Experian / ClearScore Merger

Summary of third parties' views

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Introduction

1. This document provides an overview of the responses and comments third parties have provided in response to the CMA's (phase 1 and phase 2) enquiries.

2. Written responses to CMA questionnaires have been received from those in the following table:

Competitors	Financial product providers	Other
Callcredit Consumer Group Ltd CapitalOne/CreditWise Comparethemarket.com Confused.com Credit Angel Credit Reporting Agency Limited (CheckMyFile) Equifax Giffgaff Limited Go.Compare Knowyourmoney loveMONEY.com Limited Money.co.uk Money Expert Moneyfacts Moneysupermarket	The AA American Express Aspire Money Limited Barclays Bank UK Plc Capital One (Europe) Plc Car Finance 247 Cashplus Chetwood Everyday Lending Hitachi Capital Lendable Lloyds NewDay Norton Ratesetter Oakbrook	Account Technologies Credit Karma Citizens Advice Financial Conduct Authority HSBC Money Advice Service Monzo Mortgage gym Starling Yolt

UK Credit Ratings (RS Data Tech) TotallyMoney Uswitch/ZPG Which? Financial Services Limited	Sainsburys Seopa Shawbrook Tesco Vanquis Virgin Zopa	

3. The material is divided up to reflect the three frames of reference from the Terms of Reference. There is a final section for views of potential Experian affiliate partners and fintechs.

Credit checking tools

Market definition and closeness of competition / diversion

4. Third parties broadly took the view that the shift from paid towards free credit score and report products would continue. Paid-for products would continue to have some role where they provide specific added value over and above free products.

5. Overall, most providers of free CCTs saw ClearScore as their top competitor. Experian, Noddle and TotallyMoney were typically identified as other relevant free competitors. Some CCT providers noted that their product offer of free credit score and report was similar to ClearScore's, but that Experian does not offer a free credit report.

6. One CCT noted that free entrants had vastly expanded the market as a whole and cut back the previous growth of paid services. There was a core element of competition between paid and free, but also polarisation of offers between access to reports/scores monetised through CCPs in free services, and a greater emphasis on ID protection in paid services. Paid services have sought to differentiate themselves from free through innovation and extending the member offering. This CCT considered that CCTs will continue to be provided to consumers on both a standalone basis and alongside CCP businesses. It said that CCTs on a standalone basis are very useful for consumers looking

for credit, as well as for those looking to review their credit report and ensure that it is accurate.

7. Another CCT stated that entry by Noddle and ClearScore added to consumer awareness of credit scoring, but also ratcheted up the cost of acquisition (eg via pay-per-click search terms) of subscribers. It considered that the emergence of ClearScore (and to a lesser extent, of Noddle) providing a free service restricts the ability of CCTs to increase the price of credit report subscriptions to cover cost increases. It identified various ways in which it added value to its paid product to differentiate it from free ones. It provided data from [✂], and invests in [✂].

8. A different CCT stated that the difference between free and paid-for credit checking is constantly adjusting. It believes that the profile of consumers using the various services is similar, but the driver or need for the service may differ across consumer demographics. It had research indicating that the market for premium/paid for services will decline by 15-17% per annum and that the market for the free CCT service will grow by 23-25% per annum. It did not see paid-for services as a constraint on free services, although it did consider that paid-for and free CCTs compete to a degree [Callcredit/Noddle].

9. Another CCT considered that free CCTs are likely to displace paid-for CCTs for the majority of consumers, and the market for paid-for CCTs will shrink significantly. This third party regards free CCTs as a gateway to credit products, as the credit score provides a monthly re-engagement mechanism for users to return. [✂].

10. A different CCT noted that ClearScore's entry affected its marketing dynamics considerably, so it had to revise down its plans for number of daily sign-ups. It considered that ClearScore's entry disrupted the market more than Noddle's entry had, because ClearScore had bigger marketing budgets and better products.

11. One CCT said that in its opinion some free CCTs, such as ClearScore and TotallyMoney, have very similar features to paid CCTs, and that paid CCTs therefore struggle to ensure their features justify their price.

12. Another CCT regarded the free credit report primarily as a way to attract people into considering customised credit offers and encouraging take up.

