

# **Moneysupermarket** Group

Response to the CMA's Market Study of Digital  
Comparison Tools Statement of Scope

October 2016

**About Moneysupermarket Group:**

Through our three leading brands, MoneySuperMarket.com, TravelSupermarket.com and MoneySavingExpert.com, we aim to provide consumers with services and products to help them save money on their household bills. In 2015, we helped six million families save an estimated £1.6bn on their household bills.

MoneySuperMarket.com provides free, online tools to help people manage, save and grow their money, by enabling them to compare and switch Insurance, Money and Home Services products working with over 200 providers.

TravelSupermarket.com offers meta-search comparison tools to aggregate travel options and prices across hundreds of providers across package holidays, hotels, flights and car hire.

MoneySavingExpert.com is the UK's biggest consumer champion website and is dedicated to helping cut consumer bills with journalistic research, easy to use tools and a massive user community.

Moneysupermarket.com Financial Group Limited is authorised and regulated by the Financial Conduct Authority (FCA FRN 303190) for the insurance, mortgage and consumer credit products it offers. For energy products, MoneySuperMarket.com is accredited under the Ofgem Confidence Code.

## Summary

Moneysupermarket Group aims to help every household make the most of their money and this is something we do with increasing levels of success every year. The tools and services that we offer across our brands are aligned with the CMA's and wider government's<sup>1</sup> objectives of promoting open and competitive markets and encouraging consumers to switch providers when they can find a better deal elsewhere.

Moneysupermarket Group operates a range of Digital Comparison Tools ("DCTs"), the majority of which are Price Comparison Websites ("PCWs") and we have prepared this response based on our experience of operating PCWs, but consider that many of the points are equally relevant to DCTs.

The consumer and competition benefits of PCWs are not disputed. Their evolution has enabled greater competition in many markets whilst also bringing greater choice and savings to consumers. This has been acknowledged by the CMA, not just in its statement of scope for this particular market study, but also in its previous investigations into the private motor insurance, energy and current account markets, as well as in other publications by organisations such as the UK Regulators Network<sup>2</sup>. Crucially, it is also borne out by our research of consumers: generally, they view PCWs favourably, viewing them as useful tools to help them save their money.

Notwithstanding this, we appreciate that there have been some publicly expressed concerns in relation to PCWs and the wider DCT industry, particularly in respect of the following issues: consumer trust; most favoured nation clauses; transparency and market coverage; and ownership models and impartiality. Whilst we believe that some of these concerns are well founded, we believe others are misunderstood. We therefore agree with the CMA's overall aims of producing an authoritative assessment of the industry. Doing so, we believe, will ensure greater consistency to DCT activities across different industries and provide invaluable insight into how the industry can continue to develop and grow for the benefit of consumers for years to come.

As a result of our activities, we understand a great deal about consumers, particularly their expectations of and how they use our tools and services. We believe that consumers use PCWs to reduce the cost and effort of searching, but we do not present ourselves as being perfect. We set out to explain how we work, how get paid and the extent of providers that we work with. We aim to help consumers save money by comparing and switching to a product more appropriate to meet their needs. Many consumers are searching for a better deal, but are not necessarily focused on finding the "best" deal. In determining a "better" product, it is not all about price, consumers consider quality of product, brand promises and other matters in their decision to buy through PCWs. We are still learning too, particularly as consumers gain greater confidence to shop around for products they thought were too complex and sophisticated to ever switch or challenge.

We also note that many of the markets in which we operate are very different, for example a search for a credit card, is very different to a search for home insurance or a flight and therefore there is unlikely to be a one-size fits all approach to how DCTs should operate.

We hope this proves useful in informing the CMA's thinking and look forward to contributing further to this market study on specific topics.

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<sup>1</sup> HM Treasury: A better deal: boosting competition to bring down bills for families and firms, November 2015

<sup>2</sup> UK Regulators Network: Price comparison websites, Final report, September 2016

## Responses to detailed questions

In answering the questions that follow, we provide examples from our own experience across all markets and have drawn out specific comments on flights, credit cards, broadband and home insurance.

