



Funerals Market Study
Competition and Markets Authority
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28th June 2018

Dear Sir or Madam,

Funerals market study - Statement of Scope

I am writing to you as Chief Executive of Avalon funeral plans, in response to the Statement of Scope for the Funeral Markets study.

Avalon is the UK's largest independent pre-paid funeral plan provider, with 25 years' experience. We have longstanding and close relationships with over 1,200 independent funeral directors and sell between 1,400 and 1,500 funeral plans per month in the UK, and 500 per month in the EU. Avalon is the most trusted pre-paid funeral plan provider in the UK, with the highest score on Trustpilot

We believe this gives us a unique understanding of the UK funeral market and how best to meet consumers' wishes, from when they are planning their funeral, at the point of sale and through to the point of enactment (when the plan is claimed following death.)

We welcome the CMA's focus on two themes: Competition and transparency in the provision of funerals, and Crematoria market power. Our response focuses on the first theme and below you can find our comments on some of the questions posed in the Statement of Scope.

However, we believe it important to first set out our perspective on how pre-paid plans – and the differences between independent and vertically integrated providers – affect competition, choice and incentives in the market for funerals.

In summary, we believe that further regulation of the pre-paid funeral plan market - either achieved through the Financial Conduct Authority (FCA) and/or through strengthening the powers and status of the funeral plans regulator, the Funeral Planning Authority (FPA) – could result in more transparency, more competition and a better deal for consumers.

We believe that the current status quo – which enables a small minority of pre-paid funeral plan providers to operate in a largely unregulated way - increases the risks of unethical or unprofessional practices. Avalon believes that greater regulation could reduce these risks and we would welcome initiatives to drive unethical practice out of the market.

Our perspective on the UK funeral market

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Dealing with the death of a close friend or family member is something most people will encounter at some point in their lives. Pre-paid funeral plan providers can help customers manage their finances and choose and plan for the funeral that they want. They also serve an important function in reducing the burden of a bereavement at an emotionally challenging time.

Pre-paid funeral plans empower people to choose what to include in a funeral package. Many choose pre-paid funeral plans to provide peace of mind for themselves and their loved ones. Customers purchase a package of goods and services, (e.g. coffin, transport of body, cremation) in advance, at today's prices, to an agreed amount. This means that a pre-paid plan can offer protection for an individual's family against having to get involved with any of the finances or administration. It also protects the family against the rising cost of funerals.

Two-thirds of funeral plans are currently sold by vertically integrated providers. Vertically integrated providers are companies which operate both as a pre-paid funeral plan provider and as a funeral director (some vertically integrated providers also own crematoriums). Under this model, a single company is responsible for all aspects of a funeral, including the plan, cremation and service itself. A single company is also able to set the prices for all of these services.

Independent pre-paid funeral plan providers instead partner with local, independent funeral directors to deliver the services for which the customer has paid. Independent pre-paid funeral providers are not able to set the costs of the funeral itself.

We believe that the independent pre-paid funeral plan model is crucial in ensuring transparency, competition and affordability in the funeral sector. It also plays a valuable role in supporting independent funeral directors and thus ensuring competition in the funeral market, allowing independent funeral directors to thrive even though they lack the marketing reach and resources of the largest vertically integrated providers.

Under the independent model, customers have the option to choose from many different funeral directors. By contrast, pre-paid plans offered by vertically integrated providers can result in customers being offered a limited choice of funeral directors – all of whom may actually be owned by the pre-paid plan provider (though the funeral director may not appear to be part of a larger, integrated group). Avalon recommends that funeral directors should be obliged to display and otherwise communicate their ownership by larger groups.

Some customers hope to plan for their funeral expenses through Over 50s insurance plans, which are often incorrectly and misleadingly marketed as funeral plans. With an Over 50s plan, the customer receives a set cash payment at the point of enactment, as opposed to a contract for a package of goods and services, which is what a pre-paid funeral plan provides. This cash payment - that is received from the insurance package - is not protected against inflation, is subject to investment risk, and is not guaranteed to cover the costs of a funeral. This means that grieving family members must approach funeral directors at the point of enactment (something which pre-paid plans mitigate against). Avalon believes Over 50s insurance providers should not be permitted to use the term 'funeral' when advertising their plans to ensure transparency. This is because the reality is they provide a monetary pay-out at the point of enactment and ensure no package with a funeral director whatsoever.

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Responses to questions in section 47: a), e), g), h), i)

We have restricted ourselves to answering only those questions in section 47 that we can speak to with some relevant degree of market knowledge.

a) Why have funeral prices generally increased?

- In the UK, 96% of people do not plan their own funeral. This typically means that family members approach funeral directors at a time of vulnerability and without prior knowledge of the options available. It is undeniable that the price of funerals is rising at a disproportionately high rate compared to inflation, earnings growth and the rate of pensions.
- However, Avalon believes that attributing this rise to any significant degree to the mis-selling of funeral plans is misleading. Pre-paid plans, from independent and FPA registered providers such as Avalon, offer the opportunity to affordably plan and fund a funeral. Pre-paid plans provide consumers with a greater menu of options, more time to make a decision and better value for money by paying for the funeral (either upfront or in installments) at the sale price rather than the enactment price, which may be many years later.
- Vertically integrated pre-paid funeral plan providers offer far less choice and transparency than independent providers. Vertically integrated providers can control the prices of all elements of a funeral, so they have few incentives to reduce prices or control costs. This model discourages competition and contributes to rising prices.
- As an independent provider, Avalon chooses to contract with over 1,200 local funeral directors at the point of sale, rather than the point of enactment. Unlike vertically integrated providers, we do not profit at the point at which the funeral directors deliver the funeral.

e) Is sufficient information (including low cost funeral options and itemised prices) made available by funeral directors, when is it provided, and does it allow for meaningful comparisons of services between funeral directors?

