

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)

| | |
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| Title* | Mrs |
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| Surname* | Taylor |
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| What is your role / profession* | Acting Head of Barclays Competition Team |
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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 |
|---|-----|

If you are representing an organisation:

| | |
|---------------------------------------|-------------------|
| (a) What is the organisation's name?* | Barclays Bank plc |
|---------------------------------------|-------------------|

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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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Barclays Bank plc (**Barclays**) is a transatlantic consumer, corporate and investment bank, anchored in the UK and US.

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?

Barclays mainly uses DCTs in the context of price-comparison websites (**PCWs**), and the responses in the remainder of this questionnaire will be focused on that particular type of DCT.

PCWs allow consumers to browse and compare different product offerings from different providers, informing their decision to apply for a particular product. Consumers will use PCWs at the beginning of the customer journey, when they carry out pre-qualification checks to identify the products for which they are likely to qualify. Barclaycard has offered this facility on its own website since 2011.

Barclays may not be best placed to comment on the extent to which customers trust PCWs, but notes that a significant volume of customer applications for its products, such as credit cards and insurance products, are generated through PCWs. The FCA's 2014 Thematic Review of PCWs in the general insurance sector (the **FCA Review**), noted a level of consumer trust and confidence in "well-known" PCWs.¹

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

Barclays may not be best placed to comment on how customers choose PCWs, and how many they use before making a purchasing decision. However, the majority of Barclaycard's sales from PCW channels are generated by a single PCW, Moneysupermarket.com (**MSM**). Similarly, a significant volume of Barclays insurance sales from PCW channels come from Comparethemarket.com (**CTM**).

¹ Financial Conduct Authority Thematic Review TR 14/11: Price comparison websites in the general insurance sector (July 2014) – p. 14.

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

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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?

In Barclays' view, well-functioning PCWs improve customer engagement, making it easier to compare and switch products.

PCWs have a particularly meaningful role to play in relation to product types where the key competitive variables can be most easily compared in a straightforward manner, across providers.

PCWs can also help customers with a limited credit history identify suitable products (including through pre-qualification searches), and can perform some role in the rewards space. However, the direct comparison across supplier offerings may be less straightforward in these areas, meaning that PCWs potentially offer a reduced value for customers outside of the prime lending segment. This reflects the fact that supplier reputation and an individualised approach are key facets of suppliers' offerings in the access segment, and that rewards schemes will have different subjective values for individual customers in terms of where they prefer to shop, their allegiances to particular brands and so forth.

While PCWs provide a good platform for consumer choice and competition, there are some ways in which PCW listings do not always lead to the best consumer outcome:

- **Categoric statements** where in fact outcomes may vary: For example, PCWs may suggest that a product will build the customer's credit rating, when the opposite may be true depending on the customer's financial situation and intended use of the product.
- **Eligibility**: Some credit card providers (across all segments) market their products at an attractive rate for customers but then downsell to a significant proportion of applicants on features such as APR and promotional rates. As PCWs will usually reflect only the headline rates on their websites, many customers may find it difficult to meaningfully compare the competing offerings for which they will actually be eligible. This may lead to a negative experience, as the customer may be informed at a later stage in the process that they are not - and never were - eligible for the headline rate. This can also result in customer confusion, as they may receive conflicting messages from the PCW (which suggests that they are eligible) and the supplier (which states that they are not).

- **Presentation of results:** Barclaycard sometimes receives complaints from consumers that a particular card does not offer the credit limit that the customer actually requires. This is a further consequence of the PCW's focus on (usually) overall cost to the consumer, when presenting results; consumers may pick the option with the lowest fees, which is usually listed at the top of the results table, rather than the option that is actually best for them (e.g. if a customer wants to make a balance transfer, a card with an appropriate credit limit which allows the customer to make the full balance transfer), and which may be listed further down. The way in which PCWs present results can therefore lead to a poor customer experience.
- **Ranking of results:** PCWs employ different metrics for ranking products which can result in a complex and confusing world of choice for consumers. Particularly with the inclusion of rankings by eligibility (in addition to ranking by offer strength), it is crucial that PCWs strike the right balance between eligibility and 'product strength' (e.g. is an offer with an eligibility score of 9/10 (90% likelihood of acceptance) better than an offer with an eligibility score of 8/10 (80% likelihood of acceptance), if the 8/10 scored offer is significantly better than the 9/10 offer?)
- **Pre-population** of key metrics on calculator tools: Default settings in PCW calculators are not made clear to customers and may often be set at a level which assumes higher repayment levels than many customers will tend to make. This may lead to customers acquiring products which do not represent best value and/or are not suitable for their needs. By way of example, [x] pre-populates the credit card balance (£3,200) and monthly repayment (£100), in its table of balance transfer credit cards, but without clarifying why these particular amounts are chosen, or how they are calculated. Consumers may proceed on the assumption that these are the default options, which can lead to confusion, and poor outcomes as customers may select a card that is not actually suitable for them, as the result of the focus on, in this case, balance transfers.
- **A lack of transparency** on commission and exclusive and featured deals: Consumers are not always aware of the financial arrangements PCWs have with suppliers and how that could impact the ranking and prominence of products in tables and emails e.g. featured deals which could negatively influence on the consumers' decision. Similarly, and as addressed by the FCA Review, some PCWs are owned by insurers/brokers, which could create conflicts of interest.
- **Multiple uses:** The listing of cards, for example, by set product types does not take account of the fact that there will be multiple factors influencing a consumer's decision to apply. It may not always be possible to categorise a consumer's intended use of a card under one set product type. Additionally, listing by set product types may make it more difficult for suppliers to bring new, innovative products to the market if they do not "fit" within the established product types (and consequently are unlikely to appear on PCW lists).