### Theme 1: Consumers' Perceptions, use and experience of DCTs

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

The reasons consumers give for using PCWs can be personal and vary between product categories and markets. However, our research identifies a common theme, that PCWs help consumers build confidence in their own decision making. This is particularly the case in markets where suppliers and providers are often perceived by consumers to be intent on 'catching them out.' There are three high-level drivers, common to most parts of our business, which help explain this:

- *The desire to find 'a better deal'* - this does not always mean an improvement on price, consumers often focus on getting a more suitable product/service for their needs.
- *The desire to save time* - the evolution of PCWs has provided consumers with the opportunity to compare different products quickly and easily.
- *The desire to save money* - Through the act of comparison, consumers can save money on a variety of items, including insurance cover, household bills and the annual family holiday.

Similarly, there can be significant variation in when consumers use our tools and services, but through our research we have identified the following trends:

- to research and/or make a one-off purchase, for example a family holiday or investigating the potential insurance costs of a new car.
- to research and switch products at regular intervals, such as motor or home insurance at renewal or at the end of the fixed rate mortgage product.
- on an ad-hoc basis by consumers seeking to switch products for specific reasons for example closure of a local bank branch or on notification of a price increase for an energy tariff.

In addition, we see variation amongst consumers in the timing of using a PCW in the lifecycle of making a purchase. For example in mortgages, some of our customers look for a deal with a view to completing a sale within the next 30 days whilst other customers search with a view to making a purchase within the next 6 months.

In respect of whether consumers trust PCWs, through our research we have found comparison sites are neither trusted nor distrusted. Consumers tell us that they do not need to "trust" a PCW, rather they need to have "confidence" in order to use a PCW effectively. This level of "confidence" is dependent on how the PCW is being used, with most consumers telling us they are confident to use PCWs for research purposes. Many consumers, however, are less confident about switching products. The key reason for this is low levels of consumer understanding and confidence in

products, providers and markets which they are seeking to compare. PCWs, therefore, need to be an effective tool in giving consumers more confidence to interact with a specific product or market, giving them information that they need to help them make a decision.

Considerations of confidence in PCWs themselves are generally of secondary importance. Our research shows that PCWs work well for consumers in delivering an impartial and wide view of the market in a time effective and transparent way, and PCWs have the following opportunities to increase consumer confidence:

- increasing customisation of results and products to align more closely to individual customer needs;
- ensuring that rates and prices are very clear against those needs; and
- providing greater qualitative information (for example, customer service) on the brand/product being compared.

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

In our experience, it is difficult to be definitive on the number of comparison tools a customer may use to search for products. The key challenges are determining what constitutes usage (research, comparison and/or purchase) and the time frame over which usage should be measured. However, it is clear that many consumers use more than one PCW to research, compare and purchase products. The number of comparison tools consumers are willing to use correlates to the level of engagement they have in the underlying product, ranging from more than one for car insurance to up to 14 for holidays.

The consumer choice and routes to PCWs can vary and be complex. We believe that the best way to understand those choices is to consider the underlying themes of:

- how a consumer arrives at the PCW including through search engines (chiefly Google), including paid for and organic search based on either general search terms, e.g. "car insurance" or branded search terms, other online advertising (including display advertising and social media), email, online links from third parties or saved / bookmarked website pages.
- the factors which may result in a consumer recalling a particular brand including the impact of brand advertising, recall of incentives to use particular brands, recommendations or recall of previous usage.

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

Consumer's expectations of PCWs can vary by consumer and product but in general we observe the following key expectations of a PCW:

- Accurate – the prices and product details match between the PCW and the provider and are up to date.
- Comprehensive – that the PCW delivers a wide range of providers and products, including a mix of well-known brands and less commonly known smaller brands, but not necessarily whole of market.
- Impartial – comparisons should be ranked on impartial criteria relevant to the consumer and rankings should not be influenced by how much a PCW gets paid.
- Relevant – results should be relevant to a consumer's needs.
- Ease of use – tools should be easy to use, but consumers are looking for a balance between ease of use and accuracy.
- Private – many consumers have a perception that they will receive unwanted contact (either phone calls or emails) as a result of using a PCW.

