

## 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](mailto:comparisontools@cma.gsi.gov.uk).
  - Or by post to: Digital Comparison Tools Market Study  
Competition and Markets Authority  
7<sup>th</sup> 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](mailto:comparisontools@cma.gsi.gov.uk).

## Your details

(Fields marked \* are required)

Title*	Mr
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Forename	Will
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Surname*	Barnes
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Email*	[✕]
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What is your role / profession*	External Affairs and Campaigns Officer
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Are you representing yourself or an organisation?*	An organisation (please delete as appropriate)
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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?*	Yes / No (please delete as appropriate)
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### If you are representing an organisation:

(a) What is the organisation's name?*	MoneySavingExpert.com
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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?*
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#### About MoneySavingExpert.com

MoneySavingExpert.com is the UK's biggest consumer website dedicated to saving people money on anything and everything by finding the best deals, beating the system and campaigning for financial justice. It's based on detailed journalistic research and cutting edge tools, and has one of the UK's top ten social networking communities.

#### About Cheap Energy Club

Cheap Energy Club is part of MoneySavingExpert.com. Over 2.4 million consumers have signed up to Cheap Energy Club since its launch in February 2013. It is more than just a comparison site. Cheap rates normally only last 18

months or so before the price is increased. That means it is hard work to stick with the cheapest. So we do that work for consumers using a three step process:

- Step 1. We find consumers the cheapest deal. They register for the Club and we check they are on the cheapest deal. If they are, great – it's on to step 2. If not, we'll do a full market comparison to find the cheapest (with lots of guidance) and we'll handle the switch. Plus there's up to £30 cash-back if consumers switch via the Club, which is not available direct with suppliers.
- Step 2. In the background, each month we do a comparison for consumers. Energy prices change - theirs may hike, others could get cheaper. So without consumers doing anything, whether they switched or not, from then on we do a comparison for them in the background each month to check they're still on the cheapest deal.
- Step 3. Alert consumers when it's worth switching again. Consumers tell us what 'worth it' means. If they tell us they want to save £100/yr, once they can we'll email them; and without them entering new information (unless it's changed), we'll tell them what the cheapest deal is, and let them shift at speed.

MoneySavingExpert.com talks about and reviews PCWs. If there are good services we direct users to them, where we can provide better user outcomes we do so ourselves, such as through Cheap Energy Club.

## **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?**

Situations in which consumers use DCTs include when they come to the end of a deal (such as in car insurance), at life events (such as when they move house), or when they have seen something that has triggered them into action (such as a reminder).

They use DCTs because they make complicated markets easier to navigate, and to save time.

The level of trust is dependent on the DCT/ PCW itself, and the level of trust in the particular the market.

MoneySavingExpert.com is a site with very high trust ratings, which is led by an individual rather than a corporate entity. People trust us enough to ask 'Will you tell me who to switch to?'. This is something we return to in Theme 4 below.

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

Most consumers are advertising or search led. When MoneySavingExpert.com reviews comparison sites, as we do in some sectors, we are going way beyond what most consumers would do. The problem is that it is very difficult for consumers to understand where the holes are in using comparison sites.

The big issues across all markets are:

- Is there a bias in the comparison result?
- How whole of market is the result?
- How good is the PCW/DCT at finding what the consumer wants? For example, does it have the filters needed to be able to hone in on the most appropriate product(s).

Often people decide which DCT to use based on slickness. This means that there is a conflict between creating a slick user experience (UX), which many sites focus on, and what we call user outcomes (UO), which is making sure that consumers get the right answer.

Focusing on UO is something that we always do on our own tools.

In terms of which comparison sites to use, for home and motor insurance, we rank based on using a combination of sites. This means we look at several PCWs and use a process to work out which combination of sites, and in which order, is likely to return the best result the quickest.