Innovation and dynamic competition

13. Respondents in general recognised that Open Banking could significantly increase the scope of products available, but typically noted that it was still at an early stage and they would need to see how things develop.

14. One CCT considered that Open Banking may improve customer experiences both for the digital sites hosting CCPs or the CCPs themselves. It will serve as an innovation platform for CCP markets helping to attract new entrants with business models that may improve the value of CCP and CCT services.

15. Another CCT believed that while changes in regulation and legislation may make it easier to enter the market as access to some sources of data may be available, it does not believe this will have a significant impact on the market and current suppliers. This was because of a substantial barrier to entry in the brand and customer base that has been built by the large players in the aggregation/platform space, such that the larger incumbents probably have the most to gain.

16. Other respondents did not believe that the recent changes in regulation and legislation had had any impact on the ease of new entry.

Entry and expansion

17. Third parties noted an increase in consumer awareness of the importance of credit reports and scores. A number of CCP providers reported that they had either recently entered the CCT arena (GiffGaff), had entry plans (two CCPs), or had actively considered the option but not engaged to date (one CCP).

18. Views on the ease of entry were mixed. Some identified significant investment costs and overheads related to entry, including credit reference agency costs and marketing budget required to attract customer volumes. Compliance and regulatory costs were also noted. One CCT noted that it had not achieved its target take-up rates, which had now been downgraded. Another CCT noted [✄]. It also submitted that scale and first mover advantage are important barriers to entry.

19. One third party submitted that scale and first mover advantage are important barriers to entry. It further explained that ‘ClearScore, CreditExpert, Credit Matcher [Experian] and Noddle have significant scale in the market already, so any new service only becomes valuable with mass adoption at similar scales (4-7m users) which then becomes attractive to lenders as an acquisition channel relative to these existing services.’

Views on merger

20. Views on the competition impact of the merger were mixed. Some respondents noted the availability of free credit report alternatives, or considered that the merger would continue to attract additional players into the free score space. However, others noted the significant combined share of

the parties, and/or were concerned about the scale of the parties' combined marketing spend.

21. One third party was initially concerned that the merger would remove a competitor from the market, however, later went onto state that it thought that it was good for ClearScore to have a parent company for operational purposes**.**

22. Another third party said it was concerned about Experian 'locking up the market for free credit scores through owning two players with high market shares'. It considered it 'more difficult to lure customers away from Experian's and ClearScore's free credit score propositions once they buy in to their products'.

23. Money Advice Service[1] considered that the three main free-to-consumer providers (ClearScore, MSE Credit Club and Noddle) do seem to be challenging each other to deliver better experience for consumers. For example, one provider goes further than the others by providing affordability information. If the long-term impact of the merger resulted in fewer no-fee suppliers, Money Advice Service said it would be concerned about reduced choice for consumers, which could result in a lower quality offering.

Credit comparison platforms

Competitors

Market definition and closeness of competition / diversion

24. Few competitor responses addressed this in detail. Some noted that lenders will also use a wider range of direct acquisition channels outside of price comparison sites, including their own direct marketing channels, digital marketing and TV advertising . Fuller detail was provided by customers (lenders), as summarised in the later section.

25. One CCP indicated that the market for money product comparison encompasses price comparison websites, direct players, affinity products, and sites offering free credit reports/scores.

[1] The Money Advice Service is a UK-wide, independent service set up by Government to improve people's ability to manage their financial affairs. The Financial Guidance and Claims Act 2018 makes provisions to establish a new Single Financial Guidance Body from the three existing providers of government-sponsored financial guidance: Money Advise Service, The Pensions Advisory Service and Pension Wise, bringing together the provision of debt advice, money guidance and pensions guidance.

26. Several CCPs submitted that outside of CCPs, lenders may use some or all of a range channels (offline and online direct marketing, credit brokers) to drive product applications.

27. Another CCP stated that price comparison websites compete by product (loan, credit card, mortgage) and not as a whole across all money or insurance services. With respect to consumer segmentation, this CCP submitted that a consumer who visits Experian's and ClearScore's websites has a different mindset – to check their credit data/report – and their initial intention is not to purchase a financial product.