Our research indicates that the extent of market coverage is well understood by consumers. Qualitatively consumers are aware that PCWs do not provide a whole of market comparison and do not expect them to, but, as described above, consumers do expect PCWs to provide a broad range of products. We believe that this is linked to the fact that many consumers are looking for a better deal, but do not feel that they necessarily need to find the "best" deal on the market.

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?

Our feedback from consumers is that they broadly have a very positive attitude towards us and the services we provide. We know this because we track customer experiences directly via an exit survey on our websites managed by a third party. From our research, the key benefits from using PCWs are reflected in our response to why consumers use PCWs (see answer to question 1) and consumers expectations of PCWs (see answer to question 3).

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

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

We have identified three key factors that impact a provider's use and choice of a PCW:

- Scale - PCWs are part of many providers' marketing strategies. PCWs enable providers to reach many millions of customers. To be effective for providers, it is likely that a PCW needs to be of a certain scale. Providers typically seek to work with multiple PCWs each of which have a certain scale and reach.
- Effectiveness - Due to their strong public profile, consumer engagement and success based marketing model, listing on PCWs is frequently viewed as more effective than traditional marketing methods such as direct mailing or having a branch presence. PCWs can match customers with relevant providers and not waste time sending customers to inappropriate providers or vice versa.
- Insight and market view - PCWs are well positioned to provide insight on both consumer and industry trends. The extent to which PCWs can provide this type of information to providers can influence how they work with PCWs.

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

Entering a new market such as flights, credit card, broadband, and home insurance markets can be challenging and expensive for new providers. One of the major benefits of listing with a PCW is that it reduces the need for this type of spend and can often provide much better value for money – something that is helped by the fact that many PCWs operate cost per acquisition models, meaning that they only get paid by a provider when a product is purchased or switched.

We believe that PCWs act as a route to market for new entrants. The cost-per-acquisition model used by PCWs has helped innovative product providers to enter the market with disruptive and lower-cost business models that lower prices for the end consumer. We have seen examples of this across a range of markets and these new entrants can focus their efforts and cash resources on new business processes, rather than brand building.

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

PCWs have led to a significant increase in competition between providers affecting the price, quality and range of products being offered. This has come about by giving more power to consumers to be able to make informed choices about the products and services they take and also through PCWs being able to negotiate market leading products and offers for consumers. This has been particularly evident through the use of collective switches within the energy market.

PCWs have enabled new providers to enter the market in a cost effective way. For example, in car and home insurance where the competitive landscape, in terms of number of providers for consumers, has changed significantly with the growth of PCWs. Other markets are further behind, but with increasing usage of and innovation by PCWs those markets are becoming more competitive.

In credit cards, MoneySuperMarket has seen a tangible shift by providers to a focus on product features, including rewards and balance transfer offers rather than purely interest rates. For example, over the past few years, we have seen the length of interest free balance transfer periods on credit cards grow from 18 months to over 40 months. In addition, we have seen PCWs play a significant role in increasing transparency and certainty for customers. The increasing use of quotation searches and move to give customers pre-approval means consumers can now apply for a credit card knowing the probability of them being accepted for it.

This move towards greater transparency in credit cards is also evidenced by the types of tools that PCWs offer their customers to better understand the opportunities available to them. A good example of this is the balance transfer calculator MoneySuperMarket offers on our website to help our customers clearly understand all the costs and charges included in the balance transfer deals that they are exploring.

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

There are a range of barriers to PCWs increasing competition between providers, but typically these vary by market. A common theme is the extent of access to and use of data, where practices across providers and industry bodies give undue advantage to the incumbent provider to the detriment of alternative providers and consumers.

