

## **CMA DCT Study responses on update paper April 2017**

RESPONSES REQUIRED BY 5PM ON 24<sup>TH</sup> APRIL.

Intention is to print responses in full, when replying:

- Please supply a brief summary of the interests or organisations you represent where appropriate.

Fundraising Innovations Limited is the parent company of The Energyhelpline (EHL); EHL provides a domestic energy comparison service via phone and online. We have one of the largest range of suppliers 'on apply' and were one of the first companies to sign up to Ofgem's Confidence Code. Other comparison services provided under the Firsthelpline umbrella include Telecomshelpline for home phone and broadband, and Moneyhelpline for financial products such as credit cards.

- Please consider whether you are providing any material that you consider to be confidential, and explain this is the case. Please provide both a confidential and non-confidential version.

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### 11.1 view on these themes

#### a) What DCTs do and the benefits they can offer

DCTs provide quick and easy access to a range of deals for consumers. This helps to increase engagement in an otherwise complicated market; it helps to increase competition because providers need to offer attractive packages; and many DCTs offer the consumer the ability to switch through their site, saving consumers time.

#### b) Consumer's views on and use of DCTs

Consumers wouldn't use them if they didn't trust them. We feel that consumers use DCTs to search for a 'better' deal, which is often money orientated. While this has a positive effect on pricing, we appreciate comments about how this may affect service levels; in reality we doubt that a provider could get away with providing a poor service if they wanted to maintain a good customer base. We do not believe that in general consumers expect to see a whole of market view when they use comparison sites. If the consumer has found a deal which suits them, and has saved them money if that was what they wanted, we believe that almost all consumers would feel that their aim has been achieved.

#### c) Inputs to DCTs

The customer is responsible for providing most information for a comparison. This may have a negative effect if the customer is looking at a product which they don't have to 'buy' because they can continue with the current deal, and they feel that the time taken to obtain the information for the comparison outweighs any benefits. Anything which will auto-renew gives us the opportunity to disengage from it and may put the consumer at a financial disadvantage.

#### d) Competition between DCTs, and between DCTs and the suppliers whose services they compare

Competition between DCTs helps competition in the market in general; it could play a part in keeping commission costs down, it drives competition as suppliers can be seen in many places and they'll want good packages which attract as many customers as possible, and provides consumers who are willing to check a few sites the ability to locate exclusive deals/the best deal for them.

#### e) Regulation of DCTs

Domestic Energy PCWs are not regulated unless they are members of the Ofgem Confidence Code. However, Code members only need to comply with requirements for their main website. Sales via other channels such as Apps, telesales and F2F activities are not covered by the Code. While there are a few Standard Licence Conditions (SLCs) which apply to supplier representatives, the majority relate to servicing the customer after they take supply. Larger suppliers insist on applying SLCs and their own compliance to PCW sales so that the sale remains compliant if Ofgem chooses to audit the supplier. In a roundabout way PCWs may be regulated by SLCs which were not intended for them, due to suppliers being responsible for sales provided by PCWs. We feel that TPIs should have their own regulation so that suppliers have confidence in their processes and are less inclined to force their own processes on TPIs.

#### f) The future of DCTs

We feel that as technology advances DCTs will also develop their delivery models; we're already seeing the development of auto-switching. Will our younger, more technologically savvy generations want to spend time looking at lists of deals when they could set up an app to switch them automatically? Will they have time to check deals on car insurance, home insurance, energy, mobile phones and broadband? Could we see providers offering a 'one-stop-shop' auto switching process for all products a customer has?

#### g) The focus of the second part of the market study - Effect on non-users, e.g. vulnerable. Problems of new models, e.g. trust.

How do we define vulnerable? People who don't understand the market? People who don't have the mental capacity to understand facts and figures? Elderly customers that could be taken advantage of because they are more trusting? Those without the knowledge, or ability to use the internet? Do we include physically disabled people as well despite them having full mental capacity? If we take all of these as a broad view of 'vulnerable' then we have a set of people that may not be able to use DCTs and may not have the ability to compare individual deals across suppliers online. Consumers may miss out on a deal which is only available online, as mentioned there are other routes such as call centre comparison services and Citizens Advice. If consumers don't have trust in a new model then they won't use it and it'll drop out of use.

11.2 particularly welcome responses to below:

#### CONSUMERS

1. Should we focus our attention on the consumer groups we identify in Chapter 5 (5.82 to 5.95), and if not what groups should we focus on?

First should we consider the difference between vulnerable and disengaged? Surely it's OK for non-vulnerable people to be disengaged if that is by choice.

#### ENGAGEMENT

Aren't DCTs naturally aimed at internet users? If you can't use the technology then you don't use them, why do we want to force people to do something they don't want to do? Instead of trying to force engagement how about increasing awareness of better deals out there and how people can gather information/obtain them so that active consumers are able to participate more easily?

