

## 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)

<b>Title*</b>	[ ]
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<b>Forename</b>	[ ]
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<b>Surname*</b>	[ ]
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<b>Email*</b>	[ ]
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<b>What is your role / profession*</b>	Regulatory Affairs
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<b>Are you representing yourself or an organisation?*</b>	Santander UK plc
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<b>If you are representing yourself rather than an organisation would you be content for us to include your name when we publish your response?*</b>	Although representing organisation not content for name to be published – contact details only
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### If you are representing an organisation:

<b>1. What is the organisation's name?*</b>	Santander UK plc
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<b>2. Please could you briefly explain the role of your organisation, including the sectors in which it operates or has most interest?*</b>
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Santander UK plc is a scale challenger in the UK banking sector offering retail and corporate and commercial banking services.
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## Executive Summary

1. San UK agrees with the Statement of Scope and supports the cross-industry market study. We acknowledge the critical interplay between this and other CMA/FCA work, noting particularly the FCA's Credit Card Market Study which identified issues in Price Comparison Websites and which effectively referred this area of work to the CMA.
2. Santander considers that DCTs can help stimulate competition and enable customers to make better choices. However DCTs have to be presented in a manner which is fair and transparent.
3. This response sets out our broad views in response to the questions posed focusing on the products with which we are most familiar. We remain keen to engage with the CMA on these issues and can be contacted on SantanderRegulatoryLiaison@santander.co.uk.
4. []
  - a.
  - b.

### 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>
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- [ ], there is evidence to support the position that consumers rely on DCTs when purchasing certain insurance products. As customers use DCTs more often for insurance products which need to be renewed frequently, compared with less frequent use in current accounts, we would recommend that the CMA distinguishes between the roles of DCTs in different product markets and overarching issues and specific market issues.

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

- Consumer choice of comparison sites would appear to be arbitrary, preference driven based upon past usage or recall of advertising campaigns and promotions.
- Only Which? and MoneySavingExpert promote the necessity to utilise multiple sites to gain a total market view given the ownership by insurance companies of comparison sites

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

- [ ]

## **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?

Santander's choice of price comparison sites to trade with is based on several factors:

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- []
- []
- []

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

- []

- More generally, the introduction of open APIs may have the effect of incentivising new DCTs to enter the market. However it should be noted that open APIs are unlikely to address the key issue of fairness or impartiality.
- Where comparison, or a large proportion of that traffic, is based on more complex axes such as the customers' individual credit eligibility (e.g. Smart Search) then ease of entry is considerably more challenging given the necessity to conduct a level of sharing and alignment with credit scoring models, and potentially even the sharing of data with a 3<sup>rd</sup> party such as Experian/HD Decisions. Previous market initiatives such as the miData programme had the potential to address this challenge, which is discussed in further detail at question 11.
- From an Insurance perspective, a level of technical integration is a fundamental prerequisite to market entry. A mapping of questions in the comparison processes to a providers own platform is required to enable a quote price to be generated accurately for the majority customers in a 'real-time' fashion in order to be presented to the customer on the comparison sites results page.

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

- DCTs have historically driven a price lead approach to product distribution on a mass market basis; this approach is still evident today in our opinion. We set out some of the issues relating to credit cards, personal current accounts, insurance and mortgages. Some of these are more broadly applicable, and there are some more general issues.

Credit Cards

- In the credit card market, this manifests itself in longer introductory offers and reduced product fees (e.g. balance transfer fees).
- In addition, this approach has given rise to a fragmentation of product features by the individual providers where an array of product variations have been manufactured to optimise placement and brand space within comparison tables. The results from a customer perspective are twofold.
  - Firstly, the potential to save more money through more competitively priced products.
  - Secondly, there is a much higher level of complexity for a customer to navigate to determine which product variation is the best fit for their overall needs – e.g. 32 month [ ] with a 2% fee or a 41 month [ ] with a 2.8%, delivered via a fee refund based on an initial fee of 3%; this complexity could in some instances lead to poorer customer outcomes

[ ]

- [ ]

- For instance, in the current account market, the task for a customer to compare a credit interest rate on an average balance (that rate may be one that reduces after 12 months or not) to a product which offers a flat cashback per month, or

cashback on bills paid and/or an incentive at point of switch is a significantly challenging activity.