- Auto-renewals within insurance industry – we believe that the current approach taken by the insurance providers at renewal misleads many consumers to stay with their current providers. Auto-renewals, which have little regulatory or legal basis in many markets, make it more difficult for consumers to switch provider and have the effect of turning one year policies into open ended contracts. The practice of requiring consumers to opt out of the renewal insurance policies is contrary to the Switching Principles published by BIS<sup>3</sup>. According to our research, auto-renewals in the motor industry alone costs the average consumer £113 per year each in higher premiums.
- Consumer credit – the lack of transparency in credit scoring practices means that consumers cannot research and switch providers with certainty of successful application or product terms. Whilst quotation searches go some way to introducing searches, not all providers participate and there is variation in the practices of those that do. Attempts to rebalance the equation towards the benefit of the consumer, by seeking to match credit reference data with products is challenged by the credit reference agencies under the Principles of Reciprocity issued by the Steering Committee on Reciprocity.

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<sup>3</sup> Department for Business, Innovation & Skills: Switching Principles, Government Response and Action Plan, May 2016



- Non re-solicitation clauses in contracts between PCWs and energy suppliers, typically included as a requirement by the supplier, restrict the ability of PCWs to re-engage with consumers at the end of fixed term products or introductory periods.
- Data - we believe that steps to open up data sources (including smart meters, energy meter databases and open banking APIs) could play a major role in helping overcome some of the barriers that exist for competition between providers. However, we note that these initiatives could go further, for example the inclusion of credit card accounts within open banking APIs, the enhancement of and access to Claims and Underwriting Exchange (“CUE”) databases to allow PCWs to incorporate data into dynamic journeys and the removal of the restriction of access to MyLicence to incumbent insurers only would continue to enhance competition in those markets.

Looking specifically at the relevant sectors for this market study, competition within the broadband market is different to that in other markets. Broadband is regularly bundled into packages with TV content and phone lines and often consumers will make decisions on provider based on TV content. In addition, we observe that the majority of the switching that takes place is over the phone or face to face and many deals are negotiated with providers directly. As a result, the nature of the competition that exists between providers, and the ability of PCWs to play a role in stimulating it, is complex.

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?

We strongly believe that consumers should not be disadvantaged by seeking to shop around and use PCWs. We see little evidence of this happening today, except with certain flight operators who seek to charge consumers more for buying a flight through PCWs, but we are aware that insurance companies could seek to price policies based on whether consumers use a PCW, and potentially their choice of PCW.

### **Theme 3: Competition between DCTs**

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?

DCTs operate in a very competitive landscape. They do not just compete with each other, but also with other intermediaries and direct provider offerings, both online and offline (including face to face, telephone and auto-renewal quotes). Against this backdrop, competition between PCWs can take place in three main ways:

- Marketing to attract consumers to the website through the use of above the line brand advertising campaigns, paid or organic search marketing or other online advertising. This advertising may include savings claims. Successful marketing will result in brand recognition and greater numbers of visitors to the PCW.

- Enhancement of the customer journey through investment in technology and use of data. This will make the PCW easier to use and more memorable for customers which in turn will increase the confidence of the consumer and the engagement with the PCW. Transparency and protection of customer data are likely to be considered hygiene factors rather than genuine differentiators.
- Encouraging customers to purchase through a particular PCW through pricing of the products and use of incentives for purchasing. This could include the negotiation of exclusive products and offers or investment in pricing by a PCW.

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

In order for PCWs to be successful and compete in a particular market there needs to be competition between a range of providers that drives genuine pricing and product differences. This can then drive a virtuous circle of completion and engagement:

- With genuine product and pricing differences, there will be an increase in consumer demand as they are incentivized to explore options and consider switching products.
- When there is increased demand from consumers, providers are incentivized to acquire customers and are willing to invest in working with PCWs and sharing data on products.
- Provider engagement encourages further investment by PCWs in a particular market as product data becomes available to build quality comparison services.
- Quality comparison services then mean consumers can see the benefits of shopping around and PCWs (and providers) are incentivized to promote the benefits of shopping around and switching.
- Greater promotion of shopping around then increases consumer engagement and increases the number of consumers looking to shop around.