We feel that there is too much focus on disengaged customers and not enough focus on making the switching process work. Ofgem is pushing for next day switching when there are other problems outside of the actual switch over from one supplier to another which cause customers grief. If the process worked better maybe people would not have become disengaged in the first place. Recent personal experience has highlighted a problem with the final bill process; this has taken 3 months (still ongoing) and is not dealt with by the old or new supplier. This has been raised with Ofgem. Does the disengaged customer database help vulnerable customers if it's only available to suppliers? Will this help customers if they receive new offers from suppliers and they don't know how to compare to what they have and how to take another deal? Our argument is that this database would be better used by PWCs so that customers could receive unbiased information about various suppliers without the need to check different communications.

#### VULNERABLE

Should we try and force vulnerable customers to engage if they don't want to?

Face to face sales for domestic energy would help vulnerable customers greatly, but this also brings its own problems and suppliers are reluctant to move to this model as there are compliance implications. How would a company be viewed if it targeted vulnerable customers, even if their intentions were good? While there may be a desire to help people understand what's available and help them take advantage of cheaper deals this would be frowned upon.

2. In which sectors do DCTs not currently play a major role, but could in principle offer substantial benefits to consumers? Why have they not become established in these sectors? We are not aware of any sectors where DCTs could play a bigger role and offer substantial benefits.

3. How has the growing use of DCTs affected suppliers' offers to consumers who do not use DCTs in our case study sectors and more broadly? What impact have DCTs had on suppliers' ability to discriminate between active and inactive consumers? What are the implications for vulnerable consumers?

Suppliers usually treat active consumers better than inactive ones. The classic example is car insurance where for many people if they ring their car insurance provider with evidence of a better quote the provider will match, or beat the competition. Markets work for the benefit of participants; if people don't participate they will lose out on the best deals. There is no evidence that the domestic energy market isn't working for participants. The issue is getting participation levels up so that more people benefit from the market.

Again, we need a definition of 'vulnerable' to work with. If they are disengaged people that just don't understand what's available to them then they will benefit from DCTs, as they pull complex information together from a range of sources and make it easier to compare. If they are people without internet access, they can still benefit from DCTS, as many have phone services to assist vulnerable customers in making decisions where they need help and support.

DCTs drive competition, and most domestic energy offers can be taken up directly with suppliers, so any customer could benefit from the deals which are offered as a result of competition driven by DCTs. Suppliers also have a cheaper tariff message on bills, so customers don't even need to switch in order to benefit from a cheaper deal.

We do not feel that domestic energy DCTs have a negative effect on those that won't/can't use them, it is more likely that they have a positive effect as more offers are available to them if they contact suppliers.

4. What factors, if any, have we missed that may be holding back consumers from using DCTs? In energy a key issue is that a comparison does not lead to a binding quote/spend, because if a customer's consumption increases so with their costs. This is a much less certain position than say car insurance where the customer knows their spend when they have selected certain coverage and press "apply".

5. What, if anything, should be done about consumers' concerns about data sharing and the extent to which they feel in control?  
Is this down to consumer confidence? If so is it due to lack of knowledge regarding who their data might be shared with and how it is stored? If consumers don't look at sites to check T&Cs, or have an understanding of basic DPA rules how are we able to increase their confidence?

6. What actions, if any, are needed to improve the way consumers use DCTs – including multi-homing and using DCTs functionalities such as filtering and ranking?  
What we should ask is, why DON'T people do what you're suggesting?  
Rankings other than price may be useful for some consumers; it's worth noting that DCTs are really PCWs and people use these to save money.  
Filters such as service rankings are typical across DCTs; one example in energy is the "green filter", this allows customers to make an informed choice about the "greenness" of the product they select. Do consumers know what they're doing already and are happy with what they do? Are there stats to prove that consumers are unhappy with the choice they made because they didn't know how to use a site, or are people happy that they now have a better deal? If I only care about price why should I sort by ranking? If I want a certain soft toy to add to my collection why should I look at other sites? If I trust a particular site because I've used them before and I'm happy with the service they provide why should I use someone else if I don't want to? What if I'm just too busy to care so I look at one site to find a better deal, should I spend less time with my family so that I can view 5 different sites to choose a product where the difference might be minimal?  
Those people that have the time and the inclination to spend using filters and multi-homing may find slightly better deals. Does that mean that everyone should invest the same amount of time and effort? Should we take a view that if someone is using a DCT then they are already engaged/active and that's good for competition? It would be interesting to note the reasons consumers give for visiting only one site, or why they chose the three that they use to multi-home.

#### INPUTS TO DCTs

7. Have we captured the range of issues that might prevent DCTs from operating effectively? For domestic energy, yes we feel that the main problem has been identified. Supplier, tariff, usage data and meter type are all important factors for comparison. Access to Xoserve and Ecoes database information will address this to a certain level.