#### Insurance

- In Home Insurance, the manifestation is the presence of sub-brands, niche brands and a range of innovation in the offering of additional extras such as optional covers, exclusive discounts or rates for having purchased via a comparison site.
- Clearly this has put downward pressure on customer prices, and therefore margins. It has also led to the watering down of features and benefits of the product to lower the manufacturing costs. The consequence of this at a macro level through aggregators would manifest itself in lower levels of cover, potentially higher levels of declined claims and poorer customer satisfaction.
- In addition, there is very limited coverage of comparison or even basic presentation of a provider's level of customer service track record and customer trust within comparison, which consequently encourages more price led decision making by consumers as opposed to decisions where the customer outcome is prioritised. In the case of insurance and protection products, the key element of the customer outcome is derived when a claim is necessary – customers would benefit from being able to compare a provider's track record on claim handling and 'pay-out'.

#### Mortgages

- We consider mortgages to not be represented appropriately with the focus being on the specific monthly payment a customer would pay in the short-term, rather than focusing on other factors such as suitability of the product (fixed/variable, term, repayment type), suitability of lender criteria, booking fees, overall interest payment over the term and the likelihood of the customer obtaining a loan from the lender offering the lowest monthly payment. Therefore to an extent DCTs have not had a significant impact on the mortgage market.



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

- Fundamentally, the traditional commercial model of comparison websites is a barrier to generating sustainable competition and true customer centric innovation within products and services, as opposed to product and distribution led innovation.
- For clarity, the commercial model of a DCT is simply the margin between the cost of acquiring traffic to site via marketing channels (TV, Press, Online etc) and the onward monetisation of that traffic (cost per click, cost per application, cost per account).
- The DCT business model margin and the sensitivity of that to a providers' ability to convert traffic referred into commission means that weaning themselves and the top providers off this mass-market, low price, high volume approach to distribution is a sizeable challenge.
- One possible remedy to this would be a commercial model where providers would be required to reward an introduction via a DCT in a more holistic, long term fashion reflecting the utilisation of a product. However, the potential complexity in calculating accurately and billing such a model at a time frame that provides adequate speed of cash-flow to enable the DCT to reemploy into marketing for traffic acquisition, is inherently complex.
- []
- In respect of mortgages, some shared governance/commitment to display relevant rates / payments / information providing a fuller picture, would go some way to overcoming these barriers.

**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?**

- []
- This exclusivity, whilst very effective at driving volume for a provider and revenue for a DCT does by nature discriminate non-users of that particular site, the wider market or those unable to utilise DCTs as a result of a vulnerability where the presence of a lower priced, lower fee or more comprehensive package is not necessarily understood by or disclosed to customers.

### 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?**

- The fundamental basis for DCT peer competition is a fight for share of voice at a brand level with less significant signs of competition on quality of service.

##### Brand

- DCTs in some cases spend annually more on brand marketing than many of the household name financial institutions listed within their best buy tables.
- Strong brands such as CompareTheMarket, GoCompare, Confused, MoneySuperMarket have achieved success in the medium term as a result of strong branding, driving customer recall and in the case of CompareTheMarket underpinned by a non-financial product related incentive e.g. a meerkat toy when you open a product via their site or 2 for 1 cinema tickets.
- Outside of the major players that operate at this level of brand advertising, small to medium price comparison sites have to fight for attention through more digital methods such as display advertising, search engine marketing (paid and natural) and email marketing to existing user bases.
- With very few exceptions, DCT brands dominate the search engine results pages for 'generic terms' related to financial services, such as "credit cards" or "home insurance". This level of strength in natural search means that upward pressure on paid for search advertising exists as a barrier to coverage and differentiation at the top of the purchase cycle.