Competition between PCWs can take place at each of these stages, but in all cases will result in activities which fall under one of the three themes highlighted in the answer to question 10.

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

We observe four specific significant barriers to competition between PCWs:

- Search engines[ ] - One of the major barriers to competition between PCWs is the activities of search engines, [ ] Search engines play a critical role in how consumers engage with PCWs, but there is an implicit bias in the highest bidder getting to the top of the search results which may not be in the interests of consumers. This is exacerbated with the recent trend of [ ] further downgrading organic search results in favour of paid

search results, which requires all PCWs (and providers) to bid aggressively on paid search. As a result, consumers using mobile devices will only see paid for adverts in their initial search results. In addition, [ ]. This practice may have a detrimental impact on competition.

- Regulatory requirements – in certain markets, most notably energy, some of the current regulation restricts PCWs from fully engaging with consumers and offering competitive alternatives. Such regulation includes the rules which restricted energy suppliers to four core tariffs and the requirement to show consumers all products available to the consumer in the market. We agree with the CMA's conclusions from its energy market investigation that these requirements should be removed and that PCWs should be allowed to compete more fully within this market.
- Most Favoured Nation clauses – The use of wide most favoured nation clauses by PCWs were found to be anti-competitive by the CMA in the private motor insurance investigation and were banned. However, we believe that such clauses are still being used in other markets, for example home insurance. This significantly prevents or restricts PCWs from being able to invest in pricing with a provider to be able to offer consumers cheaper products.
- Ownership and independence – many PCWs are currently owned by insurance providers whose products appear in the results tables of those PCWs. Whilst previous regulatory reviews have not identified any customer detriment, these ownership structures and relationships creates the potential for anti-competitive behaviours in terms of data sharing and pricing

In addition, we note that the pricing of flights is more dynamic than in the other markets covered in this study. PCWs have little ability to impact the cost of flights as this can vary significantly by the minute and is largely controlled by the flight operators. As a result, price is often not a major point of competition on flights between PCWs.

#### **Theme 4: The regulatory environment**

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

DCTs offer a wide range of products and services, some which are regulated and some which are not. Currently, regulation comprises a range of voluntary and mandatory regulators and applies to different markets in different ways. For example, the Ofgem Confidence Code only applies to PCWs, not other Third Party Intermediaries and only those PCWs which control their own tariff database and calculator. This means that the Confidence Code cannot apply to many PCWs which operate under white label arrangements. Consumers cannot assume that all DCTs, or even all PCWs, adhere to the same standards and requirements. Similarly the range of regulation means that it is possible for a PCW to apply different standards across its products.

For DCTs themselves, there is a challenge in terms of complying with the requirements from a number of regulators, with potentially inconsistent requirements. However, as markets operate differently and have varying levels of consumer understanding, we recognise it may not be possible

to operate a meaningful common standards to any depth. We would however be supportive of the formation of a trade body to work towards greater consistency between markets.

We have observed [ ] acting as a pseudo-industry regulator. For example, [ ] ban on 'high interest' loan adverts, and the requirement to show min / max APRs & loan terms where the requirements are more restrictive than FCA requirements, but PCWs have little option other than to operate within these requirements.

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

The PCW industry is extremely competitive with a number of broad, well established companies operating in that market place and a larger number of niche DCTs. This demonstrates the breadth, depth and diversity of the industry. A number of players have been able to experience significant market share growth, with few sites exiting the industry; this demonstrates the highly competitive and dynamic nature of the industry and the success it has had in helping consumers. However, we have highlighted in our answer to question 12, areas where practices may exist that may not meet competition requirements.

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

In the answer to questions 12 and 13, we have highlighted some areas where regulation is already impacting competition.

