

**CMA Digital Comparison Tools Market Study
Santander Comments on Update Paper Published on 28 March 2017**

Introduction

1. Santander UK plc (hereafter Santander) welcomes the opportunity to respond to the CMA's Update Paper published on 28 March 2017 in the context of the CMA's Digital Comparison Tools Market Study. As a scale challenger in the UK market, we are supportive of work which will increase competition and offer significant benefits to consumers – allowing them to make better, more informed choices.
2. We understand that the CMA would like to hear views on a number of themes but we intend to focus our comments on one theme in particular which is the regulation of DCTs.
3. As a general point, we agree with the four steps that the CMA and others could take to increase the benefits delivered by DCTs. These steps are to: maximise consumer confidence and build trust; improve DCTs' access to necessary inputs; make competition more effective; and improve regulation.

Comments

Santander's view of DCTs

4. DCTs offer a number of benefits. They allow consumers to seek out the options that are available to them and to compare the prices of those options. They can also make switching between products easier for consumers.
5. We recognise the increasingly significant role that DCTs and in particular price comparison websites (PCWs) have in our customers' buying process. Many PCWs are associated with the consumer finding the 'cheapest' product on the market. This is a key driver for many consumers, and should be supported by the right amount of information to help the consumer understand the features and cost calculation behind these products. By providing the right amount of information and the ability to rank products by factors such as cost over defined terms, PCWs will play an important role in expanding and enhancing consumer choice.
6. We believe it is essential that DCTs are correctly incentivised and monitored to ensure that search results are presented in a fair and transparent way and do not mislead consumers. We illustrate the importance of this using two financial services products that are key to our business: mortgages and Personal Current Accounts.
7. Regarding mortgage products, the current approach adopted by PCWs is to promote sponsored links and list products by the cheapest headline rate (which ignores, for example, offsetting fees). This is likely to bias the consumer towards headline rates. This can also create misaligned incentives for PCWs because the PCWs give prominence to those companies that pay for prominence via sponsored links. There is currently a "cheapest product" skew of 2-year fixed rates for mortgages. This problem is likely to increase with the expansion of PCWs and end to end online applications.

8. Regarding Personal Current Accounts, the current default view on [Redacted] shows savings/ earnings across a one-year time frame. As customers generally stay with their banks for longer than one year, we consider that this is not the appropriate way to display results. Indeed, it gives undue weight to switching incentives, and underplays the possible medium and longer term customer benefits of switching. A customer should be required to select a time horizon before their personalised results are displayed, rather than a default option that may be unsuitable for certain customers.
9. In addition to ensuring that search results are presented in a fair and transparent way and do not mislead consumers, we believe it is important that appropriate controls are put in place to prevent data and confidentiality breaches by PCWs. Data must be used in a safe environment otherwise consumer confidence could be jeopardised thus undermining the potential competitive benefits of DCTs. As acknowledged by the CMA in its Update Paper, consumers seem less likely to trust DCTs in terms of how sites store and use their personal information and we welcome this as an area of focus for further work for the CMA.

Regulation of DCTs

10. In view of the above, we would welcome proportionate regulation of DCTs and appropriate accreditation of DCTS to minimise the risk of consumers being misled. In particular, we believe such regulation should be designed to ensure: (1) fair and transparent comparison of products and services; as part of this, effective regulation should address the risk that DCTs may be incentivised to prefer those paying them or disproportionately focus on certain features e.g. price; (2) appropriate protections around customer data (this is particularly relevant in financial services given developments, including around Open Banking); and (3) accountability to appropriately high standards.
11. Given that DCTs operate across sectors and consumers are able to do the same, we believe that it is possible to arrive at DCT-specific principles which could usefully apply across sectors, while not being so high-level as to be ineffective or too hard to interpret. The risk of consumers being misled by DCTs is a real risk irrespective of the sector in which the DCT operates.
12. We accept there may be challenges in regulating DCTs across sectors given the distinct features of certain products in different sectors e.g. finance, insurance, energy, travel. However, the absence of regulation creates potential gaps especially in the financial services sector with which we are familiar. We note that not all DCTs perform regulated activities. There are providers involved in financial services for which the Financial Conduct Authority (FCA) will have no oversight. Our preference is that if a DCT offers customers views on a regulated financial services product or service, the DCT should be subject to principles based regulation consistent with the FCA rulebook.
13. We agree that whole of market coverage is not necessary and may be unrealistic in certain sectors. For example, in the insurance sector where the DCT model requires integration between DCTs and suppliers to return a quote. However, in the financial services sector, there is a stronger case for whole of market coverage because static results are generally presented such as Personal Current Accounts & Savings. The move towards credit risk eligibility models make whole of market listings less relevant in credit products because, like in insurance,

integration between providers and DCTs is a level of prerequisite, however the presentation of product features could still be more consistent. This could be delivered through the Open Banking API standards dictated by the CMA where banks make product information available through APIs.

Conclusion

14. In summary, we believe there is significant scope for well-regulated DCTs to increase consumer engagement in competitor products and services and stimulate switching thereby incentivising challengers and new entrants and helping to drive more effective competition. Regulation of DCTs is important in this context to help ensure sustainable consumer confidence in fairness and transparency of DCT outputs and ensure the competitive benefits are not undermined, for example, through failure to meet applicable data security and operational standards. We welcome a holistic approach to such regulation which is complementary to current relevant legal and regulatory developments including Open Banking, PSD2, GDPR and the remedies in train regarding the CMA's recent Retail Banking market investigation.
15. Should you wish to discuss any aspects of our feedback, please do not hesitate to contact us .