



Tel:
Fax

Virgin Money plc
Jubilee House
Gosforth
Newcastle upon Tyne
NE3 4PL
virginmoney.com

Digital Comparison Tools Market Study
Competition & Markets Authority
7th Floor, Victoria House
37 Southampton Row
London, WC1B 4AD

24 April 2017

Dear Sir / Madam

Competition & Markets Authority: Digital Comparison Tools Market Study Update

Please treat this response as Private and Confidential

Virgin Money welcomes the opportunity to comment on the Competition & Market Authority's (CMA) Market Study update on Digital Comparison Tools (DCTs). We are encouraged by the findings of the CMA's comprehensive consumer survey that DCT users think these tools work well, making it easier to make informed choices and to save money.

We agree that DCTs can play an important role in supporting consumer decision-making (e.g. by making it easier for consumers to shop around, by enabling easier price comparison, and by facilitating switching behaviour), and in making markets more liquid, transparent and competitive.

However, we agree that there is room for improvement, with the CMA identifying several areas where potential steps may be warranted as the Market Study enters its second phase. Our key points of view on the Market Study's update paper are:

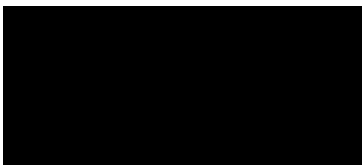
- **Consumer transparency:** We agree that increased transparency on the market coverage, business models, commercial relationships and ranking methods of DCTs would be beneficial for consumers in all sectors. With particular regard to Credit cards, we believe DCT's could do more to highlight to consumers the 'down-selling' practices of certain product providers which are not always clear to consumers at the point they make their product selection on a DCT. This approach of down-selling is not a practice that Virgin Money would advocate and means that a consumer may end up with an inferior card to that they selected from their chosen provider after being credit scored. In addition, with regard to consumer transparency, we believe that improved clarity on how personal data will be used and stored by the DCTs will increase consumer confidence in these tools – a point that will be supported by the arrival in May 2018 of the EU's General Data Protection Regulation.
- **Competitive practices:** There is a risk that the competitive landscape in some sectors may be vulnerable to the business strategies and practices of larger DCTs and/or providers. We do not typically contract directly with DCTs, but recognise that their potential ability to 'switch off' a provider's access to a key distribution channel and/or restrict pricing strategies in direct channels could pose a competition concern. As a result, we support the Market Study's intention to consider four types of practice which might raise competition concerns. We believe the regulatory framework should discourage larger DCTs and/or product providers from exercising their power in ways that would reduce competition and choice for consumers.

- **Hollowing out:** We share the CMA's concern that, whilst DCTs offer substantial benefits in reducing hassle for consumers and in increasing competition, there is a risk that consumers can focus unduly on price rather than a wider range of factors (e.g. appropriateness of cover provided, switching / service levels, claims handling, etc.). Additionally, we have observed a trend toward making the customer journey easier and faster; however, this has the risk of opting customers out of certain product features, which may not be in their best interests. With regard to this 'hollowing out' risk, we do believe that the emerging models of DCT offer the potential to address this through greater use of personal data and a better understanding of consumers' individual requirements. For example, we have seen this evolution taking shape with regard to consumers' selection of credit cards through DCTs. Several DCTs have recently introduced 'eligibility checker' services as an additional non-price feature that consumers value because this increases their certainty of acceptance when applying to a provider. This development has led consumers to shop not just on price, but their potential to be accepted for a card creating, we believe, better outcomes for consumers. This development has been possible through improved integration between DCTs and product providers. While an important step forwards, it still remains valid only for credit card and unsecured lending products, and still does not allow consumers to make an effective purchase decision on other dimensions such as service quality. There remains significant potential here for DCTs to evolve to enable better consumer outcomes, and to reduce the risk of simple price-driven purchasing.
- **Regulation of DCTs:** Given the range of sectors across which DCTs operate, we are supportive of a set of high-level 'consumer protection' principles to ensure greater consistency between DCTs and between sectors. However, the role of the DCT can vary significantly between sectors (e.g. full customer data capture by DCTs for insurance quotes versus a more limited lead generation role for Credit cards), thus a proportionate approach will need to be adopted. At present, user ratings are being developed by DCTs to support better consumer decision-making; these may prove to be a beneficial development, but are being developed by individual DCTs without a common approach or regulatory framework and thus they may be insufficiently robust or independent for consumers to rely on when choosing their provider. A common set of principles will give consumers increased trust and confidence in the outputs of DCTs, particularly if they are required to publicly disclose how they adhere with them.

Finally, we welcome the intention to increase the study's focus on two issues to refine the CMA's understanding of the role of DCTs in the markets where they operate: (1) the impact of possible future developments in DCT models; and, (2) the effects of DCTs on consumers who do not use them, particularly those in vulnerable circumstances.

We would welcome the opportunity to discuss our responses further with you, if that would be helpful to you.

Yours faithfully



Hugh Chater
Chief Commercial Officer
Virgin Money