A number of the concerns outlined above could be addressed through measures aimed at

increasing transparency for consumers such as:

- Signposting of the percentage of consumers who actually receive the advertised offers or working towards a full quotation process where the customer sees the APR at which they would be accepted before they apply.
- Complete listing of offers to enable consumers to make a fair comparison.
- Avoidance of use of default balance and repayment settings on calculators.
- Clarity for consumers around how financial arrangements between PCWs and suppliers, including ownership structures, may impact on the ranking and prominence of products in tables e.g. exclusive and featured deals.

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?

Barclays uses a range of PCWs. Within the Barclays Group, [...]

The key factor for Barclays in selecting a PCW is the size of the audience that the PCW is able to offer. For example, MSM has by far the greatest number of users in the credit card space; the consequence is that any supplier will, with a view to reaching the largest audience, be strongly incentivised to maintain a good working relationship with MSM.

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

Well-functioning PCWs can enhance competition among suppliers by reducing the barriers to entry for new suppliers. PCWs give suppliers with lower brand recognition an excellent opportunity to get in front of potential customers and an ideal route for low price entry into the market.

There are, however, certain infrastructure and resource costs that suppliers have to incur, in addition to having acceptable commercial propositions, before they can interact with PCWs (and such costs may be more difficult for new entrants to absorb).

As outlined in the response to Question 4, there are some aspects of PCW services that could be improved and which could lead to better outcomes for new entrants and ultimately consumers.

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

Whilst Barclaycard has simplified its product range, and Barclays is looking to diversify its range of insurance products, improving the ability of consumers to make informed decisions, this is not directly a consequence of PCW behaviour – PCWs generally do not influence how Barclays designs its products.

Barclays does, however, routinely review and benchmark its products against those of other issuers from publicly available sources such as PCWs to ensure that it offers competitive products and pricing arrangements which benefit consumers.

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

There are some aspects of how PCWs present information which could be improved, as noted in the response to Question 4. As PCWs, particularly when they present results to customers, tend to focus on a particular dimension of the market (i.e. cost), suppliers that focus on other aspects of the customer decision-making process may not get as much prominence as suppliers that focus on cost alone. The lowest cost offering may not always represent the best deal for the customer, for example, because it does not adequately meet the customer's need. It is not always clear what the long-term benefits or costs of a product are for a given consumer, nor is clear what the breadth is of the product offered.

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?

Barclays does not treat consumers who use PCWs differently to those who do not but pricing may vary across different channels.

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?

PCWs compete for consumers on:

- **Above the line advertising**: advertising and marketing campaigns on TV / radio, in print and on social media to drive target consumers to their websites (including promotional gifts). In Barclays' view, this is the primary basis on which PCWs compete for consumers.
- **Breadth of offering**: PCWs will generally offer a range of tools and tables. For example, in the credit card space, there will typically be several different tables for different types of product including balance transfer cards, credit builder cards, rewards cards, cashback cards etc.
- **Customer journey**: PCWs will seek to offer improved customer journeys i.e. the ease with which the customer can progress from making an initial comparison through to applying.

PCWs primarily compete for suppliers on the volume of sales that they are able to generate and offer to the supplier (please see the response to Question 5).

However, PCWs also compete for suppliers on price and on "exclusive deals" i.e. deals which are only available on a particular PCW and on "featured" or "sponsored" deals i.e. where a PCW promotes certain deals in return for a fee from the supplier. Additionally PCWs may compete for suppliers on service quality. In Barclaycard's experience, some PCWs are more willing than others to work with suppliers to promote new products in the credit card space. This could be by, for example, promoting the offering to their email base, editorial coverage etc.