Our main piece of information is for consumers to use more than one comparison site because this gives much greater cover, and then add in the providers that those sites have missed. It is far more important that consumers use multiple comparison sites, and not just one site, than it is *which* ones they use.

People regularly ask us 'Which comparison site should I use?', but actually the rank is of secondary importance to the combining. It would be better to use two comparison sites that are not in our top four, than just to use our number one pick, as using two will increase the market coverage.

When we do rank PCWs, price is not the only factor. We also assess some qualitative factors, including the functionality, the time it took and whether there are any hidden issues to watch out for, such as unreasonable fees or charges, or if the level of cover differs from the quotation page to the point of purchase.

But the broadening factor, rather than the rank, is more important. It is also worth noting that in practical terms it will be more difficult to use multiple services of some DCTs (such as apps) than to use multiple PCWs.

For energy, all PCWS currently have to show all the deals in the market, so there is not much difference for consumers, however this is changing with the introduction of exclusive tariffs. Aside from that, consumers mainly choose through advertising or search.

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

It is important to understand that in certain sectors, where products/services are priced differently and when there is too wide a range, whole of market is a meaningless concept. This is except in a commodity based market, where the same products/ services are sold, which makes whole of market possible.

For example, it is virtually impossible to have a whole of market car insurance comparison because prices differ on different sites, and some insurers won't agree to be on comparison sites.

Consumers need clarity of who is being compared, and it would also be useful to know what proportion of the market is covered.

### **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?**

Consumers do benefit from using good comparison sites because they are far better than simply going direct to one provider.

In certain sectors we aren't great fans of comparison sites because people need to actually understand the product.

For example, if a consumer is going to a loan comparison but what they really need is a credit card, they will make a mistake and not purchase the best product for them. This is why MoneySavingExpert.com always presents this interconnected with editorial content, that explains what people should be doing, rather than just as a stand alone 'find the best' service, which often requires knowledge that the consumer doesn't have.

When we are making a standalone comparison, it is about making sure that we explain how to choose, what to choose and the limitations of that comparison.

There is an overarching benefit in using DCTs, which is that they allow consumers to search much more, or in certain cases the whole, of the market. This is something that it would not be feasible for individuals to do on their own.

## **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.

<b>5. What factors influence suppliers' use and choice of DCTs and why?</b>
No response.

<b>6. To what extent do DCTs make it easier for suppliers to enter the market, attract more consumers and engage more effectively with them?</b>
In the energy market, DCTs do make it easier for suppliers to enter the market. Small providers can come in and attract customers more quickly than they can manage, which can result in a bad customer service experience.

<b>7. How have DCTs affected competition between suppliers? What impact has this had on the price, quality and range of products offered by suppliers?</b>
No response.



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

No response.

**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?**

No response.

### 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?**

Overall there is a highly competitive market for DCTs.

A definition is needed to differentiate when a service is a comparison and when it is a marketplace. Certainly in the insurance sector, and to a growing extent in energy, those are mixed.

In car insurance, services are closer to being a marketplace rather than a comparison because prices differ with different insurers on different comparison sites. With energy that is less of a case, with the exception of exclusive tariffs, which mean a service can become a marketplace.

DCTs don't always choose to compete on price, choosing other ways to attract or incentivise customers. Competition based on price would be good to see.

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

Our own model for Cheap Energy Club is simple. We will always be whole of market, but by giving £30 cashback we incentivise people to come to us, because we split the commission with them.

PCWs are very expensive to operate. There is a natural free-rider problem. If whole of market was mandated, suppliers would no longer be incentivised to pay to be on the PCW. Making PCWs display everyone equally would possibly end up being self-defeating: closing PCWs down because they can't afford to exist.

We have gone for a different, unique, model but it is not sustainable for the whole industry to work on our basis. This is not an over-arching market solution.

Rather, PCWs and DCTs more broadly should have to use phrasing that indicates they are not whole of market and what percentage of the market they are. If they

have opt outs, it has to be clear what they are. If they have commercial relationships they need to be honest about that. The key point is about transparency to the user.