28. A different CCP did not regard its lack of a free credit checking tool as a significant competitive disadvantage for its CCP. It considered there are lots of customers looking specifically to compare credit cards and loans who do not see credit report information as necessary to that.

29. One CCP had an understanding that CCP/CCT generated leads are of a higher quality (eligibility) and intent (commitment to see the process through) than other channels, and so are the most cost-effective acquisition method for many lenders.

30. One CCP considered that insights from the credit report would enable credit-checking CCPs to target customers more effectively than other digital comparison services. They could use the credit file data to assist in providing a seamless customer journey and reduce the number of questions asked to customers. This CCP believes that customers that use combined CCT/CCPs are less likely to subsequently use other CCPs, such that CCTs may become the primary customer channel for credit purposes.

31. Of the 15 CCP providers which responded to the relevant question, none clearly identified either of the parties as their own closest competitor. Most commonly identified as closest competitor was MSM, followed by Comparethemarket and money.co.uk. Only two CCPs identified the parties as being amongst their top competitors for credit cards or loan comparisons.

32. There was general recognition of the importance of offering eligibility checking as part of a CCP service. One CCP regarded eligibility checking as critical to creation of an effective comparison service which works for customers and the business, and noted that all the largest CCT/CCP players now offer it.

Innovation and dynamic competition

33. One CCP considered that the value of additional data available through PSD2/Open Banking is hard to estimate. It said that in theory they and GDPR should enable more data to be used to help consumers make better financial

decisions. However, the value of the data was yet to be confirmed commercially. Ultimately the value will depend on the consumer's appetite and trust to give companies access to their data, in addition to the appetite of lenders and the regulator to use this data to make lending decisions, as well as the ability of products to provide value to consumers so that commercial models can evolve.

34. Another CCP stated that it expects to see convergence in consumer propositions that will incorporate CCPs, CCTs and potentially Open Banking/PSD2 powered platforms. It recognised that developments including Open Banking and PSD2 open more opportunities to expand a business in ways that were not possible before.

35. A different CCP expected CCTs to eclipse CCPs in terms of market share in the intermediary/aggregator space in consumer finance. It believed well-executed CCTs have the ability to generate new intermediary market share via broader market appeal and a more engaging, 'sticky' proposition.

36. One CCP predicted convergence between CCPs with and without credit checking tools, and saw these being supplemented with the use of Open Banking and PSD2 data, bringing insights from customers' banking accounts, as well as payment accounts to assess affordability and eligibility. However, while access to customer data is now (theoretically) easier, it considered there are still significant technical, regulatory and customer trust barriers to unlocking access. The access to data makes it easier for incumbents to get smarter and closer to the customer.

Network effects and multi-homing

37. One respondent commented that:

(a) having more product providers is important as this increases consumer choice, which is important commercially for increasing consumer activity; and

(b) Higher volumes of good quality customers leads to higher commissions.

38. It was also stated that direct lenders will not undergo the technical, legal and commercial work needed to join a panel without first knowing there is a significant volume of customers.

39. There was a general perception that consumers multi-home by engaging with a number of sites and/or distribution channels.

Ease of entry/expansion

40. Several respondents noted that entry was made easier if taking place through an outsourced or white label proposition (albeit at the cost of sharing revenues). Totally Money and Runpath were mentioned as examples of white label platform providers. Building a CCP from scratch was described as ‘complex and expensive’.

41. One respondent told the CMA that entry to the supply of credit checking tools was more difficult than entry to the supply of credit comparison plaftforms. This was due to increased development and technical costs, as well as challenges from a legal and regulatory perspective.

42. A main challenge was identified as achieving scale in terms of number of consumers, in competition against established CCPs which invest large sums in national advertising. It was suggested that volume of customers was a relevant factor in both attracting lenders to join a panel, and to engage with pre-qualification services providers (HD Decisions).

Views on merger

43. One respondent considered that Experian's acquisition of ClearScore would put them in a position of significant control in the credit cards and loans market. It believed that Experian’s ownership of these brands would make launching into this market or growing from a small volume base incredibly difficult.

