

Which? Budget representation 2026

Introduction and consumer outlook

The wars in Ukraine and the Middle East continue to have an impact on consumers, with the energy price cap rising by 4% to the highest level in three years. The [Which? Consumer Insight Tracker](#) shows that the vast majority of consumers remain gripped by concern over energy (81%), food (81%) and fuel (76%) prices, as of August 2026 and more than two thirds say they are fed up with being ripped off by rogue traders and dodgy pricing practices.

Confidence in the future UK economy [now stands at -36 points](#); this is the percentage of people who said they think the UK economy will improve (15%) in the next 12 months minus the percentage who believe they will worsen (51%).

It also seems that persistent financial anxiety is souring into a sense that businesses are simply not on the side of the customer, with people losing faith in our economic system. Almost three-quarters of UK adults say big businesses take advantage of ordinary people. It all intensifies the pressure on the government to find interventions that will ease household costs, improve consumer confidence and restore faith in markets. Inflation caused by supply side shocks like energy price spikes rarely have easy remedies. However, there are steps the government can take and it is the right time to question how well markets are working for consumers — for the demand side that makes up 60% of the value of the economy.

Executive summary

In this Budget submission we set out four policy interventions that have the potential to support consumers: tackling energy bills, providing support with the cost of food and insurance costs.

Specifically, we are calling on the Chancellor to:

- 1. Ban motor insurers from charging extra for monthly payments, to protect consumers who rely on spreading costs for this essential product from exorbitant interest rates.**
- 2. Bring down domestic energy bills for all households by removing all remaining social and environmental levies from electricity bills.**
- 3. Increase Healthy Start payments that provide essential support to low income families with small children so that they maintain their real terms value, which has been eroded following high levels of food price inflation.**
- 4. Publicly support the Competitions and Markets Authority (CMA) to use the powers granted to it by parliament to tackle vested interests and hold the dominant businesses in digital markets to account.**

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1. Insurance premium finance

Driving is essential to daily life across the UK. Driving is the most common mode of transport for commuting with [67%](#) relying on their cars to get to work, while many others depend on them for shopping and school runs. Motor insurance, a legal requirement, is one of the most significant costs for drivers. It accounts for around a quarter of driving expenses, on average, rising to almost half for drivers under 20.¹

We know that people are struggling with the cost of driving, particularly motor insurance. [Citizens Advice](#) research from late 2024 found that 2.6 million people were priced out of driving due to the cost of insurance, with many others forced to cut back on essentials to afford premiums. Average motor insurance premiums [rose by more than half \(54%\)](#) over the two years to the first quarter of 2024. Although average premiums [fell throughout 2024 and 2025](#) and have remained broadly flat since then, they are now expected to [rise 16% over the next two years](#). More people are likely to be forced to stop driving, putting careers and education at risk.

The burden is made significantly worse for the [15 million](#) customers who pay monthly. These drivers pay for 'premium finance' – a credit product sold alongside the insurance policy – to cover the cost in installments.

How premium finance unfairly penalises people

While offering a monthly payment option is crucial for accessibility, many firms charge APRs comparable to credit cards, despite [the FCA noting that credit risk is typically lower](#). [Which? surveyed](#) 48 motor insurance providers in February/March 2026 and found an average APR of 23%, which aligns with average [credit card rates of 24.9%](#) in April. Of these providers, 20 [charged 25% APR or more](#), with many near 30%. Our subsequent mystery shopping, conducted in late August, identified examples of other providers applying APRs exceeding 50%.

Unlike credit cards, where the consumer can spend anywhere, premium finance is secured on the insurance product itself. If a customer misses a payment, the provider can ultimately cancel the insurance, leaving the customer with no cover, and at minimal cost to the provider. This partly explains why some motor insurance providers – and many home insurance providers – are able to offer [monthly payment options at no extra cost](#).

The FCA found that premium finance profit margins far exceed those of insurance premiums. In 2024, the FCA found that [average profit margin for insurers' premium finance was 31%](#), compared to just 3% for motor insurance policies, [according to EY](#).²

¹ Based on Which? analysis of average driving costs covering tax, fuel, MOT & service, and insurance.

² Measured by a combined ratio (the ratio of claims and expenses paid out divided by premiums received, excluding investment returns and/or any other income streams).

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While the [FCA](#) noted the average cost of premium finance was £47 in early 2026, this masks the true burden on some drivers. For example, 17-19 year olds, who already face higher premiums averaging £1,519, may pay an additional £160-£175 simply to spread that cost monthly.³

It is unsurprising that the FCA described premium finance as a '[poverty premium](#)' in early 2024. According to [FCA data](#), 60% of monthly insurance payers do so because they cannot afford a single annual payment. While 43% of all UK adults pay in installments, this rises to 78% of those in financial difficulty, 65% of those with low financial resilience, 63% of black adults, 60% of renters, 58% of lone parents, and 53% of those aged 25-34.