The comment on Smart meters is contentious. Agreed that when Smart meters are fully operational (SMETS2) and we are allowed to access certain data from the central database this will make comparisons simpler and more accurate. While we wait for SMETS2 meters to be manufactured suppliers are forced to install version 1, as the government has set an unrealistic target for us all to

have Smart by a certain date; version 1 does not link into a particular database and installation is actually acting as a barrier to switching, which is in opposition to Ofgem's desire to increase engagement in the market. Marketing has led customers to believe that they save money just by having a Smart meter, and don't understand that their behaviour drives their usage and changing habits is the only way to change our spend on energy.

Our understanding is that the supplier obtains meter data through an intermediary. Not all suppliers use the same intermediary, so if I want to switch I may lose Smart meter functionality. Due to the belief that the meter saves the customer money they lose out because they won't switch to a better deal, not understanding that the only thing they lose is the basic functionality of automatic meter reading. Once SMETS2 become available suppliers will have to replace the Smart meters they've already installed – this means the costs for installing version 1 were an unnecessary waste as suppliers have additional costs to do the process again to fit version 2. What were the benefits of fitting version 1 and did they outweigh the disengagement of those customers that had one fitted and won't now switch?

Access to customer usage data will be essential when SMETS2 are fully operational as suppliers will be able to offer time of use tariffs where customers are encouraged to use cheaper energy at specific times of day.

8. Do the issues identified materially affect DCTs' ability to operate effectively and deliver good consumer outcomes?

When offering domestic energy comparisons it is often difficult to persuade customers to locate a bill, and then it can be difficult for them to find the information we want as the bills/statements contain so much. If a customer is not able to locate a bill this doesn't prevent us from comparing and switching as we have an Ofgem accredited calculator which can estimate the customer's usage. As long as we have accurate tariff and meter information we can still compare and switch. Telecoms comparisons are more focused on what the customer's behaviour is likely to be in the coming year and what deals they'd like included.

9. Are current or planned initiatives sufficient to address the issues found?

Access to Ecoes and Xoserve for domestic energy does help to address the issue for us. Once SMETS2 Smart meters are active it is imperative that we have access to customer usage patterns throughout the day as we'll need to compare against other supplier's time of use tariffs.

*COMPETITION – DCTs market position and barriers to entry and expansion.*

10. What explains the strong position of a specific DCT in each of our case study sectors? What do DCTs do to grow their business in sectors where they appear to be relatively small compared to the leading DCT of the sector?

Different DCTs may excel in different areas due to it being their speciality. EHL has been providing domestic energy comparisons since 2003; we have a dedicated compliance manager and quality team so that we maintain good standards and can liaise with suppliers on related matters, we feel that we are experts in this field. If a DCT initially set up with one service it may be easier for them to expand into other services than a new DCT setting up in that sector. One way we grow our domestic energy supplier panel is by assisting new suppliers with their CME process, making it easier for them to then grow their customer base after that process has ended.

11. What are the barriers, if any, for DCTs to enter or expand into sectors where they currently do not provide comparison services or where they are currently relatively small?

Thinking about domestic energy, the barriers to attaining new supplier contracts might include; whether the DCT is Confidence Code accredited, if they already have major suppliers signed and other suppliers feel it worth joining, whether commission arrangements suit the supplier, what other channels the DCT has available to help customers on-board, reputation, and visibility to the public (marketing).

#### Agreements between DCTs and suppliers

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

We don't operate in this sector and are not in a position to comment.

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)?

We don't operate in these sectors and are not in a position to comment.

14. What is the commercial rationale for the non-brand bidding and negative matching agreements we have observed (in all of our case study sectors) and what is their commercial and competitive impact?

The rationale is that it makes sense for business partnerships to be additive rather than allowing one party to cannibalise on the brand building of another.

We believe that this practice inhibits competition between service providers and DCTS and between different DCTS. This is particularly the case with Digital services, e.g. Home phone, Broadband, TV etc.

15. What is the commercial rationale for the non-resolicitation agreements we have observed (in home insurance and energy) and what is their commercial and competitive impact?

In domestic energy we feel that non-resolicitation agreements are in place as suppliers plan their pricing structures on retaining a customer for a certain period of time (maybe 3 years). If a DCT were allowed to re-solicit that customer and switched them away the supplier would potentially lose out financially. This doesn't hold weight as there are various DCTs available and active customers will simply search for another deal at renewal/other instances where they need a new supplier, and switch regardless of whether they were contacted by the DCT that switched them initially. There are also other services contacting customers to switch, meaning that non-active customers could still switch away.

This adversely affects DCTs as they are limited to only competing for that energy customer once. We feel that once we have assisted a customer to switch they also become our customer and we should be allowed to service their needs on an ongoing basis. Even if we don't help them switch again, someone else will.