The role of PCWs is to present unbiased product information in a way to enable consumers to compare products and make informed decisions. However, PCWs are heavily reliant on the accuracy of the information supplied by providers, as much of it is not publically available. As customers rely on the information provided to make their purchasing decision, there is a risk of consumer detriment where information is not up to date. PCWs are responsible for their own website content, but where the information has been provided by a third party, it can be unclear where the regulatory responsibility lies in the event of a complaint.

In its Thematic Review of Price Comparison Websites, the FCA made it clear that the PCWs it regulates are classed as intermediaries, rather than introducers, which places them in the same regulatory category as advisers and brokers. The services PCWs (and DCTs) offer are different to that of other intermediaries, and applying the same rules does not always make sense, or provide appropriate consumer outcomes; the rules do not always allow for the proportionate application of regulation depending on the activities performed by the intermediaries distributing the products.

According to HM Treasury, insurance fraud is estimated to cost the UK economy more than £2bn per year, and costs are often passed on to consumers as higher premiums. So called 'Ghost brokers' often use PCWs to set up fraudulent policies, but there are limits to the actions PCWs can currently take to detect such fraud, particularly as they are restricted from accessing some industry databases, despite calls from the Insurance Fraud Taskforce for PCWs to do more in this space. Unlike insurers, most PCWs are not subject to the FCA's Anti-Money Laundering rules, although

they are required to have appropriate systems and controls to prevent financial crime. However, clarity is needed in terms of where responsibility lies and what 'proportionate' controls look like.

Within Travel, booking flights and hotels separately was once a key feature of the market, but dynamic packaging (which bundles the flight and hotel together) is increasingly becoming more common. This could have regulatory implications given similarities to a package holiday.

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

We consider that there are two key development themes which will impact the PCW industry over the next 3 years.

We expect improved use of data to lead to evolved customer journeys, comprising both new sources of data and more innovative use of data already held by PCWs to remove barriers to switching and empower consumers in non-transparent markets. The following initiatives are required to help increase consumer confidence reduce the fear of getting something wrong:

- Within energy markets, smart meter data needs to be accessible to PCWs to easily and accurately help consumers fully understand their energy usage and how switching can save them money.
- Within motor insurance, CUE databases need to be enhanced and made available to PCWs to allow PCWs to incorporate into dynamic journeys. Similarly MyLicence should be made available to PCWs on the same basis as insurers.
- Open banking APIs propositions must enable and empower consumers to share their data seamlessly with PCWs to allow consumers to make decisions on their banking requirements based on accurate data.

Additionally we expect increased use of smartphones by consumers, which will necessarily mean that DCTs (including PCWs) will need to change the way they engage consumers and present them with information.

We anticipate certain specific developments in each of the relevant sectors of this market study as follows:

- Credit cards - we see DCT services increasingly evolving from a product listings model to a quotations search model to, ultimately, a pre-approval model where consumers can gain greater certainty over then products they are able to access.
- Home insurance – we anticipate that contents only insurance will continue to grow and individual item cover will become more popular. In addition, the ongoing evolution of the connected home, such as smart alarms and detectors will generate additional data which will have an impact on the types of services that PCWs can offer.

- Flights – The nature of flight booking services are such that consumers will increasingly be able to book flights from anywhere around the world. The market will therefore not just comprise UK DCTs. The use of Open APIs by PCWs mean that DCTs can be hosted in a wide range of websites rather than a handful of well know specialist PCWs. Historically, flights comparison operated on a cost-per-click basis, but this is changing to a range of models as the services offered by DCTs evolve, notably with DCTs facilitating many of the flight bookings. Increasingly we are observing that airlines are withdrawing from the global distribution network, which means they are seeking to charge extra for the same flights booked via a PCW rather than directly.
- Broadband - Consumers demands for internet services continues to increase, which will inevitably impact competition over broadband speeds. As mentioned previously in this response, broadband is increasingly purchased as part of a bundled package, most commonly with TV and phone deals. The competition within this sector is likely to continue to focus on TV content rather than broadband quality or price specifically.