Government and FCA commitments and action

The Government's October 2024 launch of a Motor Finance Taskforce – following a [Labour manifesto commitment to tackle soaring insurance costs](#) – identified premium finance as an issue. However, the Government deferred to the FCA's then-ongoing market study.

The FCA subsequently [ruled out potential pricing remedies](#) at the interim stage with limited transparency on its analysis. Instead, it ultimately [used supervisory powers to challenge three firms](#), who reduced their APRs to an average of 31%. The FCA estimated total consumer savings of £157 million per year from 2024 across motor and home insurance, when taken together with other voluntary reductions by firms. While these savings are welcome, they are insufficient. This equates to just £8 per policy, per year. Many firms were left out of the investigation, with [less than half of the broker market](#) asked to submit evidence.

A fairer system for paying for motor insurance

Systemic action is required. Competition is failing in the secondary market for premium finance, leaving consumers with little choice but to pay exorbitant prices to access essential insurance. **We propose that the Government bans motor insurers from charging extra for monthly payments. To maintain accessibility, we propose two requirements:**

1. **Mandatory pay monthly options:** Providers of personal motor insurance must offer a pay-monthly option.
2. **Price parity:** Providers must charge customers the same equivalent price whether they pay annually or monthly.

While this may cause some redistribution, we believe it will deliver a fairer system overall. Price competition for the core premium is already effective. We therefore expect this reform to ultimately reduce average motor insurance prices. This is similar to the FCA's successful ban on the 'loyalty penalty,' which had unfairly burdened vulnerable consumers. The reform led to a redistribution in pricing but the [FCA's evaluation](#) also estimated a £1.6 billion impact from reduced prices in the UK motor market over a decade.

³ Based on figures from [MoneySuperMarket](#) and the [FCA's](#) estimate of interest on policies purchased through price comparison websites.

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Banning charging more for paying monthly will impact firms, as the timing of payments they receive from customers would change, and some administrative changes may be necessary. To minimise these impacts, a transition period may be needed. This would allow firms to move their customers gradually over to this new method of paying.

The urgent action Government should take towards this fairer system

Nearly two years after the Motor Finance Taskforce was launched, the 'poverty premium' caused by premium finance persists. To ensure fairer access and lower costs for those struggling most, the Government should:

- **Ensure robust FCA supervision and enforcement:** The FCA must fully address the issues identified in its supervisory work, particularly regarding firms that were not required to submit evidence for the market study.
- **Jointly develop a ban with the FCA:** The Government should work with the FCA to implement a ban on charging more for paying monthly, combined with a mandatory requirement to offer monthly payment options.

2. Energy Bills

When energy price shocks hit, they have the most severe impact on lower-income households, who have to spend a higher proportion of their income on essentials like utilities and food. Which? therefore welcomed the former Chancellor's decision in the Budget of Autumn 2025 to cancel the Energy Company Obligation and move 75% of the Renewables Obligation from bills into general taxation. The temporary cut to VAT on domestic energy bills will also save average households around £45 per year.

Now, we would like to see the government go even further in bringing down consumer energy bills by removing the remaining social and environmental levies from electricity bills and bringing them into general taxation.

This would mean funding the remaining 25% of the Renewables Obligation, the Feed-in-Tariff scheme, Assistance for Areas with High Electricity Distribution Costs, Network Charging Compensation, and the Nuclear Regulated Asset Base levy through alternative means. Estimates suggest that this measure would save typical households between £75 and £286, and according to the MCS Foundation could lift as many as 870,000 households out of fuel poverty.

This would reduce energy bills across the board for consumers, but would be particularly helpful to lower income households, helping to reduce their likelihood of falling into fuel poverty. Removing levies from electricity bills would mean that the roughly 8% of households relying solely on electric heating would see particularly significant savings. This group, who often live in high rise buildings in urban areas like London, is nearly twice as likely as the average household to experience fuel poverty, with a quarter of electrically heated households classed as fuel-poor compared to 13% nationally. Furthermore, the savings generated by moving energy levies from electricity bills to general taxation would be

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progressively distributed. Less well off households, who consume less electricity but spend a higher proportion of their income on their bills, would pay less towards social and environmental levies and schemes if this was funded through progressive taxation since the costs would be shifted towards those higher taxpayers with the broadest financial shoulders.

This policy change would also contribute to the creation of an energy system in the UK which better incentivises the uptake of lower carbon technologies and the electrification of home heating. Making electricity cheaper relative to gas increases the cost-efficiency of installing low carbon technologies like heat pumps, and makes electric vehicles cheaper to run.