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

We do not know.

17. Are there any other agreements in place that may affect the effectiveness of DCTs and/or the effectiveness of competition between DCTs (and competition between DCTs and other sales channels)?

Energy DCTs have to adhere to the regulatory regime (Confidence Code/SLCs) but there is no similar energy specific consumer protection for customers of Buyers Agents, e.g. [✂].

Unbundling and hollowing out.

18. How has the growth of DCTs affected product features and/or the product mix in our case study sectors over time? What specific evidence/examples indicate these changes?

Ofgem's RMR stifled the domestic energy market due to the 4 core tariff restriction and now that we're free of it suppliers are able to innovate and provide tariffs which benefit consumers. A greater profile of tariffs means more choice for consumers and this in turn increases competition. This is where DCTs really cut down on search time, they present various offers in price order and customers can see them all in one place to make it easier to choose the most suitable for their needs. In telecoms and broadband we've found that unbundling has provided better financial benefits to consumers, and some prices have reduced as products have been peeled away.

19. How widespread is the use of product reviews and ratings on DCTs and what has been the impact, if any, of the use of these tools?

For Confidence Code accredited energy sites there are restrictions on rating suppliers and it's difficult to incorporate customer views into the formula. Many other sectors include customer reviews and these may be a valuable way for consumers to check if something is right for them. People use reviews to check if a hotel is actually telling the truth in its summary, and if a product is the right size, has the right features, or is good value for money. Other people's opinion may sway our decision making process. The negative impact of customer reviews is where a disgruntled customer posts something which puts others off, where the company was not at fault.

20. What needs to be in place to prevent or mitigate any harmful impact of products unbundling or hollowing out and what can DCTs do about it?

We don't think this is a major issue. There are various forms of regulation which already provide protection to consumers.

## **Regulation**

21. What are your views on the issues we list in Table 8.1 and at paragraphs 8.13 to 8.42 of chapter 8 and how could they be addressed?

Confidence Code accredited sites (domestic energy) follow a different rule set to those that don't sign up; there is no specific TPI regulation which causes suppliers to force TPIs to follow their regulation to ensure that sales made on their behalf are compliant. As there are already other protections in place for consumers (for example Consumer Contract Regs and DPA) we feel that TPIs should be regulated independently. Principles based cross sector regulation would provide more consistency for sites offering multi products and improve supplier confidence in TPIs, reducing their need for so much involvement in TPIs processes; customers would remain protected.



We agree with the comment that regulation is too rigid and isn't able to flex when new technologies come onboard. In domestic energy we still have a set of rules for gas and a set of rules for electricity, despite many suppliers offering dual fuel tariffs.

We also agree that voluntary codes like Ofgem's Confidence Code do not present the best regulatory framework. Those not joining have fewer rules to abide by which gives them a competitive edge and consumers are provided with a different level of protection. Whole of market is anti-competitive and forces Confidence Code accredited PCWs to support marketing costs of those suppliers that do not engage with them; in what other market would this be possible? Should [X] tell you that the bread and milk you wish to buy are cheaper at [X]? We have argued this with Ofgem and are waiting to hear the outcome of the GEMA meeting on 13<sup>th</sup> April.

**22. What is the balance between potential benefits and risks in introducing a cross-sector approach? What would be the most effective approach(es) and why?**

Benefits – there would be fewer prescriptive regulations for each sector which would allow innovation. Consumers might have a better understanding of what was expected from each site, no matter what the product.

Possible risks – maybe none, on occasion we've found that our energy regulator doesn't seem to understand its own rules very well, so we ask if it could be any worse.

Each sector is not served as well as it could be with specific rules.

**23. How could a cross-sector approach interact with existing regulatory frameworks?**

They could interact in the same way that each separate regulator does now; awareness of existing frameworks and how they apply.

### **The future of DCTs**

**24. What future developments outlined in chapter 9 are likely to have the greatest impact in driving engagement? If there are any important developments we have missed, what are they and why are they important?**

If the question is 'what will engage those that were previously disengaged?', is technology going to make a difference? If consumers don't use DCTs as they don't trust them, advances in technology which mean that customer data can be located and auto-filled are not necessarily going to become trusted, one could argue that they will become less trusted as they have that capability.

If the question is 'what will make those that already use DCTs more engaged?' then advances in technology, which mean I have to spend less time keying in data to get to a results page, may make me more likely to check more frequently for other offers and therefore increase engagement.

**25. What future DCT related technologies might affect or assist vulnerable customers?**

Thinking about the definition of vulnerable, maybe technology in the form of apps and DCT services is not going to be an assisting factor? While technologies may help DCTs provide different models for switching, those people that can't/won't use them will not benefit without human intervention. How do we provide vulnerable people the assistance they need, without regulation making it difficult to assist them?