

Sent by email to: comparisontools@cma.gsi.gov.uk

Digital Comparison Tools Market Study
Competition and Markets Authority
7th floor
Victoria House
37 Southampton Row
London
WC1B 4AD

24th October 2016

Dear Sir/Madam

I write in respect of the CMA's market study into Digital Comparison Tools (DCTs).

About Ombudsman Services

Ombudsman Services is a leading provider of consumer redress in the UK. We operate discrete ombudsman schemes offering redress across a range of consumer markets. We are the Energy Ombudsman. We deal with complaints in communications sector about mobile, fixed line and broadband providers. We also operate across a number of other sectors including property and copyright licencing, and even cover professional services such as chartered surveyors. Last year we completed 95,000 investigations.

Comments

Our extensive experience as a multi sector ombudsman tells us that well informed consumers make better choices. DCTs can be a valuable source of information for consumers when purchasing goods or services, and can help them to make more informed decisions regarding which businesses they choose to spend their money with. However, DCTs do have limitations in that they tend to focus primarily on price factors, which will only ever show consumers part of the picture. While price is clearly an important differentiator for many consumers, there are of course other factors which consumers would benefit from having greater information on when choosing a business.

In the energy industry, research carried out by Which?¹ showed that after price, customer service is the most important factor for consumers when choosing an energy supplier. Similarly, research published by Populus² suggests that customer service is more important to consumers than price. As DCTs do not usually include data on customer service performance in their comparisons, consumers would normally need to proactively seek this information out from other sources such as the regulator, the ombudsman or from the suppliers' own websites. If a customer is unaware of where to find this type of information, they will likely have make their purchasing decision based solely on price.

¹<http://www.which.co.uk/reviews/energy-companies/article/best-and-worst-energy-companies>.

²Populus, 'The sluggish, the savvy and the downright promiscuous: The truth about energy customer behaviour', April 2016.

The CMA may wish to explore this further under Theme 2 of its market study and consider whether greater availability of customer service comparison information might be beneficial to consumers and also help drive better standards of customer service within businesses and help to promote competition.

We note that under Theme 1, the CMA will be seeking to analyse consumers' perceptions of DCTs. We agree that this is an important area to consider as DCTs are or course commercial organisations and will often have financial links with the businesses they provide information on. It is important that consumers consider the information provided by DCTs in this context and do not incorrectly perceive DCTs as providing a public service. The market study may wish to consider how DCTs can ensure that they are transparent and upfront with consumers about the commercial agreements they have in place with businesses to ensure that consumers can make fully-informed decisions.

We note that the CMA's market study will also look at the existing regulatory approaches to DCTs and will consider the UK Regulator Network's recent 'Price comparison websites' report. We note that this report provides a very helpful analysis of current regulatory oversight of DCTs; presently this consists of a combination of generic consumer protection regulations and competition law, sector-specific codes of practice and accreditation schemes and, in the case of some financial services, direct regulation from the Financial Conduct Authority. It is clear from this report that there are inconsistencies across the different sectors in respect of the levels of regulation that are in place and we would suggest that the CMA looks at whether these tailored, sector-specific approaches are working effectively or if there is merit in introducing greater commonality such as common regulations or standardised accreditation criteria.

Finally, the CMA may wish to consider whether it would be beneficial for the regulation of DCTs to be underpinned by greater availability of independent redress for consumers, perhaps implemented using the existing redress landscape i.e. Ombudsman Services to deal with complaints relating to the energy or communications transactions and the Financial Ombudsman Service dealing with complaints about financial services. The EU ADR Directive currently requires businesses (including DCTs) to signpost to a redress provider but does not make it compulsory on them to use one. Some DCTs have chosen to voluntarily sign up to ADR while others have not. The CMA may wish to consider the role of redress under Theme 4 of its market study and how this might work alongside regulation.

In summary, Ombudsman Services welcomes the CMA's market study into DCTs and we would be pleased to offer any assistance or support that you feel might be helpful. If you have any questions about any of the comments above please do not hesitate to get in touch.

Yours sincerely,

Matt Vickers
Deputy Chief Ombudsman