



Which?, 2 Marylebone Road, London, NW1 4DF
Date: 28 June 2018
Response to: CMA Funerals Statement of Scope

Consultation Response

1. Which? welcomes the opportunity to respond to the CMA's Funerals market study statement of scope. Which? agrees that high prices and rising funeral costs, considerably above the rate of inflation, warrant a full examination of the market. Which? has been so concerned about the reported prices and market features that in the July edition of Which? Money magazine we examine the increasing costs of funerals and the options for consumers engaging in the funeral market [attached].
2. Which? is concerned that proposed scope is too narrow in two respects. Notwithstanding that the Government has launched a Call for Evidence to aid the design of a more appropriate regulatory framework for the pre-paid funeral sector, Which? believes that pre-paid funeral plans (PPFPs) ought to be in scope. Further, Which? believes that at the very least, the impact of the supply of grave plots has on crematoria market power should be in scope.

Pre-paid funeral plans

3. The proportion of the market served by PPFPs is significant. Funeral Planning Authority (FPA) registered firms comprise about 95% of the market and sold over 207,700 funeral plans in 2017, which represents growth in annual sales of around 245% since 2006.¹ Last year, 89,800 plans were drawn down, so that funerals paid for fully, or in part, by PPFPs currently account for over 15% of the total number of funerals in the UK (based on UK FPA drawdowns over UK deaths). Further, this will rise in the future as there were 1,313,100 undrawn plans in 2017.² These undrawn plans equate to approximately £4bn in assets under management. This is a rapidly growing part of the market and will have an impact on how consumers access funeral care. Which? believes there are multiple reasons why PPFPs should be in scope for this market study.
4. First, there is a relationship between pre-paid plans and consumer interaction with the funeral market that must be explored. When consumers plan for their own funeral they often make the informed choice to either purchase a plan or set money aside for others to use at the necessary time. In its statement of scope the CMA sets out a number of concerns including lack of transparency, difficulties in comparing packages, product limitations and cancellation fees. In omitting PPFPs from scope Which? is unsure how the planned consumer research will provide an appropriate overview of decision making in this market, possibly compromising any conclusions drawn from it.
5. Next, the growing pre-paid segment may be impacting on prices overall. Even with PPFPs, bereaved consumers must still engage with aspects of the funerals market. For

¹<https://www.gov.uk/government/consultations/pre-paid-funeral-plans/pre-paid-funeral-plans-call-for-evidence>

² <https://funeralplanningauthority.co.uk/statistics/>

example, as our article points out, few PFPs fully cover third party costs. It is not uncommon for minister's fees, cremation or burial fees, flowers and transport to be excluded in part or fully from these plans. It may be that having full or part payment in advance increases willingness to pay for these extras, which has led to price increases. The CMA should explore whether the prices of products typically excluded from plans reflect associated costs. Additionally, bereaved relatives may choose to supplement the pre-paid plan, but they will be contractually tied to a funeral director, which would enable the funeral director to charge high prices for supplementary elements and may lead to price discrimination between those with and without PFPs.

6. Further, the CMA cannot presume the outcome of HMT's call for evidence. It is possible that HMT will choose not to regulate as currently proposed in the call for evidence. It would not be prudent for the CMA to expect that any current market issues within the PFP sector will be addressed appropriately. We are already aware that some market players are resisting HMT's proposals, even though other market participants have spoken to Which? previously stating that the current voluntary model of regulation is inadequate and unfit for purpose.
7. Finally, we are aware of certain instances within the contracts of PFPs that appear egregiously unfair and which may be causing significant consumer detriment. For example, we have anecdotal evidence that consumers can be charged up to £200 to change the name of the beneficiary (following the death of the original beneficiary) of any surplus should the entire funds of the plan not be used. In the event of no living beneficiary being named, any surplus funds were to be kept by the company. Even in the event that HMT chooses to regulate, this will take time. The CMA's consumer powers may provide a much faster route to an adequate solution for consumers.

The relationship between crematoria and graveyards

8. Which? also believes that the CMA should consider the relationship between crematoria and the supply of grave plots. It is probable that there is substitution between cremation and burial, so that scarcity and the price of grave plots will be a contributory factor in determining the market power of crematoria. Our article shows huge regional differences in the cost of burial and we believe this warrants further examination.

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