businesscompanion
trading standards law explained

Consumer savings schemes

In the guide

In this guide, the words 'must' or 'must not' are used where there is a legal requirement to do (or not do) something. The word 'should' is used where there is established legal guidance or best practice that is likely to help you avoid breaking the law.

This guidance is for England, Scotland and Wales

As of 1 January 2026, all businesses that operate consumer savings schemes in the United Kingdom have to comply with provisions in Part 4, Chapter 3 of the Digital Markets, Competition and Consumers Act 2024 (DMCCA). This covers schemes such as clubs helping consumers to save for Christmas or to get a festive hamper, supermarket savings stamps or tokens, holiday savings clubs, etc. To prevent consumers from losing their savings if the trader operating the savings scheme becomes insolvent, payments have to be protected and consumers have to be informed about how their money is protected.

What is a consumer savings scheme contract?

The DMCCA defines a 'consumer savings scheme contract' as:

- a contract where a consumer makes payments to a trader (a consumer is an individual who is not acting for business purposes; a trader is acting for purposes relating to their business)
- the payments are credited to an account that the trader holds for the consumer (known as 'the consumer's account'). This need not be a separate named account for each consumer; it can be a pooled account or take the form of, for example, savings stamps, vouchers or credit-tokens
- these payments provide a fund for the consumer to use to purchase goods, services or digital content, depending upon the terms of the contract

One or more of the following three conditions must also apply:

- the first condition is that the contract restricts the times, or periods of time, when the consumer can redeem money held in the consumer's account - for example, a Christmas savings scheme that can only be accessed from November onwards
- the second condition covers a contract where the consumer is given incentives to spend the funds or to continue 'saving' at a particular time or during a period of time - for example, where a bonus sum is added if the consumer does not spend the funds for six months
- the third condition applies where the marketing or advertising of the contract (as opposed to the actual terms of the contract) encourages the consumer either to 'spend' the funds or continue 'saving' at a particular time or during a period of time. An example would be encouraging the consumer to use the funds at the time of Black Friday sales

An 'excluded arrangement' is not a consumer savings scheme contract.

Excluded arrangements

The following contracts are 'excluded arrangements' and do not, therefore, have to comply with the requirements imposed on consumer savings scheme contracts:

- certain authorised financial services contracts - for example, bank accounts, credit cards, loans, insurance, investment portfolios, electronic money accounts
- the supply of utilities (water, electricity, gas, heat networks)
- contracts regulated by Ofcom, including sim-only mobile phones and broadband internet services
- contracts for prepaid passenger transport services - for example, monthly bus passes
- small businesses contracts where the trader's annual turnover is less than £1 million and the amount held for each consumer never exceeds £120 at any given time (both conditions must be satisfied for the exemption to apply)
- childcare voucher schemes
- package travel contracts

Insolvency protection

Section 285 of the DMCCA requires that, if you are operating a consumer savings scheme, you must make, and continue to maintain, one of the following:

- insurance arrangements
  or
- trust arrangements

This requirement exists so that consumers are able to get their money back in the event of insolvency.

Insolvency arises if any of the following have occurred:

- a bankruptcy order has been made against you (or your estate has been sequestrated in Scotland)

- a winding up order has been made as a result of insolvency
- a liquidator has been appointed as a result of insolvency
- you are in administration
- an administrative receiver (receiver in Scotland) has been appointed
- any similar order or procedure applies outside the United Kingdom

Every consumer savings scheme contract contains a term that the trader is complying with insolvency protection requirements. Failure to do so can lead to action being taken by the consumer and, possibly, by Trading Standards.

Insurance arrangements

If you decide to protect consumers' funds by making insurance arrangements, you must have one or more insurance policies with authorised insurers in the United Kingdom, the Channel Islands or the Isle of Man.

There are specific requirements regarding which insurance policies are acceptable - for example, the policy must ensure that consumers are repaid all the money that is in the savings scheme at the time of any insolvency. For further details on the insurance requirements, see the Department for Business and Trade (DBT) guidance, which is linked to at the end of this guide.

