

Digital Comparison Tools Market Study:

Response form

1. Thank you for taking the time to respond to the questions in the Statement of Scope for our Market Study of Digital Comparison Tools (DCTs), published on our [website](#) on 29 September 2016.
2. Please download and save this form before completing it. Please submit your response by **5pm on Monday, 24 October 2016**, either by:
 - Email to: comparisontools@cma.gsi.gov.uk.
 - Or by post to: Digital Comparison Tools Market Study
Competition and Markets Authority
7th floor
Victoria House
37 Southampton Row
London WC1B 4AD
3. Please note:
 - You can choose which questions to respond to, but we ask all respondents to provide a small amount of background information at the start of this form. The boxes will 'expand' to accommodate long responses if required.
 - We are particularly keen to receive evidence in support of responses. If you are able to supply evidence please attach this with your response.
 - We intend to publish responses to our Statement of Scope in full. If you wish to submit information that you consider to be confidential, this should be indicated to us clearly and an explanation given as to why you consider it to be confidential.
 - The CMA may use the information you provide for the purposes of facilitating the exercise of any of its statutory functions. This may include the publication or disclosure of the information. Prior to publication or disclosure, in accordance with its statutory duties under Part 9 of the Enterprise Act 2002, the CMA will have regard to (among other considerations) the need to exclude, so far as is practicable, any information relating to the private affairs of an individual or any commercial information relating to a business which, if disclosed, would or might, in our opinion, significantly harm the individual's

interests or, as the case may be, the legitimate business interests of that business (confidential information). Further information about how the CMA will use information submitted during the Market Study can be found on our [website](#).

4. If you have any questions about our Market Study or this online form please contact the team at comparisontools@cma.gsi.gov.uk.

Your details

(Fields marked * are required)

Title*	Mrs
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Forename	Debbie
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Surname*	Enever
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Email*	[<]
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What is your role / profession*	head of external relations (government, regulator & media)
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Are you representing yourself or an organisation?*	An organisation
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If you are representing yourself rather than an organisation would you be content for us to include your name when we publish your response?*	N/A
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If you are representing an organisation:

(a) What is the organisation's name?*	Financial Ombudsman Service
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(b) Please could you briefly explain the role of your organisation, including the sectors in which it operates or has most interest?*

The Financial Ombudsman Service was set-up under the *Financial Services and Markets Act 2000* to resolve individual complaints between financial businesses and consumers – fairly, reasonably, quickly and with minimum formality. We are free to consumers and businesses are bound to follow our decisions if they are accepted by the consumer. We can make awards up to £150,000 and cover all FCA regulated businesses, as well as various businesses based in Europe which have joined our scheme voluntarily.

Theme 1: Consumers' perceptions, use and experience of DCTs

We will analyse consumers' awareness, understanding and perceptions of DCTs – for instance, how well consumers understand and/or trust DCTs, and what this means for whether they use them.

We also want to understand consumers' behaviour and experiences with DCTs, including what consumers expect to get from DCTs compared with what they actually receive. We will also look at whether they use DCTs just to compare products and suppliers or also to switch; how many DCTs they use; how successfully they use them; and the benefits they derive from doing so. We will also want to understand what happens when something goes wrong and consumers' expectations are not met (knowingly or otherwise). We also plan to understand whether increased use of DCTs results in excessive focus on price, to the exclusion of other factors and to the detriment of consumers' overall decision-making.

1. When and why do consumers use DCTs? To what extent do they trust them?

- The Financial Ombudsman Service has some experience of DCTs in the financial services sector, principally in relation to insurance comparison websites. Where an organisation conducts business activities that are regulated by the Financial Conduct Authority (FCA), they must first be authorised by it, which means that their consumers are entitled to refer complaints to the ombudsman.
- Comparison websites have to be authorised by the FCA if they are conducting *regulated activities*. In practice this means our exposure to DCTs usually involves general insurance products such as private car, home and travel insurance. It should be stated that, so far, we have received very few complaints directly about comparison websites. It's far more likely complaints involving insurance products will go against the insurance companies (underwriters) or insurance intermediaries (brokers).
- The complaints we've seen have tended to stem from the set of questions consumers are asked on DCTs. Issues can arise with the accurate transfer of data from the DCT to the product providers' systems. This is crucial and can sometimes lead to disputes where discrepancies have occurred when information held by an insurer or intermediary is different to that which the consumer gave on the DCT. The onus is put on the consumer to ensure that the information they've given is correct. But this can lead to unfairness where consumers have no reason to know that the information an insurer wants is slightly nuanced or different to that which the DCT asked. This can include sets of 'assumptions' on which the insurance contract is based that weren't made clear on the DCT. Such disputes often see consumers having policies cancelled or claims turned down. This can have serious consequences, including putting them in financial difficulty.
- We do not see many complaints against businesses operating comparison websites as, in our experience, complaints will usually involve the product provider. Those businesses will usually have responsibility for the sale, application and information that enables consumers to make informed decisions whether to purchase cover and whether a product is suitable for their needs. In relation to insurance, we've seen examples that suggest consumer over-reliance on the brief descriptions included on the DCT; rather than more detailed information subsequently provided by underwriters.