##### Quality of Service

- DCTs appear to compete largely on brand marketing effectiveness with a minor element relating to the service of quality they provide. Such an example is MoneySuperMarket's smart search which allows a user to enter details and run a soft credit search to see the level of eligibility they have for each product on credit cards and personal loans. This particular brand was first to market several years ago and has since extended its reach to customers over time. Similar services are now available with most of the DCTs.
- A more recent development which demonstrates competition among DCTs to compete on quality of service is MoneySavingExpert.com's Credit Club. This combines the smart search capability with the ability to access one's own credit

score, have an assessment of affordability and in time see your credit report for free. This points towards a move to offer customers a proposition whereby they can make an application for a more appropriate product for which they are more likely to be accepted.

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

- Market wide initiatives, such as the government's miData programme as referred to above in question 6, have the potential to create a more accurate and fair comparison of products based at a market level based on an individual customer's actual behaviour and product history in a more unbiased fashion. However, this particular initiative did not deliver a significant market impact given the limitation of it at launch to a single DCT, which did not have a track record of current account distribution, as such it is an example of a missed opportunity to create a better level of market competition and fundamentally better customer outcomes.
- In addition, given the prevalence of DCTs within the insurance sector and the level of customer data generated within a quote form, the level of scale a DCT has in insurance can dictate the level of success of their distribution of other financial products – for instance, the promotion of credit cards and loans to customers who complete an insurance quote.
- San UK observes that in terms of the mortgage sector, DCTs can only take a mortgage to application point, but cannot confirm to a customer whether they will be accepted. Sometimes applications are made regardless of a lender's published lending criteria, or made and then declined. A modification whereby DCTs are able to link into lenders' lending criteria would enhance the customer experience and allow for a greater and more relevant comparison.

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

- As per the response to question 8, the mechanics of the commercial model in operation between DCTs and providers presents a significant barrier to competition between the incumbent large DCTs and smaller and more niche challenger brands, who do not have the backing and funding of a major insurer or the long term advantage of being a first to market independent.

## 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?

- Only DCTs carrying out a regulated activity are subject to full FCA regulation. We would welcome consideration by the CMA as to a form of accreditation for DCTs falling outside of this category, to give customers confidence around their use. Such a governance regime should be operated by an independent body.

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

- Consumers would be more likely to have confidence where a DCT carries an accredited and recognised logo related to the particular service. For example, PCWs with current account products to carry CASS branding and information prominently on their websites and communications.
- The role that DCTs play in the future may change as more information is shared publically and in a certain manner (through open APIs in line with regulatory requirements, including the CMA's Retail Banking remedies package). The sharing of and access to this information may become more complex to monitor and ultimately regulate.

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

- Finally, we included the following paragraph in our response (29/3/16 – published on CMA Retail Banking Inquiry website) to the CMA working paper “The role of comparison sites for small and medium-sized enterprises in addressing the adverse effect on competition” (7/3/16).

*In order to support the enhancement of existing PCWs, the CMA could compel banks to participate in the development of permission-based APIs to help facilitate the development of existing players. This would include working with the OBWG to develop proper governance, in particular relating to the regulation of fintech companies not currently regulated by the FCA. The CMA should also consider what more can be done to remove barriers to entry and expansion in SME-focused PCWs. For example the CMA could:*

- A. Require banks to provide data to certain accredited PCWs who were regulated by a suitable governance regime;*

- B.** *Require banks to prominently display links to one or more PCW on their websites;*
- C.** *Investigate further whether standardising product terminology would aid the development of PCWs; and*
- D.** *Investigate further the business models of existing PCWs, to understand the drivers of their success.*

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?**

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### Other comments and further contact

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

<b>Would you be willing for us to contact you to discuss your response?*</b>	Yes []
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**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:**

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