

## [REDACTED] Response to the CMA’s Digital Comparison Tools Market Study Update Paper

### I. Executive Summary

[REDACTED] welcomes the opportunity to comment on the CMA’s digital comparison tools (**DCTs**) market study update paper (**Update Paper**).

Whilst we agree with the CMA’s finding that DCTs in general can offer “substantial benefits in reducing hassle for people and in increasing competition”,<sup>1</sup> there are a number of areas, as largely identified by the CMA, where we believe improvements can be made to increase competition between DCTs to ensure they deliver better outcomes for consumers.

As the CMA notes, in a well-functioning DCT market, a number of DCTs compete with each other and with suppliers for consumers.<sup>2</sup> We agree with the CMA that DCTs deliver the best consumer outcomes when they provide their services at a reasonable cost, and without imposing unduly restrictive terms in their negotiations with suppliers.<sup>3</sup> [REDACTED].

[REDACTED]

[REDACTED]

[REDACTED]. As the CMA notes, this has the prospect of leading to higher prices for consumers and less innovation.<sup>4</sup>

It is important to recognise the differing levels of competition between DCTs across sectors, given it is clear that the DCTs for some sectors are working better for consumers than others. In relation to that, we consider that the CMA should also look closely at:

- Adopting principle-based regulation of DCTs in addition to sector specific regulation: if DCTs are required to adhere to a set of cross-sector standards, consumers will have a consistent and reliable experience through whichever DCT they use for all possible products, whilst still retaining tailored sector-specific regulation. For example, consumers should be aware that suppliers pay commission to DCTs and be made aware of any influence this may have over a product’s ranking on that DCT;
- The potential for narrow most favoured nation clauses (**MFNs**), when combined with exclusive deals, to negatively impact on competition between DCTs and across all channels [REDACTED]; and
- Raising consumer awareness of the different DCTs available across each of the sectors – or correcting the misconception that separate DCTs actually belong to the same group, particularly in those markets where there is only one DCT that is predominantly used by consumers.

We have addressed these points further in our responses to the CMA’s questions below. We have not responded to all of the questions, but have responded to those that we feel able to comment on from our perspective as a user of DCTs. [REDACTED].

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<sup>1</sup> Update Paper, paras 1.2 and 1.14

<sup>2</sup> Update Paper, para 1.27

<sup>3</sup> Update Paper, para 1.28

<sup>4</sup> Update Paper, figure 7.9

## II. Responses to the CMA's questions

### *Consumers*

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

We agree that the CMA should focus on each of the consumer groups as identified in Chapter 5.

***Question 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?***

The growing importance of DCTs as an acquisition channel [✂] means a corresponding increase in the volume of "exclusive offers" limited exclusively to individual DCTs. Those who prefer to deal directly with suppliers and non-internet users (such as customers who do not have access to the internet, or who do not use DCTs) would potentially miss out on these offers, especially where narrow MFN clauses between suppliers and DCTs operate to prevent exclusive deals being driven through non-DCT channels. [✂].

***Question 4: What factors, if any, have we missed that may be holding back consumers from using DCTs?***

The CMA's Update Paper has identified the main factors holding back consumers from using DCTs. We agree that a lack of customer trust in DCTs is likely the biggest obstacle to increased customer usage and this is likely to be linked to concerns around:

- Transparency – is the DCT providing the customer with all relevant product/offer information so that they can pick the best product for their needs? We expand on this in our response to **Question 6** below.
- Data privacy and security, storage and re-solicitation – how will the DCT use the customer data pre, post and during product application? We expand on this in our response to **Question 5** below.

***Question 5: What, if anything, should be done about consumers' concerns about data sharing and the extent to which they feel in control?***

Improving the visibility of the data sharing and privacy policies of DCTs would help consumers feel more in control. As the CMA notes, there are apparent weaknesses in the extent to which DCTs explain their use of consumer data and to which consumers can control how their data is shared.<sup>5</sup> We agree with the CMA that DCTs need to be more transparent with consumers about how they use their data, as well as giving consumers clear information to allow them to make informed choices over the use of their data.<sup>6</sup> Therefore, in addition to DCT-wide regulation regarding visibility of data policies, the CMA should consider whether there are merits in having a uniform data policy. This could include, for example, making certain consent mechanisms mandatory.

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<sup>5</sup> Update Paper, para 5.73(c)

<sup>6</sup> Update Paper, para 5.71

**Question 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?**

As the CMA observed, only the most confident users tend to sort and filter their results and use such functionalities correctly. Many are unaware of these functionalities or struggle to use them in the correct way.<sup>7</sup> Consumers are usually drawn to the results as they are presented to them on the results page, which are usually ranked by reference to a particular parameter with a vertical scroll function. This presentation style may lead consumers to a particular offer based on one particular aspect of the product, without viewing the full range of products available. More options on presentation styles, such as horizontal results displays and greater varieties of clickable filtering (both tools used to good effect in the travel sector), could address the presentation bias issues to allow greater visibility of products for consumers.

The CMA also observed that the default ranking initially presented for credit cards varied quite considerably across DCTs, with some initially presenting credit cards according to ‘representative APR’, and others on ‘balance transfer offer’, ‘likelihood to be accepted’ and benefits or rewards.<sup>8</sup> We think it is important that DCTs offer the same range of filter options, so that customers can quickly select the different ranking options available within their chosen product. This will allow them to make the most informed choice based on their needs and preferences and means that they can compare product offers on a like for like basis across different DCTs.