It is up to you to bear the costs of arranging and keeping any insurance policies going, and you must not use any of the payments that consumers have paid into the savings scheme to cover any taxes or charges you have to pay for the insurance.

Trust arrangements

As an alternative to making insurance arrangements, it is possible to protect the consumers' funds by holding all the payments that consumers make under a consumer savings scheme 'on trust' for the consumer, in the United Kingdom, by one or more independent trustees. It will be necessary to draw up a legal document, known as a trust deed, which will cover who the trustees are, how the trust will operate and in what circumstances the trustees can make payments from the trust funds.

Providing you are solvent, payments by the trustees can be made for the supply of goods, services and digital content for the consumers, depending upon the terms of the scheme. The trustees can also return funds to the consumer in exceptional circumstances and give you any surplus (profit) after the consumer has received everything they are entitled to under the scheme.

If you become insolvent, then the trustees must return money that they hold on trust to the consumers.

You must pay all the costs of the trust arrangement, including legal fees, trustees expenses, etc, and must have an independent auditor to audit the trust accounts every three years.

For further details on the requirements for trusts, see the DBT guidance.

Information requirements

After a consumer makes the first payment to you under a consumer savings scheme contract, you must, before the end of 30 working days from that date, give the following information to the consumer:

- the name, address, telephone number and email address of the insurer or trustees responsible for protecting the consumer's payments
- if you are using insurance arrangements to protect the funds, the insurance policy number
- if you are using trust arrangements to protect the funds, a copy of the trust deed

The information must be clear and written in plain language, so that it can easily be understood by consumers. Where the information is given in writing, it must be easily legible (not, for example, in very small, light coloured font on similar coloured paper).

How you must give the information to consumers depends upon how they enter the savings scheme:

- **in person.** If you make the contract when you meet face to face with the consumer, the information has to be given in writing on a durable medium - for example, on paper, in an email
- **online.** If you do not meet the consumer and the contract is made online, then the information has to be given in writing and shown online on the website where the consumer can enter the contract. The consumer must be able to access the information without having to take any further action
- **orally at a distance.** If the contract is made orally, but not face to face with the consumer (such as on the telephone), then the consumer must be given the information orally. The consumer must be able to hear the information and be able to understand it

For online and oral contracts, as soon as reasonably practicable after the contract has been made, you must also give the consumer the information in writing on a durable medium, so that they will have a copy to keep.

Keeping the information up to date

If there are any changes made to any of the required information, you must tell the consumer of the change(s) before the end of 30 working days from the date that the changes operate.

Requests by the consumer

Consumers may ask for the information at any time (in writing). You must provide this information within 30 working days of receiving the request, at no cost to the consumer.

Compliance

Every consumer savings scheme contract contains a term that the trader is complying with the information requirements. Failure to do so can lead to action being taken by the consumer and possibly by Trading Standards.

The position regarding the CCRs

If you comply with the information requirements detailed above, it is not necessary to repeat this information in order to comply with the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 (CCRs). It is, however, still necessary to comply with all other requirements of those Regulations - for example, other information that has to be given prior to contracting, cancellation rights, etc.

For more information on the CCRs, please see:

- 'Consumer contracts: distance sales'
- 'Consumer contracts: off-premises sales'
- 'Consumer contracts: on-premises sales'

Further information

The Department for Business and Trade (DBT) has published guidance for business on this subject. See 'Consumer savings schemes legislation for businesses' on the GOV.UK website.

Trading Standards

For more information on the work of Trading Standards services - and the possible consequences of not abiding by the law - please see 'Trading Standards: powers, enforcement and penalties'.

In this update

New guidance: December 2025

Key legislation

- Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013
- Digital Markets, Competition and Consumers Act 2024 (Part 4, Chapter 3; Schedule 24)

Please note

This information is intended for guidance; only the courts can give an authoritative interpretation of the law.

The guide's 'Key legislation' links go to the legislation.gov.uk website. The site usually updates the legislation to include any amendments made to it. However, this is not always the case. Information on all changes made to legislation can be found by following the above links and clicking on the 'More Resources' tab.