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

A key factor that influences the ability of PCWs to compete is funding. This might be in relation to advertising costs or costs incurred in developing better, more innovative services for consumers, for example, new tools, streamlined customer journeys etc. This can also extend to PCWs having access to certain third-party data, without which it becomes challenging to compete effectively – for example in the insurance space, this includes data from the Royal Institute of Chartered Surveyors, Claims Underwriting Exchange, the Driver and Vehicle Licensing Agency.

In addition to the above, suppliers with a strategic mind-set compete better in a market which is fast evolving, compared to those who are not up to speed with evolving customer needs. In so far as Barclays is aware, most PCWs do not actively undertake customer research into what customers want and need.

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

Please see the points raised in response to Question 11 above. PCWs with the largest marketing budgets and access to sophisticated data analytics outperform smaller PCWs. In order to be competitive in the marketplace, PCWs need to continually invest in advertising, tool development, and keeping abreast of evolving customer needs (e.g. larger PCWs are gradually embracing eligibility tools, but smaller PCWs still don't provide eligibility checkers on their site).

Some PCWs may also impose certain contractual restrictions which could have a potentially dampening effect on competition, such as most-favoured nation clauses.

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 Barclays' view consumers would benefit from greater clarity in the following areas:

- **Featured deals**: Such deals influence consumer decisions and it may not always be readily apparent to the consumer that these deals are being promoted by PCWs, on behalf of the supplier for a fee.
- **Calculator tools**: Default settings influence customer choice and may result in customers receiving a product which doesn't always reflect their needs.
- **Ranking**: PCWs employ different metrics for ranking products which can result in a complex and confusing choice for consumers. Particularly with the inclusion of rankings by eligibility (in addition to ranking by offer strength), it is crucial that PCWs strike the right balance between eligibility and 'product strength'.

There would also be benefits for suppliers and consumers in greater clarity and consistency of approach as to whether PCWs are providing a regulated activity (e.g. under the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544)) , a concern which was raised by the FCA Review. In addition, there is a lack of clarity around whether PCWs, in promoting / listing credit products, are undertaking credit broking activities. The scope of credit broking covers introducing the consumer to credit. With the development of technology, there can be differing positions taken as to whether linking through to a supplier's website is sufficient to be a regulated activity, including where the PCW gains no commercial benefit.

Where credit broking activities are being carried out by a PCW, FCA authorisation is required and the PCW will be subject to oversight from the FCA. For the creditor, any agreements entered into as a result of any unauthorised credit broking by a PCW will be unenforceable.

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

Please see the response to Question 4 above.

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

Please see the response to Question 13 above.

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?

- **CMA Retail Banking Market Investigation**: The CMA's remedy in the API space has the potential to "accelerate technological change in the UK retail banking sector" (CMA press release <https://www.gov.uk/government/news/cma-paves-the-way-for-open-banking-revolution>). This remedy involves requiring banks to deliver open API banking standards. It will also require the largest banks in GB and NI to make data available using these standards. This will enable consumers and SMEs to more easily identify products which suit their needs and facilitate the creation of new digital services to help them manage their money (para 13.5, CMA market investigation into retail banking, final report).
- **Second Payment Services Directive (PSD2)**: While PSD2 will not directly regulate PCWs unless they choose to offer aggregation or initiation services, it will make customer's transaction data in relation to in-scope accounts, such as current accounts and credit cards, more easily available.
- **Payment Accounts Regulations 2015 (PAR)**: The CMA should take account of the provisions of PAR on comparability of fees and payment account switching. In particular, the designation of the Money Advice Service to provide comparison services for payment accounts (in this context, likely to primarily cover current accounts) and the requirements for it to, for example, give suppliers equal treatment, set out clear objective criteria on which its comparisons are based, use plain and unambiguous language etc. has the potential to positively impact on the competitive landscape for PCWs. The EU Commission is considering a proposal to extend these provisions beyond current accounts, the aim being to have an EU wide PCW to compare the quality of retail financial services including, for example, insurance.
- **General Data Protection Regulation (GDPR)**: GDPR will apply to PCWs to the extent they capture personal data.
- **Insurance Distribution Directive (IDD)**: IDD will impact the extent to which PCWs are considered to be distributing insurance and, to the extent that they are caught by these rules, PCWs will need to be compliant by February 2018.

Other comments and further contact

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

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| Would you be willing for us to contact you to discuss your response?* |
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| Yes |
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Thank you for taking the time to complete this form.

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