- As funeral directors are most often contacted at the time of need, their customers are in a state of emotional vulnerability and therefore very rarely 'shop around' for the service most appropriate to their needs. For this reason, there is no meaningful comparison of services between funeral directors. Pre-paid plans are therefore a vital tool in ensuring competition and choice in the market because customers can take their time to compare services and come to an informed decision.
- It is currently too difficult for consumers to identify the true costs of funerals and funeral plans. Some plans mislead the customer into believing costs such as embalming, transportation of the deceased, doctors' fees etc. are included, when they are not.
- Vertically integrated providers who buy-out other funeral director businesses do not always disclose their ownership or affiliation with the funeral director, resulting in the customer not having a full understanding of who they are dealing with. Where numerous funeral directors in an area are affiliated to one overall provider it can be detrimental to customers. The customer is at risk of incorrectly believing they have a choice in which funeral director they use, when they are in fact dealing with one entity.
- Avalon offer a clear and flexible pricing structure. As well as our three fixed price package options, we offer a flexible 'build your own' funeral plan to suit customers' needs and wishes, including the simplest "direct to cremation" plan. This provides sufficient clarity on what

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services are included in a package and gives the customer a greater choice and more flexibility than other pre-paid plan providers.

- Avalon never recommend directors, we instead prefer to give customers a free choice. If a customer wishes to use a director that Avalon does not have an existing relationship with, we will attempt to fulfill their wish, subject to ensuring that the customer's preferred funeral director meets our standards and is not affiliated with a vertically integrated company that would be unlikely to accept one of our plans. We believe this is the best way in promoting competition and choice, while ensuring quality.

g) What are the benefits or limitations of intermediaries, such as comparison websites, in helping people choose a funeral director?

- We have restricted our comments to comparison websites for funeral plans, as these have an important impact on what choice consumers have for funerals. Many comparison sites for funeral plans are in fact sales channels for integrated providers (who only provide plans that can be used with funeral directors they own) and the sites do not offer access to the plans they claim to be comparing.
- Many comparison websites that purport to compare the cost of funeral plans mislead customers and should be withdrawn. Many of these comparison websites are affiliated to just one pre-paid plan provider and are set up to generate leads for those plans alone. These sites often use several funeral plan providers' names and logos without the required permission. This gives the misleading impression that they are legally representing each company's brand and genuinely reviewing each provider based on their individual merits. Avalon – and many other pre-paid plan providers - are frustrated by the false use of its brand by these intermediaries and we recommend that this practice is stopped completely.
- By contrast, Avalon enters contractual agreements with its lead generators to ensure compliance, and sign-off all material on their sites. The landing pages clearly name Avalon, and state that the customer will be contacted if they submit their details.
- Some intermediaries compare over-50s life insurance plans with funeral plans, which are not comparable. Customers receive a monetary payment from life insurance plans, rather than a package of goods and services. Life insurance payments are not guaranteed to pay for a funeral. Many life insurance policies include high cancellation fees and policies that can result in the customer receiving less than they paid in, or nothing at all. This is not comparable with funeral plans.

h) How effective are industry codes of practice in facilitating consumer choice e.g. through transparency obligations placed on funeral directors?

- The National Association of Funeral Directors (NAFD) asks all members to abide by the NAFD funeral promise, which pledges "choice, respect, attention to detail and right to redress". The NAFD represents over 3,700 funeral directors on a voluntary basis, and Avalon recommends that they are enabled to reduce poor practice amongst directors.
- We believe that the code of practice for the providers of pre-paid funeral plans also has a role in facilitating consumer choice, as pre-paid plans enable consumers to exercise more choice (and indeed control) in the funerals market. The FPA currently regulates the vast majority of providers in the pre-paid funeral plan sector.

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- The FPA Code of Practice is one of the toughest self-regulatory codes of conduct in the UK, requiring providers to follow a strict set of rules that covers: customer treatment; marketing and advertising; transparency of plans; plan funds; and customer complaints.
- The FPA also possesses substantial powers to discipline members, including termination of registration, compensation and fines of up to £5,000.
- The FPA is currently reviewing its rules and code of practice, demonstrating its commitment to continuous improvement
- Avalon recommends that the FPA's powers be extended to give them the ability to regulate and list individuals in the industry (in a similar manner to FCA-regulated sectors), not just organisations. This would reduce the ability of an unscrupulous trader to simply wind-up a company that has been proven to have broken the code and then starting again under a new company name.
- Avalon recommends that the FPA be reformed to operate within a framework that provides them with greater enforcement and supervision powers. Mandatory regulation for all providers under the FPA would reduce instances of poor practice and improve outcomes for consumers.

i) How do funeral directors compete to attract customers?

- Unlike larger providers, who are driven by margin maximization, the local, independent funeral directors Avalon works with rely on securing custom through building and maintaining a strong reputation in the communities in which they operate.
- Avalon is concerned about what we believe to be the anti-competitive behaviour of some of the larger players in the market. Avalon is aware of several large providers using aggressive anti-competitive tactics, and we believe that this is contributing to a lack of choice in the market and a worse deal for consumers.

I would welcome the opportunity to discuss these issues further or to provide additional information if you so wish.

Yours faithfully,

Paul Wilson

Chief Executive

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