2. How do consumers choose which and how many DCTs to use?

3. What are consumers' expectations of DCTs – for instance in terms of market coverage and the relationships between DCTs and the suppliers they list?

In our experience, consumers don't always realise that insurance comparison websites are separate from the insurance companies providing the policies.

4. What are consumers' experiences of using DCTs? Do they benefit from using them and, if so, how? What works well and what could be improved?

It's important that the information requested by DCTs is consistent with the details required by insurance companies. It's also crucial the information consumers provide DCTs is transferred accurately and clearly to insurers. Small nuances to the questions and lack of precision in the responses can lead to significant consumer detriment if a claim is declined or the resulting cover does not provide what the consumer expected.

Theme 2: Impact of DCTs on competition between suppliers of the services they compare

A critical test of DCTs' impact is whether they are improving or hindering competition between suppliers. A major way of improving competition is increasing engagement through reducing search costs. We plan to understand this effect and whether anything may be hindering it.

We also want to explore the relationships between DCTs and suppliers and to know whether DCTs are having effects on supplier behaviour. For example, we want to explore the impact of DCTs on the range, quality and pricing of their services, and the extent to which this leads to better or worse outcomes for consumers. We also want to understand the extent to which DCTs facilitate supplier entry or expansion.

5. What factors influence suppliers' use and choice of DCTs and why?

6. To what extent do DCTs make it easier for suppliers to enter the market, attract more consumers and engage more effectively with them?

7. How have DCTs affected competition between suppliers? What impact has this had on the price, quality and range of products offered by suppliers?

8. What are the barriers, if any, to DCTs increasing competition between suppliers, and how can these be overcome?

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9. In what ways, if any, have DCTs changed suppliers' approach to consumers - for instance in terms of whether they treat consumers who use DCTs differently to those who do not?

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Theme 3: Competition between DCTs

We will aim to establish whether DCTs are competing effectively with each other, as well as facilitating competition between suppliers of the services they compare. If not, we will explore what may be holding back competition in any particular market.

We will explore how DCTs compete both for consumers and for suppliers. We will assess what well-functioning DCT competition looks like, and the potential for DCTs or suppliers to engage in practices that limit this.

10. In what ways do DCTs compete with each other – for instance in terms of coverage, the savings consumers can make, the services they provide, their ease of use, transparency and how they protect consumers' data?

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11. What factors influence how effectively DCTs can compete – for example, whether they can secure the necessary consumer data, supplier information or other data?

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12. If there are barriers to competition between DCTs, how significant are these and how can they be overcome?

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Theme 4: The regulatory environment

There is a range of regulation of DCTs in place across our sectors of interest, from full regulation in financial services to voluntary accreditation in the telecoms and energy sectors. We will provide an overview of the different approaches to regulation being adopted and assess whether there are lessons to be learnt from comparing approaches.

13. Are there any areas of regulation or self-regulation applying to DCTs that lack clarity, certainty, consistency, or enforcement?

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14. Do there appear to be any areas where DCTs may not be meeting competition or consumer protection requirements?

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15. Do any aspects of regulatory approaches to DCTs need to change and, if so, why?

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In relation to all of the themes and issues set out earlier, we will look at both the current situation and the effect of likely future developments in the DCT sector.

16. Finally and in relation to all of the issues above, what likely developments over the next three years should we take into account and why?

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Other comments and further contact

Do you have any other comments you would like to add?

We hope the information we've provided is useful. We'd be very happy to answer any questions you have, share further insights or meet to discuss any of these issues further.

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Would you be willing for us to contact you to discuss your response?*

Yes

Thank you for taking the time to complete this form.

Please email it to: comparisontools@cma.gsi.gov.uk.

Or post it to:

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WC1B 4AD**