

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* | Mr |
|---------------|----|

| | |
|-----------------|-------|
| Forename | Nasir |
|-----------------|-------|

| | |
|-----------------|-------|
| Surname* | Ahmad |
|-----------------|-------|

| | |
|---------------|-----|
| Email* | [✂] |
|---------------|-----|

| | |
|--|---|
| What is your role / profession* | Head of Compliance & Interim General Counsel, |
|--|---|

| | |
|---|--|
| Are you representing yourself or an organisation?* | An organisation <i>(please delete as appropriate)</i> |
|---|--|

| | |
|--|---|
| 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 <i>(please delete as appropriate)</i> |
|--|---|

If you are representing an organisation:

| | |
|--|---------------------|
| (a) What is the organisation's name?* | Tandem Bank Limited |
|--|---------------------|

| |
|--|
| (b) Please could you briefly explain the role of your organisation, including the sectors in which it operates or has most interest?* |
|--|

Tandem is a new bank, with a mission to help people have a better life with their money. This means helping its customers find more time and money to afford and enjoy the things in life that matter most to them.

Ensuring they have the best possible view of their finances and are always on the best deal for them is central to this purpose and Tandem sees DCTs as a crucial part of helping customers achieve their target outcomes.

Tandem's position as a DCT provider and retail bank allows it the unique position to always act on the customers' side by presenting them with the best options from across the market but also to fill any gaps in consumer demand with the best products for their needs.

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?

Tandem's research demonstrates a clear customer demand for DCTs. To date Tandem has conducted a range of qualitative in depth interviews and multiple quant studies to validate data from qualitative research. The sample demographics span age groups 18-55 and income brackets £20k personal income upwards.

Tandem has conducted a behavioural and attitudinal segmentation, identifying 5 different behavioural groups. This is based on a sample size of 2000 and within the a specific demographic, determined by the Tandem business goals.

Base univers:

Social grade: UK adult population ABC1C2

Age: 18-55

Segment 1 - Passive people who have little interest in their finances and are happy with the way things are, despite the fact they may struggle

Segment 2 - responsible, with long-term goals. Hoping for the best but planning for all eventualities, they don't 'waste' money on frivolous things

Segment 3 - Slightly younger, living for today, poor at managing money because other things matter more

Segment 4 - Modest ambitions, worried about the future, less confident, lower disposable income. Borrow out of necessity.

Segment 5 - Highly organised, career minded, 'self-investors' with big ambitions

The individuals Tandem have surveyed often struggle to keep on top of all their expenses and are not on the best deal they could be. As a result, their costs are higher than they could be, leading to many people running short each month.

32% of the Tandem target universe want someone to tell them what the ideal solution is for them and 36% do not know what rates they are on for their savings or credit cards

Despite that, Tandem has also found that people struggle to find the time to spend on their finances and they see other things as more important. 45% can't be bothered to keep moving for the best rate

A key challenge Tandem perceives is that some of the people who most need DCTs - those who are struggling to keep on top of their finances - are less likely to use DCTs by their very nature because they are typified by being disorganised or short on time.

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

Whilst financial aggregation apps are not traditionally included as part of DCTs, Tandem believes they are important contributors towards helping people achieve the same outcome as other DCTs - keeping top of their lives, in particular their finances.

Therefore Tandem has included analysis on the following:

- 1) Bill and financial product switching
- 2) Financial aggregation apps

1. Bill switching and financial comparison tools

Comparison tools usually provide a way for consumers to save money but, as the market currently stands, many consumers do not believe that effort required is worth the reward. Therefore the market is currently limited to only those people who are proactive enough to go and find a better deal, which according to Tandem's quant study 2016, only represents approximately 27% of Tandem's addressable market

People need help reducing the cost of their monthly bills because they recognise it as very important but see it as too much effort. The Tandem quant study on customer needs shows consumers rank reducing the cost of their monthly bills as one of the top quartile needs in terms of importance.

People need more of an incentive to switch and the risk of doing so reduced, which means greater guarantees on what they will save and more bespoke analysis of the right deal based on their behaviour over time. People also need better visibility of their money and when their bills or rates are increasing, or if their renewal dates are changing.

