.

As the Minister said, this SI is an attempt to pave the way for the continuation of current laws when we leave the EU. It also broadens the 2010 regulations by amending the definition of a holiday accommodation contract. I will not repeat the technical details that the Minister gave us so eloquently, but I want to say that, time after time, we have pressed the Government on the enforcement mechanism that will ensure effective cross-border trading and protections after we have left the EU. Unfortunately I have not received a satisfactory answer from the Minister or any of her predecessors.

As I mentioned in a similar Committee on Monday, it is staggering that there has been a 56% reduction in trading standard bodies between 2009-10 and 2016. Some local authorities have only one qualified officer, depleting their enforcement capabilities. On timeshares and other areas of this legislation, I am concerned that no deal would make it harder for consumers to enforce their rights in the EU, as we will no longer have access to the networks that can currently be used, such as the consumer protection co-operation network, alternative dispute resolutions for consumers and online dispute resolution systems. Where consumers need to take legal action against a company in a EU member state, current arrangements allow for their issuing claims in their home courts and for judgments to be enforced more easily across the EU, but those will no longer apply.

I am unhappy at the Government's decision not to undertake impact assessments for this SI and many others, although I take on board the Minister's comments about the impact on business. In conclusion—I shall be brief, because it is cold in here—we will approve this SI.

2.39 pm

Tommy Sheppard (Edinburgh East) (SNP): I am aware that our purpose is to try to deal with the administrative burden placed on Government by the process of Brexit, and that we are basically trying to rededicate ourselves to the 2010 regulations in this area. I am also aware that in these Committees we do not seek to amend the regulations before us and that no one is here to have a big debate about timeshare policy. Notwithstanding all of the above, I want to take this opportunity to put on record, as we reconfirm the regulations, concern about their adequacy and to ask the Minister to review them in the months ahead.

As has been said, there are around 600,000 people with timeshare contracts in the UK. A great many of them entered into those contracts in the '80s and '90s while on holiday in their middle age. They are now at retirement age and many of them are facing quite a number of problems dealing with these contracts. I have become involved, as many Members have, through casework

when people have come to me with a problem and asked me to intervene. I am thoroughly convinced that the regulations need to be updated on a number of fronts.

I am the sponsor of an early-day motion in the House, which has 55 cross-party signatories so far, calling for reform of the regulations. I ask the Minister to consider five points. First, will she extend the cooling-off period from 14 to 28 days, because many people are still sold timeshares while on holiday? The holiday may well last 14 days, so they do not properly get the opportunity to consider or, crucially, to take independent advice on the contract until they get back to this country.

Secondly, will she include in the regulations a requirement for a break clause in contracts so that in a proper, efficient and timeous manner, people are able to give notice and get out of a contract? In my view, there should be a break clause after five years, or a period of time. If the timeshare company's product is as good as it believes, it should not have a problem with that.

Thirdly, will the Minister deal with the fact that many of these contracts last in perpetuity? People are hounded for their contract obligations, even in death, as the obligations pass to their estate. We ought to have a situation, as with most contracts, whereby the commitment ends with the death of either of the contracting parties. Fourthly, will she try to regulate the fees that are charged to ensure that they go up in line with inflation, but not in a manner that would be considered usurious or exploitative and seeking to make profits for the timeshare companies, particularly as contracts are sold on from one company to another? Finally, perhaps we ought to look at having an ombudsman in this area so that complaints can be independently adjudicated.

I appreciate that these are not matters we can decide today but I ask the Minister to consider whether, even within the existing regulations, there is administrative action that could be taken on those fronts. If not, would she consider the possibility of amending the regulations at a future date? If she is able to do that, I would offer no resistance to the regulations being approved today, and I would not seek to divide the House when it comes to their approval at a later date.

2.43 pm

Kelly Tolhurst: I thank hon. Members for their contributions. As I have said, we remain confident that we will reach an agreement with the EU, but it is important to prepare our legislative framework, in case we leave the EU with no deal, to protect our consumers and businesses. That is what this instrument is doing. I have demonstrated that the proposed regulations do not make any substantial changes to the existing regime for the protection of buyers of timeshares and other long-term holiday products in the UK, nor to the general standards that timeshare traders are required to meet when trading in the UK. I might add that the regulations do not extend the Secretary of State's power in any way. They are essential to ensuring that the retained EU legislation that sets out these requirements continues to work effectively in the UK immediately after exit day. That is what the instruments are designed to do.

I will address the comments of the hon. Member for Edinburgh East regarding the wider issues around timeshares. The current timeshare regime provides adequate

[Kelly Tolhurst]

protection for timeshare consumers at the point of sale, although many pre-2010 timeshare contracts pre-date the current regime. Those contracts, which are becoming less common, are not covered by the rights and protections introduced in the 2010 regulations. I understand the points that the hon. Gentleman made about any future changes to regulations and what he would like to see. What we are doing with the process in this particular SI is to save UK law with EU law. If this SI came into force, in the event of no deal, it would be purely down to the UK Parliament to decide if we wanted to change any future laws, in which case we would be looking at some of the matters he has spoken about.

With respect to the wider scope of the regulations and engagement with them, the CMA is the enforcer of the regulations in the UK. While the Department has not carried out an impact assessment, we have consulted two key bodies—the Resort Development Organisation and KwikChex—which are both members of the Chartered Institute of Trading Standards. We have had conversations with them. As hon. Members may know, the Consumer Protection Partnership, which met in the summer, fed into the draft regulations. We also had a consumer roundtable.

In response to some of the points that have been made, the Government always have high standards of consumer protection in mind. That is an area that I am responsible for and in which I take a personal interest,

so I am always willing to look at new evidence, advice and opinions on changes that we could make to give consumers the protections that they need, but that needs to be done in the proper way.

I know that the hon. Member for Sheffield, Brightside and Hillsborough is concerned about cross-border co-operation and redress. The Government will present future draft instruments to deal with that. I can assure her that, while that is not dealt with in this particular statutory instrument, it is something that we are working on in the Department. Which? has been working with officials to feed into no-deal work being done at the Department for Business, Energy and Industrial Strategy, and is doing its own piece of work with regard to the Government's preparedness for a no-deal scenario. Which? is working with us and we are listening very carefully to anything that it has to say.

If the draft secondary legislation is not agreed today, it will cause part of the legislation to be inoperable, which is not in the interests of UK consumers. We must ensure, in the event that there is no agreement with the EU, that the right regulations and legislative framework are in place to provide buyers of timeshares and related products with adequate protection. I thank hon. Members for their time and for indicating their support for the SI.

Question put and agreed to.

2.49 pm

Committee rose.