44. Another respondent said it was concerned in particular about the combined Experian/ClearScore marketing spend.

45. A further respondent told the CMA that it would be concerned if Experian were to degrade the terms or withdraw the availability of HD Decisions on a business-to-business basis to other comparison services.

Customers

46. Customer respondents in this context were providers of financial products who pay the platforms for successful leads. Many noted the value of access to credit comparison platforms, in particular for suppliers without a branch network.

Market definition/ and closeness of competition / diversion

47. Almost all lenders which responded to the CMA’s questionnaire said that they use direct visits, online advertising (eg Google Adwords) and CCPs to

generate leads from potential customers. Averaging across these lenders, just under half of all leads generated for each lender come through CCPs, direct visits provide just over a third of leads and online advertising supplies the remainder. This was consistent with comments from most responding lenders that they considered CCPs to be an important marketing channel. Similar figures apply to loans and credit cards, whether considered together or separately. However, there was significant variety in the extent to which individual lenders said they use each distribution channel. Lenders with a branch network said they generate many more direct leads, especially for loans. Lenders without a branch network therefore tended to be relatively heavier users of online advertising and CCPs.

48. Some lenders told the CMA that, while in principle lenders' direct marketing efforts are in competition with CCPs, lenders struggle to compete in direct marketing channels because CCPs can outbid them for advertising space, as CCPs' monetisation model is more efficient. This was consistent with comments from other lenders that CCPs are a particularly cost efficient marketing tool, relative to other alternatives. When asked whether they would switch to other marketing channels if CCPs increased their prices by 5-10%, several lenders said they would need to review their alternatives in detail before making a decision. However, most of those lenders which were able to answer to this question said they would not switch away to other marketing channels. Several lenders commented that if CCPs' prices' rose by this much, they might respond by raising borrowers' costs or rejecting more marginally profitable customers. One lender told the CMA that it could use more direct advertising channels in the event of a price rise, but this would be more costly for it. The lender explained that price comparison is ingrained in the UK culture, as customers like to compare prices and offers.

49. Another lender, told the that CMA that it saw an increased reliance on indirect channels when booking more volume through CCPs. In order to prevent this increased reliance, it spends more on direct channels to remain relevant and to maintain its own ability to market.

50. Many lenders told the CMA that CCPs are important to reaching a large volume of customers, and some commented that if a lender were to stop using CCPs, it would reach fewer customers. However, one lender also said that its presence on a CCP generates incremental revenue for each CCP, and that this gives it more negotiating power. Several lenders told the CMA that the various marketing channels are complements, rather than alternatives.

51. A clear majority of lenders said that Experian and ClearScore are each in the five most significant sources of leads amongst CCPs, for both credit cards and loans. Most lenders also said that MSM is one of the five most significant

sources of leads, for both credit cards and loans. Uswitch and TotallyMoney appeared multiple times in lenders' lists of their five most significant lead sources for credit cards, while TotallyMoney, Noddle and CompareTheMarket appeared multiple times in the corresponding lists for loans. When commenting on the advantages and disadvantages of using individual CCPs, lenders most frequently referenced the volume of their traffic and the extent to which they supported pre-qualification. For approximately a third of lenders, Experian and ClearScore generate 25% or more of all leads.

52. Several third parties noted that the GDPR was likely to adversely impede some of their direct marketing activities, increasing the importance of indirect channels in future.

53. Lenders did not express strong views on the relative merits of CCPs with and without CCTs. One lender commented that CCTs "provide greater insight for consumers into their credit history, offering the benefit of an ongoing relationship over time, and helping consumers make more informed choices, as opposed to aggregators which tend to be used by consumers at the point of need only."

54. Responses were mixed on whether CCPs with associated credit checking tools delivered a different customer risk profile to those without. There was little indication of suppliers using credit check CCPs specifically to target certain customers.

55. For example, one lender stated that there is a mix of prime and sub-prime customers available to it across the aggregators. The overall risk profile of customers varies significantly between individual aggregators, but it does not see a clear distinction between the risk profiles of those obtained via price comparison websites and those via credit reporting sites. Another lender gave a similar view.