[REDACTED]

The CMA should also consider implementing the following measures in respect of how DCTs display information that would assist consumers in making an informed choice:

- A requirement that DCTs display product information on a competitively neutral basis, unaffected by any commercial relationships between DCTs [REDACTED].
- A requirement that sponsored links be clearly labelled as such.
- [REDACTED]
- [REDACTED]
- Encouragement for DCTs to include customer service metrics to help customers make choices on the basis of non-price as well as price parameters. [REDACTED].

**Inputs to DCTs**

**Question 7: Have we captured the range of issues that might prevent DCTs from operating effectively?**

[REDACTED] the issues identified by the CMA’s Update Paper appear to suggest that a lack of input to DCTs by suppliers is having an impact upon the operational effectiveness of the DCT.

However, we do not agree that it is the ‘lack of input’ that is the cause of any operational issues. There will continue to be a unique element to each [REDACTED] application based on the consumer’s individual circumstances. It is important for suppliers to provide tailored [REDACTED] pricing which are suitable for the

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<sup>7</sup> Update Paper, para 5.31

<sup>8</sup> Update Paper, para 5.26

customer and fulfil their needs and preferences. Whilst we will continue to provide up to date, accurate information to DCTs, as this is critical to building consumer trust and confidence in the products provided by DCTs, we believe that there is only such much information we can provide due to the unique nature of each consumer’s application.

In addition, we do not believe that providing more consumer data to DCTs will improve customer trust that DCTs are not mishandling their data. Instead, we believe that customers should have more control over their data and what DCTs can see. [✂] We believe that this will address the CMA’s concerns regarding inputs to DCTs, whilst maintaining customer control over their data.

***Question 8: Do the issues identified materially affect DCTs’ ability to operate effectively and deliver good consumer outcomes?***

It is recognised that the accuracy and transparency of product related information is important for the operational effectiveness of DCTs, as this builds consumer trust, which in turn leads to product applications. We remain committed to continuing to provide accurate and transparent information on our products to support this process.

***Question 9: Are current or planned initiatives sufficient to address the issues found?***

We are supportive of the current and planned initiatives which will remove barriers to consumer trust and improve product transparency. Please see our response to **Question 7** above for more detailed information.

***Competition***

***DCTs’ market position and barriers to entry and expansion***

***Question 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?***

Please see our response to **Question 13** below.

***Agreements between DCTs and suppliers***

***Question 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)?***

The CMA has identified that [✂] narrow MFNs are prevalent.<sup>9</sup>

[✂]

Suppliers often offer exclusive deals to improve the ranking of its products on DCTs, in order to favourably drive sales. These exclusive deals are only commercially justifiable if they can deliver the required volume uplift. [✂].

[✂]

[✂]

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<sup>9</sup> Update Paper, para 7.50

[✂]

**Question 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)?**

Whilst not necessary a theme of all agreements, as perhaps MFNs or non-resolicitation clauses are, there remains a general concern regarding the pricing structure applied by DCTs in agreements with suppliers [✂].

[✂]

[✂]

[✂]

[✂]

Therefore, as raised in **Question 21** below, we encourage the CMA to look closely at ways of increasing consumer awareness of the different DCTs available in each sector, as well as raising awareness of those DCTs that are part of the same group [✂]. This will encourage greater competition amongst DCTs, which will drive prices down and make the DCT market a viable acquisition channel in the long term.

### **Regulation**

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

The issues raised in the report point to the possibility of addressing them through a sector wide solution and/or set of standards for DCTs. Whilst this would be beneficial for consumers and suppliers alike there are significant barriers to achieving this<sup>10</sup> and the risk is that an inconsistent approach is delivered as a result.

As the CMA notes, any set of cross-sector principles should therefore take account of the benefits of having/maintaining industry specific standards.<sup>11</sup> We also invite the CMA to consider the possibility of having sector specific quality marks which will then allow niche DCTs to operate in areas of speciality without being burdened by onerous sector wide standards which may not always be applicable.

We agree with the five themes suggested as a basis for the cross-sector principles outlined by the CMA.<sup>12</sup> [✂] would be encouraged to work with those DCTs who operated to a set of standards built around accuracy of product information, transparency of product eligibility and transparency regarding data usage, security and privacy.

In addition, where DCTs form part of the same group [✂] this should be made more transparent to customers, particularly when commission is paid to all DCTs in the group [✂].

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<sup>10</sup> There is a risk that a sector-wide solution would either deliver a set of standards that were so complex that they become unworkable, or that are so loose there is too much scope for interpretation.

<sup>11</sup> Update Paper, para 8.46

<sup>12</sup> Update Paper, figure 8.1

**Question 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?**

See above response to **Question 21**.

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

See above response to **Question 21**.

**The future of DCTs?**

**Question 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?**

Technology will continue to play a significant role in the evolution of the DCT channel. As consumers continue to engage with a variety of digital devices, DCTs will inevitably adapt to provide user interfaces which deliver an optimum user experience. This however will need to be balanced with the need to provide consumers with full and accurate product information, whilst ensuring customers are clear on their eligibility for such products.

[✂]

**Question 25: What future DCT-related technologies might affect or assist vulnerable consumers?**

As the number of available products and offers increase, so will the complexity of the algorithms required to align the correct product set to the consumer's needs. As this evolves, there is a danger that the consumer could become disintermediated from the process, not understanding how or why the product set presented by the DCT has been put before them. We foresee this particularly being the case where a lot of data has been used in the background by the DCT to facilitate the search and selection. This is particularly relevant to vulnerable customers who may place too much trust in what they are being offered, without a full understanding of the data inputs which have led to that product being displayed.