

## All that's digital isn't gold



*Lucy Hopkins, Head of Sustainability and Consumer Futures at **Consumer Focus**, talks about **new research** into the challenges and risks of the digital age.*

Imagine a world where a company can refuse you a loan because your friends on Facebook have a bad credit rating. When you get worse deals than others when buying online because a company has tracked your search patterns and know that you're not much of a bargain hunter. You leave negative comments for a company on a review site and someone starts posting malicious information about you online which spreads like wildfire, leading to you losing your job.

These are just some of the problems that an increasing number of people could be facing in the digital age. This is not to say that digital advances are a bad thing. Widespread access to the internet and the tools and applications that have been built on it has brought increased access to information, transparency and new means of communication to millions of people. From a consumer perspective, these new ways and channels for interacting and transacting have brought convenience, choice, better value (in some instances), opportunities to collaborate and greater engagement with providers and producers, enabling consumers to act in more demanding, better informed and increasingly empowered ways.

But there has been less focus on what potential risks and challenges will emerge from how providers will deploy these technologies. Our review of digital downsides '*All that's digital isn't gold: The challenges and risks of the digital age*', aims to do just that.

We commissioned **Ctrl-Shift** to carry out a research project on the internet and new technologies which have made powerful new approaches to consumer empowerment possible and, specifically, to create a list of potential digital downsides to inform our work. Targeted crowdsourcing was used to create a long list of downsides: input was requested from Ctrl-Shift's networks of experts (including academics, businesses and non-governmental organisations with expertise in this area), other online groups as well as our own consumer stakeholders.

The long list of digital detriments that emerged has, in some respects, parallels with the huge changes brought about in the early years of the industrial age – both represent a paradigm shift. The industrial age also brought immense benefits to consumers in the form of a much wider variety of increasingly good quality products at comparatively low prices. But it also brought its downsides – exploitation of the labour force including children; pollution; and sharp practices. Some of these, such as pollution, were effectively new problems. It took decades for society to understand and begin to address them. Others, such as sharp practice in the market place, were not new but greatly exacerbated by new contexts and situations. For example, it's easy to forget that many of the shopping rights and protections that we take for granted today (labelling of ingredients, weights and measures we can trust, product promises that are true) took decades to create and embed.

As we move increasingly into a new digital age, our timely review illustrates a similarly wide range of issues. Some, such as the role and exploitation of personal data in modern commerce, and search engines which tweak the search results they show individuals according to the data it holds on them, are still new. We are only starting to understand and appreciate their implications; they involve conflicting interests, values and agendas as well as many two sided issues which present benefits but also costs from the risks involved. The binary line between whether something is good or bad is perhaps not as obvious as it was in the pre-digital economy.



These issues can only be resolved by society wide debate. We need those charged with protecting and furthering consumers' interests to be the effective instigators, leaders and orchestrators of such debate. However, change is happening fast and the window of opportunity to be proactive in addressing these problems is limited. We need to begin to think about, understand and respond to these downsides now before they become widespread problems.

Others, such as sharp practice in e-commerce including fraud, confusing terms and conditions for downloads and online services as well as mis-selling, are simply old tricks reinvented for new times, and perhaps magnified by digital technologies. In retrospect, we may look back and see them as temporary 'teething troubles'. But right now, they still need to be understood and addressed before they become a source of real detriment.

Reviewing these downsides in our report, it becomes clear there is not one, single, way of addressing or mitigating their effects. The rapid pace of change that we are seeing moves faster than traditional regulatory approaches are typically able to, meaning classic responses might not always be suitable for the problems that are emerging. This fast pace and unpredictable nature of change also makes it difficult to anticipate problems and plan responses. So regulators, and other bodies working in the consumer interest, will need to start to consider how they can be more agile in order to respond to the challenges these detriments will present to our traditional regulatory frameworks.

Many issues go beyond the traditional organisational boundaries of regulators so that they may easily fall between the cracks. For example, PayPal is projecting that it will process **\$7 billion** in mobile payments in 2012, almost double the \$4 billion mark recorded in 2011. If problems emerge with these mobile payments methods that need to be looked at by the regulator, is it the Financial Services Authority or Ofcom who would deal with this? They, and others, will need to think about how protection aims might be delivered through new means, moving away from the traditional regulatory culture and mindset. This could be through the establishment of cross-disciplinary and cross-regulatory task forces in certain areas to make sure that complex issues are tackled appropriately or through the use of new technologies, such as crowdsourcing, to better connect and collaborate with consumers to understand what's going on and to identify issues as they emerge.

Regulators and others will also need to find other, more innovative, responses to solve fast-moving problems that cut across geographical boundaries and jurisdictions. Many of the emerging downsides covered in our report fall into this category, such as establishing a set of standards that will apply to people's online identities and data when they die (digital wills). The solution is not as simple as the regulators in the UK imposing new rules and regulations because people's online lives do not respect national boundaries. At the very least, it will require co-ordination on an EU level but most of the time, issues emerging are global and need global co-operation and responses.

In addition, the double edged nature of some of the issues – products and services that have both benefits and detriments for consumers – means that a classic regulatory or legislative response to preventing a certain practice may look like a bit of a blunt instrument.

These changes to consumer protection practices will need to be accompanied by a blend of other responses and solutions including:

- consumer empowerment and education to help rebalance the system and help consumers participate fully in the new digital environment;
- creating real consumer choice so that if a consumer doesn't like what's said in a company's privacy policy, they have an effective means of negotiating with the organisation concerned rather than just having to not use the service;
- further research into these complex issues where experts genuinely differ and where people don't fully understand what is happening or what the implications and possibilities are for the future; and



- new technological developments where technology could be better deployed to protect and advance consumer interests – eg in privacy-enabling services.

We would like to hear **your views** on this **report** and the issues it raises.

*Find the author of this blog on Twitter: [@lucyhhopkins](#).*

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