2. Financial aggregation apps

Research has shown that the majority of people would like to be more organised with their finances, yet very few of these people are using financial aggregators or are aware of them. Despite this, 24% of people agree they need to comprehensively re-assess their finances and 45% of people agree it would be helpful to see a complete picture of all their finance

'I'd never heard of money management tools and I was desperate for help. I found several in the app store but none of them have really helped me'

Our research shows that awareness of these products is largely driven by word of mouth and many people who use these apps struggle with them to do the task they need them to do, which is to help them get through the month without any financial worry.

Tandem's research has highlighted 3 main reasons people use financial aggregation products

1. People need help getting through the month with a limited income and they need greater visibility of what they are spending their money on so they can live within their means and have enough to spend on the kids

"Knowing where my money goes it a lottery to be honest. I can't make sense of the lists of transactions and my balance is never real because bills come in"

2. People need help sorting out their debt and staying on top of multiple credit cards so they can reduce the worry of fees and charges and avoid debt getting them into difficulty.

"My credit cards got so out of control I had to take a consolidation loan and that's because managing different cards with different bills in different places was impossible!"

3. People want a better understanding of what next month could look like so they can plan social occasions and start to improve before it's too late

"I always end up over spending every month even though I know what I'm doing and roughly what it'll cost but it's all in my head "

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

There's an opportunity for DCTs to increase market penetration if they are able to appeal to this part of the market. Tandem research suggests meeting them at a particular moment of need.

1. Bill switching and financial comparison tools

To unlock the 70%+ of the market who are not actively looking for the new best deals the switching market needs to meet people at the point at which they are actively looking to reduce the costs in their lives or be linked to specific customer data to gain trust with the people who are largely apathetic.

Additionally, people do not see the current savings that can be made from switching as worth the time required so the current incentive for customers needs to be evaluated

2. Financial aggregation apps

Tandem interviews has shown that the most important driver of trial and sign up is friend recommendation and typically the people recommending the products are not the people who need to use them, because they are already on top of their finances.

People are very cautious about giving away their personal data, in particular their financial information so brands that are not certified or well-known will struggle to gain penetration Consumers expect the highest quality customer experience and anything that is poor or annoying they will simply delete the app. At the moment, the current aggregation process is tricky for consumers.

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?

1. Bill switching and financial comparison tools

Consumers understand that there is an opportunity to make savings from switching their current deals and monthly bills, but they perceive the effort required as not worth the reward:

"It's just feels like a lot of effort when I'm not sure I'm really going to save that much money"

They also worry about what might happen if they switch from the status quo:

"I worry if my gas is going to stop if I switch"

Research shows consumers feel existing offers are generic and people don't believe they will actually get the saving that they're told. In addition, people become confused by too much choice and are unclear on which the best deal for them really is:

"I see on the side of a bus I could save £600 but I just think, that's not me. I don't believe it"

2. Financial aggregation apps

For those consumers that use financial aggregation apps perceptions of the products vary depending on the job they are trying to do. For basic monitoring of accounts people find it useful to see all their accounts in one place

"I'm not very good at managing my money and luckily one of my friends who is, recommended I use Money Dashboard. Now I can see all my credit cards in one place which helps me keep on top of them"

However, many consumers are taking these apps in a moment of need when they are trying to get their finances on track and the current solutions are not able to truly help them improve.

Additionally, the greatest awareness of the products lies with people who are active researchers and most likely to be on top of their money but the tool is most useful for those who are not organised with their money

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?

1. Customer satisfaction/ expectations which can be measured by net promotor score
2. Flexibility beyond their current provider's product offerings
3. Differentiation in additional services including add ons.

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

DCT do make it easier for suppliers to enter the market and are bridging the gap until implementation openbanking APIs. They promote a level some of the playing field against the big 4 banks full offering by promoting the value for money for customers

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

The market is still dominated by some main suppliers which is due to them being first movers and having a scale advantage. However, there are still options for new entrants if they can differentiate their proposition significantly which is mainly through cost. This is still broadly through sharing referrals.