3. Healthy Start

The NHS Healthy Start scheme ensures that vulnerable households have access to a valuable nutritional safety net, providing weekly payments to families during pregnancy and early childhood, which can be used to buy a selection of nutritious food products such as fruit, vegetables, infant formula, and milk. As of May 2026, approximately 351,921 pregnant people and children under four receive support through the NHS Healthy Start scheme across England, Wales, and Northern Ireland.

Unfortunately, the considerable food price inflation in recent years has severely reduced the real value of Healthy Start payments. We estimate that the average price of the foods included in Healthy Start increased by 37% between April 2021 to March 2026, so that despite the uplift introduced by the government, the scheme is still considerably less generous than it used to be.

The lower rate of Healthy Start is currently worth £4.65 per week, but if this had kept pace with inflation since April 2021 it would be £5.82. This means families are £61 a year worse off than they would have been. Those in receipt of the higher rate have lost even more. The current payment is £9.30 per week, but had it been uprated in line with inflation then it would be £11.64, an annual shortfall of £122.

To prevent the scheme falling behind the costs families face, **Healthy Start payments should be automatically uprated with food price inflation**, bringing it into line with other welfare payments which are also linked to inflation.

In addition to increasing the value of Healthy Start payments, the government should:

- **Make enrolment in the scheme automatic.** Currently, eligible families must apply in order to access the benefits of the programme, and the rate at which they participate in the scheme has varied significantly over time. Automatic enrolment could therefore ensure that this valuable support reaches all of those who need it, even those who were not previously aware of their eligibility.
- **Expand the eligibility criteria to bring it in line with the current requirements for free school meals and with similar schemes in Scotland.** Currently, Healthy Start

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covers families in which there is a pregnant mother or children under the age of four, who receive qualifying benefits and have a household income of £408 per month or less, excluding benefits. Mirroring the expansion of free school meal eligibility to all families on Universal Credit from September 2026, Healthy Start should also cover all families of young children who receive Universal Credit.

Finally, Which? has found that some supermarkets would be interested in providing additional 'top-up' discounts or vouchers, but that efforts to implement such initiatives have been hampered by problems with data-sharing. Investigating and resolving these issues in order to encourage supermarkets to offer such discounts would be a positive step to unlock extra support for low-income families.

4. Taking action against technology companies exploitative behaviour

In most markets, the best way to deliver low prices for consumers is to have strong competition between businesses. Unfortunately, levels of competition in the UK appear to have weakened over the past 30 years⁴ and competition problems are particularly evident in digital markets.

The UK has a world-leading, pro-competitive regime for regulating digital markets, introduced in the Digital Markets, Competition and Consumers Act 2024. Unfortunately, the Competition and Markets Authority (CMA) has acted slowly and tentatively to deploy its powers to tackle the harms in these markets. The CMA's reticence stems directly from the government's hitherto reluctance to support it to take action.

The CMA estimates that Google earned excess profits of at least £3-4 billion in 2024 from its general search services in the UK. Since these higher advertising costs will be passed through to consumers, it implies that some households may be paying hundreds of pounds extra every year because of Google's market power.

Similarly, the dominance of Apple's App Store and Google's Play Store in the distribution of apps allows them to charge excessively high prices. In October 2025, the Competition Appeals Tribunal's judgement in *Dr Rachel Kent v Apple* determined that Apple had abused its dominant position by charging excessive and unfair prices on purchases of apps, app subscriptions and in-app purchases.⁵ It is estimated this has cost UK iPhone and iPad users directly around £1.5 billion over ten-years.⁶

These examples are stark reminders that the cost of monopoly power is ultimately borne by UK consumers.

⁴ Competition and Markets Authority (2024) [The State of UK Competition Report 2024](#)

⁵ Competition Appeals Tribunal (2025) [1403/7/7/21 Dr. Rachael Kent v Apple Inc. and Apple Distribution International Ltd - Judgment \[2025\] CAT 67](#)

⁶ Kings College London (2025) [Dr Rachael Kent wins historic case against Apple in £1.5 billion collective action](#)

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Despite receiving the additional powers in 2024, the CMA however has been slow to implement this regime, and has done it in a very limited fashion to hold businesses to account. **The Government should publicly back the CMA in fully utilising its powers to tackle market bottlenecks and challenge entrenched incumbents. Unlocking the market power in digital markets is essential to champion the next generation of UK tech innovators.**

About Which?

Which? is the UK's consumer champion. As an organisation we're not for profit - a powerful force for good, here to make life simpler, fairer and safer for everyone. We're the independent consumer voice that provides impartial advice, investigates, holds businesses to account and works with policymakers to make change happen. We fund our work mainly through member subscriptions, we're not influenced by third parties and we buy all the products that we test.