

DIGITAL COMPARISON TOOLS MARKET STUDY: UPDATE PAPER - RESPONSE FORM

Your details

(Fields marked * are required)

Title*	Ms
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What is your role / profession*	Group General Counsel
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Are you representing yourself or an organisation?*	An organisation
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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?*	N/a
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If you are representing an organisation:

(a) What is the organisation's name?*	Saga Group Limited
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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?*

Saga is a British company focused on serving the needs of those aged 50 and over. It has 2.7 million customers. Saga interacts with DCTs in two main sectors: insurance and personal finance.

Agreements between DCTs and suppliers

12. What has been the impact of the removal of wide MFNs in the private motor insurance sector?

In its Response to the Statement of Scope (dated 24 October 2016), Saga set out its view that Wide MFNs have proliferated for products which fall outside the scope of the CMA's PMI Order, on account of being perceived by PCWs as "blessed" by the CMA.

Saga provided detailed evidence of that phenomenon in its subsequent submission, dated 25 January 2017. Whilst it considers that submission to be a comprehensive description of the current position, Saga is keen to participate in future discussions on this topic and would welcome the opportunity to assist the CMA further, if helpful.

As set out in response to question 16, below, in Saga's view the CMA's rationale for prohibiting Wide MFNs in PMI (as summarised in Appendix 5 to the CMA's Update Paper) is equally applicable to lines with similar characteristics, such as home and bike insurance.

13. What has been the impact of narrow MFNs in the sectors where we have observed them (home insurance, private motor insurance, credit cards, broadband and flights)?

Saga notes and agrees with most of the findings set out by the CMA in Appendix 5 to the Update Paper. It does, however, have a few observations on those findings:

- An insurance provider is removed from being a constraint *on the market as a whole* as soon as it enters into its first narrow MFN with a single DCT. Every DCT benefits from each Narrow MFN that is entered into across the market, regardless of whether or not it is a party to that MFN;
- The CMA observes that consumer harm from a narrow MFN is more likely when the competitive constraint from the direct channel would be strong absent MFNs. In assessing this, however (in paragraph 26(a)), the CMA cites evidence that only 16% of recent comparison site users had used a comparison site as well as other sales channels. There is an unhelpful circularity to this argument: if the market perceived the direct channel as more competitive then there would be more cross-shopping. On the contrary, narrow MFNs prevent the direct channel from addressing consumers' perception of its competitiveness; and
- A similar comment can be made in respect of paragraph 27, where the CMA states "*competition in PMI was more effectively driven by rivalry between DCTs than between DCTs and the direct channel. Our preliminary analysis of consumer behaviour as set out in paragraph 26 suggests that this is likely to hold in our case study sectors as well.*" Again, Saga is concerned that this conclusion is circular. Competition between DCTs is indeed a greater constraint on a DCT than competition from the direct channel, but that is partly because of the existence of Narrow MFNs over time. The status quo cannot be used as evidence of the likely position in the absence of narrow MFNs.

16. In which other sectors, if any, are (i) wide or narrow MFNs; (ii) non-brand bidding or negative matching; or (iii) non-resolicitation agreements in place? What impacts do they have in these sectors?

In its Response to the Statement of Scope, Saga highlighted that the distribution channels for many of its other insurance products display similar characteristics to those for its PMI products. On that basis, it felt the competition harm that the CMA identified as caused by Wide MFNs in PMI is equally relevant to other products. In particular:

(i) The Order does not cover bike insurance, despite the fact they are very similar to PMI in both product and distribution terms. Critically, Saga is concerned that the CMA's Update Paper does not appear to recognize the distinction between PMI (which is caught by the Order) and bike insurance (which is not, despite sharing many of the same characteristics as PMI). It would be happy to discuss this in more detail.

(ii) Many of the CMA's own findings emphasise the similarities between home insurance and PMI lines. For example:

- a) Consumers of both products demonstrate relatively high use of DCTs (page 38);
- b) Consumers of both display similar levels of single vs. multi-homing (page 44);
- c) Home and PMI are the two products for which DCTs are the most significant sales channel, being c. 40% and 54% respectively (page 88);
- d) the balance of negotiating power between DCT and supplier is relatively similar (and the closest of the CMA's sample markets) for home and PMI (page 93). As the CMA itself says on page 94 "*in both motor and home insurance, negotiating power appears to lie more with DCTs. This is consistent with our observation of the presence of MFNs in both these sectors.*"

Other comments and further contact

We welcome submissions on any of the issues we address in our update paper from interested parties. We would particularly like to hear views, supported wherever possible by evidence, on the following themes if not already addressed above:

- a) What DCTs do and the benefits they can offer.
- b) Consumers' views on and use of DCTs.
- c) Inputs to DCTs.
- d) Competition between DCTs and between DCTs and the suppliers whose services they compare.
- e) Regulation of DCTs.
- f) The future of DCTs.
- g) The focus of the second part of the market study.

Do you have any other comments you would like to add?
No

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