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

1. Market scale
2. Customer awareness
3. Standards for data exchange- providing industry standards that each provide has to displays offers and subsequent disclosure. This includes the potential impact of OpenApi's changing the market place
4. Risk of legislation changes- this should be controlled with reasonable timescales to implement changes to technology/ systems

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?

Certain types of products are designed to appeal to switching sites for example those that have a term, particular rate or switching. There may be products that are better for that customer's circumstance which cannot be measured, and are therefore not recommended. There is also the risk that unique offerings will not show in comparison sites.

Banks / providers are currently looking to offer rebates direct to who find a better rate, to cut out DCTs.

This is a general concern that the switching market only addressing a subset of the customer base and not those who would best be rewarded by it

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? |
|---|

| |
|--|
| DCTs ([x]) are primarily marketing engines sat on top of back ends like [x] which does the actual switching and has the contract with the service provide (e.g. [x]). The exception of this is car insurance which has the biggest market share. In terms of competing on ease of use this is primarily the case in car insurance because of how big that market is (c.85% switch through a comparison site). Otherwise the experiences are generally the same |
|--|

| |
|---|
| Most DCTs offer broadly the same proposition and compete on freebees and through marketing (e.g. cashback offers). They also compete on the savings that could be made. |
|---|

| |
|---|
| Tandem would welcome further clarification how they protect customer data |
|---|

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

| |
|--|
| Transparent publishing of current rates/deals that are being offered whole of market. This should be standardised across the market. |
|--|

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

| |
|---|
| There are very limited see barriers to new competitors. It is repetitively simple to enter the market as the contracts between banks and DCTs are all completed provided like RunPath. The main differentiator is how much resource a provider has to spend on marketing to enhance market visibility |
|---|

| |
|--|
| Market dominance can mean some of the larger players are effectively squeezing out competition for new entrants. Referral fees targeted on the bigger players could mitigate this. |
|--|

| |
|---|
| DCT suppliers are able to dictate terms to suppliers re products being offered and terms on which they can engage. Standardise contract negotiation would mitigate this |
|---|

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?

Tandem believes that clearer guidance is needed on the boundary between advice and non-advice in practice (i.e., in relation to specific DCT models) under the regulatory regime.

Generally speaking, advice is deemed to carry a number of additional regulatory burdens (additional disclosure requirements, generating the advice etc.) and is seen as relatively risky from a regulatory and customer outcome (i.e., risk of getting advice wrong) point of view. It may be that a simplified advice regime for DCTs would help overcome this caution and so ensure a better outcome for customers (and by providing more advice and guidance to customers, negate a potential point where customers drop out of a journey as firms feel unable to provide advice or guidance).

The ambiguity on what constitutes advice means that suppliers err on the side of caution lest they are seen as giving advice, which could prevent good customer outcomes. There needs to be both additional general guidance on what amounts to advice for DCTs and, in addition, specific advice on individual DCT models in terms of whether a particular model amounts to advice and, if so, whether related disclosures etc., are fit for purpose (at present, the FCA rarely opines on individual firm models).

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

Tandem doesn't have direct experience of this issue but would assume that the following would be the greatest areas of risk in this regard:

1. Data protection;
2. Disclosure (e.g., of basis of service, how results generated and ranked etc.);
3. Disclosure of any commissions received or paid for advertising; and
4. Other issues which could potentially bias recommendations.

In other words, customers are likely to be concerned about whether their data is safe and any factors which could undermine the results generated by the DCT (or how they are presented).

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

See above. We would note that the FCA in the past has generally not provided approval or specific advice on individual models. Whilst this is problematic for firms in general, this is likely to be particularly difficult for DCTs which lack a financial services background compared to many existing current account providers.

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?

PSD2 to ensure that there is limited change and that any overlap in regulation is identified and minimised

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
(please delete as appropriate)

Thank you for taking the time to complete this form.

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

Or post it to:

**Digital Comparison Tools Market Study
Competition and Markets Authority
7th floor**

**Victoria House
37 Southampton Row
London
WC1B 4AD**