

## 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	Paul
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Surname*	Rodford
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Email*	[✂]
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What is your role / profession*	Head of Corporate Affairs for Vanquis Bank
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Are you representing yourself or an organisation?*	<del>Y</del> ourself / <u>An organisation</u> (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?*	Vanquis Bank
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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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Vanquis Bank, part of the Provident Financial Group (PFG), is a specialist credit card company that uses its expertise to lend responsibly to the under-served, higher risk credit market offering 'credit builder' credit cards. Vanquis customers will typically be those who have no credit record, a thin credit record or an impaired credit record that means they may find it difficult to obtain credit from more mainstream credit card companies such as the high street banks. Vanquis currently has around 1.5 million customers. Vanquis also offers fixed rate savings bonds.

## 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.

<b>1. When and why do consumers use DCTs? To what extent do they trust them?</b>

<b>2. How do consumers choose which and how many DCTs to use?</b>

<b>3. What are consumers' expectations of DCTs – for instance in terms of market coverage and the relationships between DCTs and the suppliers they list?</b>
We believe that consumers not only expect but have a <i>right</i> to expect that a DCT covers the whole of market in an open, honest and objective way and that recommendations are not influenced by any underlying commercial terms – in other words, a right to trust. In order to engender trust in DCTs we believe it should be made clear to consumers where it is or is not the case that recommendations are being influenced by commercial terms.

**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?**

## **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?**

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

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

In terms of the range of products offered by suppliers we would suggest that the Market Study gives particular consideration to so-called '*brand stacking*' where credit card firms offer very similar products with very minor variations but essentially the same probability of acceptance in order to push other providers down the list. This form of manipulation is clearly not in consumers' interest where firms artificially occupy a number of high slots in a ranking – giving an illusion of choice – which in turn artificially relegates competitor offerings.

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

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**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?**

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### 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?**

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

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

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## 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?**

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

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

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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?**

We believe that, in future, DCTs will increasingly seek to move away from simple rankings of products in order to provide added value and make recommendations as to the suitability of a product for a consumer (as described in paragraph 3.10(b) of the consultation document). In financial services this may be facilitated, assisted or accelerated by the development of APIs and Open Banking as well as the implementation of the second Payment Service Directive as it relates to Account Information Services. As yet we cannot predict the impact that APIs, Open Banking and PSD2 will have on financial services generally and DCTs in particular.

For credit cards, especially in the market segment in which Vanquis operates, we can envisage that this will include some assessment of eligibility and/or a more sophisticated ranking other than on price alone based upon internal algorithms developed by the DCT.

In recommending a specific product to a consumer we believe that it is vitally important that such algorithms are as objective as possible and that they are not influenced by factors such as commission, exclusivity, earnings-per-click, click-to-application rates, and/or conversion rates i.e. factors that are of commercial interest to the PCW but are of no relevance to the individual consumer. Ranking order should not be influenced by any element of the commercial deal between a supplier and the DCT.

Those factors that are taken into account should be weighted logically and not given undue or arbitrary weight e.g. greater weight being given to relatively minor or trivial features (e.g. a gift voucher) over, say, long term interest rate. We therefore believe that, in addition to looking at 'hollowing out' (as described in paragraph 4.5), the Market Study should consider the extent to which DCTs (or firms developing such algorithms) are required to be open, honest and able to justify the relative weighting of factors that they take into account when making a recommendation.

## Other comments and further contact

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

We welcome the Market Study as an opportunity to ensure that DCTs operate in the best interests of consumers and suppliers alike, ensuring that customers are presented with the right information in order that they are able to best choose the products that are right for them and their individual circumstances.

The Statement of Scope appears to us to be a comprehensive document that successfully describes the market and captures the majority of issues. As a firm whose products feature on DCTs we have little to add although there are some current and possibly future market practices that we would wish to raise for consideration as part of the study, described above.

**Would you be willing for us to contact you to discuss your response?\***

**Yes / No**  
*(please delete as appropriate)*

**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).**

**Or post it to:**

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