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

No response.

#### **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?**

In energy there is an issue over the code in terms of who can be regulated, what is regulated and what is not regulated, and derivative status, which should be changed. We do everything right, but because we use an underlying data provider, we are not regulated. This is an inconsistency that should be changed.

In energy the Personal Projection rules are changing. We are grateful that the Personal Projections formula will be removed because of the consumer detriment it has caused, including the fact it has potentially led to examples of over-inflated savings and mis-switching. However, we fear the plan for firms being able to choose their own methodology risks this becoming a Wild West which does not help the consumer. We feel that this could (and already does) damage consumer confidence in PCWs as it can lead to different savings being shown between bill and online comparison.

The answer is quite simple. Consumers should be given savings based on both tariffs – the current price and the go to price.

## **Representative APRs**

There are strict rules around how representative APRs must be shown (with high prominence) when providing information about a product. However particularly around Cards and Mortgages we feel that this interferes with the key features that the user should be considering when choosing the right product for their circumstances. The long term APR/APRC should not generally factor strongly into this decision making process and could actually lead the user to choose a product which leads to higher costs.

### **i) Cards**

- PCWs provide a comparison for a particular type of card, tailored to the user's requirement e.g. Balance Transfers, Money Transfers, Overseas spending.
- When taking out these types of products, the user should never actually pay the Rep APR shown as the intention is not to take the product for straightforward lending. It is a theoretical figure which would only be paid if the consumer wasn't using the product in the intended way. For example, when taking out a 36 month, interest free balance transfer knowing the APR is not a key part of the decision making (and showing with prominence could actually lead the user to choose a less beneficial product for their circumstances).

### **ii) Mortgages**

- Similar to cards, the rates shown are theoretical and are not relevant when comparing products. For example when looking at the best 2 year fix, showing an APRC which takes into account the full 25 year term (which is at best theoretical given that the standard variable rate won't remain static for this period) adds further complexity.
- Consumer behaviour should be to return to a PCW near the end of the fix, to then check what the best option is at that period. Taking a short-term fix and then sticking on the SVR is likely to drive higher costs for the consumer.

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

No response

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

### **In energy, tariff names on bills don't match the names on comparison sites**

In the energy sector, a simple and common problem is that tariff names on people's bills do not match up with the names of tariffs on price comparison sites.

This problem arises because suppliers dictate tariff names to PCWs but then don't use the same name on customer bills – even though it's the same tariff. This means consumers using PCWs are often unable to identify the tariff they are on, and have to guess.

This is a huge problem that we have flagged to the regulator and industry bodies many times. Very similar tariff names is also a big problem. Some suppliers have more than 10 versions of the same tariff with wildly different unit rates – this should be banned.

### **Some consumers want to be told what to do**

It is important to understand there is another issue with the whole of market approach. People don't necessarily want a big choice, and customer service is a key consideration, as well as price.

When people are presented with a large list it actually stops them switching because it is too confusing. They look for a name they can trust and recommendations. We recommend based on an editorial basis.

As mentioned above, as a site with very high trust ratings which is led by an individual rather than a corporate entity, people ask us 'Will you tell me who to switch to?'. That is what people want, but the regulations go against that. It must be understood that some people want to be told what to do.

### **Personal Projections in energy**

As explained in Question 13, we note that there should be a consistent methodology used for Personal Projections.

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?**

As touched on, in energy, one of the biggest barriers to switching is still that people don't know their tariff and their usage and they find that very difficult.

Anything that enables a user to be able to get that data and give it to someone that does understand it with incredible ease will revolutionise the switching process. That data should be owned by the individual, it should be easy to access and

companies should be forced to make it accessible to intermediaries, and to the individual themselves if they choose to access it.

### Other comments and further contact

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

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](mailto:comparisontools@cma.gsi.gov.uk).**

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