

## **Fairer Finance response to CMA's Statement of Scope for its funeral market study – 28 June 2018**

Fairer Finance welcomes the CMA's market study into the funeral sector. Our organisation has carried out a considerable amount of work looking at the pre-paid funeral plan sector over the past 12 months, and through this work, we have identified a number of market failings in the at-need funeral market.

Consumers of funerals are often at their most vulnerable. They are grieving and are making an expensive purchase – which in many cases they have not made before. This leaves them open to exploitation.

It is not always easy to shop around as most providers do not supply details of their prices on their websites – and it's not always clear what is included and what isn't. Once on the phone, it's harder for customers to be "good consumers" (ie push for the best deal). Whether explicitly or not, many customers understandably fear that trying to save money on a funeral is disrespectful of the deceased. In reality, few of us would be happy to know that our death had provided an opportunity for our families to be exploited.

Proof that price competition is not working is easily found by interrogating the different prices of funeral packages. Major funeral providers now offer "simple" funeral packages, which include all the key elements of the funeral. If customers choose to go "A la Carte", then can end up paying double the price of a simple funeral, without receiving much more than a better quality coffin and a choice of time slot for the service. This suggests that margins in the sector are over 100% for some packages.

Even if customers are able to compare on price, it is almost impossible to compare on quality. There is no regulation of funeral providers in the UK, so standards vary considerably. Most, but not all, have refrigeration units for bodies. Some are more skilled at treatment of the deceased and embalming. Some have better quality hearses and coffins.

Customers do not have any way of comparing what good looks like – especially if this is the first funeral they have arranged.

We would like to see the CMA facilitate better price transparency in this market by forcing funeral directors to publish itemised price breakdowns of their services on their websites.

And we'd like to see full regulation of the funeral sector, with inspections by Local Authorities, or an equivalent body, who can assess the quality of the facilities provided. This data would need to be readily available to consumers, just as the

Food Hygiene Ratings of restaurants is made publicly available.

Consideration also needs to be given to the way that care homes and hospitals deal with funeral directors. If a funeral director has not been appointed before someone dies, care homes and hospitals may have an arrangement with a local funeral director, so that the body can be immediately transferred.

Although customers are at liberty to then switch, many do not switch in practice, and if they do, they are obliged to pay a fee to the initial undertaker.

### **Answers to questions posed in the Statement of Scope.**

#### ***Competition and transparency in the provision of funerals***

**a) Why have funeral prices generally increased?**

Funeral prices have increased because of a lack of price competition, driven by a lack of transparency in the sector. Rising crematoria prices have also been a factor since 2010. These have come about as central government has cut local authority budgets, triggering local authorities to look for new ways to raise additional income. As locality is often of key importance to those organising a funeral, price rises in the crematoria sector did not impact demand.

**b) What explains certain large funeral price differences between funeral directors in the same local area?**

Some funeral directors do have higher costs. If they have invested in proper refrigeration technology, a good quality fleet of vehicles, good quality coffins, and better quality crematoria, they may need to charge more to retain a satisfactory margin. However, the link between price and quality is not always there. In some cases, funeral directors are simply charging what they can get away with, regardless of whether they offer commensurately better quality.

**c) In what settings and under what circumstances do consumers decide which funeral director to contact?**

Some care homes and hospitals have arrangements with a local funeral director – and if the family do not have a prearrangement, then they will send the deceased to one particular local director.

Presumably, funeral directors with these deals in place pay commission back to care homes and hospitals. They then have the first opportunity to win the customers' business.

Many families shop around by looking at local websites – but there is very little price information published. They may then pick up the phone to ask for more details.

More recently, online comparison services have started to help improve consumers' ability to shop around.

**d) What factors are important to them in making that choice? How far (in terms of distance / time) are consumers prepared to travel to reach a funeral director? Do consumers have sufficient information on the alternative funeral directors available locally?**

Most consumers look for funeral directors in their locality. Many will take recommendations from friends or family, and it's not uncommon for families to stick with the same funeral director for all funerals.

Distance may not be a problem for families who don't want to view the body before the funeral. But most will want to keep the deceased close by.

**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?**

No – funeral directors provide very little information on pricing, and what they do provide is often bundled into packages. Consumers need to be able to see a breakdown of all costs, so they can make meaningful comparisons.

**f) How do consumers evaluate non-price factors, such as quality?**

At the moment, there is no way to do it. Mostly, it comes down to recommendations from friends and family. It may come down to how smart the shop front is, or how nice the telephone manner is of the person who answers the phone. But there are no meaningful ways to measure quality.

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

They are still relatively new in the sector, and they don't have the support of everyone in it. So it's not clear how much of the local market they are offering prices for. And the prices they tend to show are bundled. It's quite possible that they guide consumers to choose a low headline price, but then extra costs make the overall package more expensive.

I imagine they are struggling commercially. Most consumers will not complete the deal through the comparison site – they will do an initial search and then pick up the phone. So there may be no revenue realised by comparison sites, even when they are

successful at securing business for a funeral director.

The industry has generally been resistant to the introduction of comparison sites, as they realise they can write higher margin business in the status quo.

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

Not very effective. The sector is still very opaque, and the industry's largest trade body, the NAFD, has had a high turnover in leadership over the past few years. This has meant they are not leading the industry towards improving standards at the rate required.

**i) How do funeral directors compete to attract customers?**

Some have deals with prepaid funeral plan providers, who give them business at very low prices. They take this on at cost, or even a loss, in the hope of getting in with the family. Mostly, it is location and heritage.

**j) What, if any, barriers exist to funeral directors entering a new local area?**

Very few barriers.

In light of the evidence we receive, should we find a problem under this theme, we will consider what remedies may be appropriate. For example, we may consider whether measures requiring increased transparency are necessary; whether there is a case for requiring prices for certain types of funeral to be specified, or for requiring unbundled pricing; and/or whether technological solutions may be appropriate. We would welcome initial views on the following questions:

**k) Could funeral directors providing enhanced online information enable effective comparisons, and if so, what information should they provide?**

Yes. They should provide a full breakdown of the costs for the services they provide, and be very clear on any additional associated costs. So there should be a breakdown showing the cost of the funeral director services – and perhaps even granularity in what is included in that main fee. There should be details on costs of coffins, crematoria/interment fees, headstones, flowers, wake, doctor's fees, celebrant/minister fees etc.

**l) Are there other ways to improve transparency of information that we should consider?**

Support for the price comparison sector, so that detailed price information is easy for them to collect, and mechanisms to ensure they can get paid for leads they generate.

**m) Are there measures that could help consumers evaluate non-price factors, such as quality, together with prices?**

A quality rating, assessed by local authorities or other equivalent body.

**n) Are there technological or innovative solutions that could help consumers make more informed choices?**

As above – more support for price comparison sites – but with quality assessments included as well.