56. In contrast, **a** different lender stated that free credit report comparison platforms have a more even score distribution, whereas platforms without a free credit report tend to have large pockets at low and high credit scores.

Negotiations between lenders and CCPs

57. Most lenders identified pre-qualification (eligibility checks) and volume as important factors in choosing CCPs and negotiating the price of leads.

58. Lenders said that pre-qualification is very important in order to improve the customer experience, and to increase conversion rates and reduce costs (through fewer unsuccessful applications being made). One lender told the CMA that eligibility checking is essential in order to compete in the market.

Customers want to know whether they are going to get a product before they apply.

59. One lender explained that volume is important because “larger providers that can offer higher volumes have more leverage to demand higher prices. If a smaller provider demands higher prices it is easier to drop them from the roster with minimal impact on business performance. This is much harder with larger providers, and so to this degree, the volume of business introduced does positively affect a provider’s ability to negotiate a higher price.” This was consistent with the views of another lender that it is in a stronger negotiating position with smaller and newer sites.

60. Several lenders told the CMA that they negotiate with each partner on an individual basis. However, lenders told the CMA that they negotiate with the white label platform provider (ie TotallyMoney or Runpath) rather than with the CCP, when a CCP uses a white label provider to power its comparison engine. One lender said that this contributed to its concerns, given Experian’s ownership of Runpath.

61. Some lenders said that they were unconcerned by the merger, despite the fact that Experian and ClearScore generate a significant proportion of their leads, because they could switch to alternatives. Several lenders mentioned, in particular, that there are a range of smaller CCPs which are trying to grow their businesses. However, some lenders said that they were concerned that the merger would allow the Parties to raise prices, as they would be unable to replace the volume of leads from the Parties by switching to other providers. One lender said that it would struggle to replace a large CCP with many smaller ones because it would struggle to negotiate terms with multiple CCPs.

Views on merger

62. Some financial product suppliers were unconcerned on the basis of the level of competition remaining between CCPs, and/or that the merger may enable Experian to compete more strongly with Moneysupermarket.

63. Some customers raised concerns. These were described variously as:

    (a) Consolidation of four main players into three, and a possibility that ClearScore may raise its price in line with Experian’s.

    (b) Considerable increase in Experian’s share of the financial products comparison market.

(c) ClearScore will have a competitive advantage by being a part of Experian, making it easier and cheaper for them to provide credit reports than for other providers entering the market.

(d) Increased market power to increase commission rates unilaterally. ClearScore and Experian will generate one third of the group's new business in 2018.

(e) Experian controlling two of the biggest open market financial comparison sites.

Pre-qualification services

Comparison platform operators

64. Respondents were only aware of HD Decisions and Runpath as providers of prequalification services. One third party commented that Callcredit and Equifax would be best placed to replicate such services.

65. Some respondents said that building direct APIs into lenders could be an alternative to using HD Decisions for CCPs, to the extent that lenders are willing to enable direct APIs. One third party stated that growth of direct APIs is reducing some reliance on [the] dominant player in the market. Other comparison sites noted that building direct APIs as a work-around would involve materially more investment from the sites. One third party said that lenders had refused to integrate with it via direct API because of its low volume of users, despite two years of its attempts to convince them to do so, and had instead required it to integrate via HD Decisions. As a result, this CCP said it was unable to access many major lenders.

66. With respect to scope for entry into pre-qualification services, most respondents considered this would be difficult and/or expensive, with a primary barrier to entry of getting access to the lending criteria of banks (rather than the availability of credit data). Several third parties noted that it would be difficult for a new entrant to establish the level of trust from lenders that Experian (via HD Decisions) has. Other barriers to entry identified included FCA permissions and IT set-up costs.

67. One third party explained that it has API connections with the majority of lenders on the loans side, and had found that relatively straightforward. On credit cards it was working to develop alternatives to HD Decisions but had to follow what the lenders require. It said it would consider providing pre-qualification services on loans to others.

68. Approximately half of responding CCPs expressed concerns that following the merger Experian could favour ClearScore, and/or worsen the terms of supply of prequalification services.

Financial product suppliers

69. Approximately half of responsive lenders which use prequalification services said that they have no alternatives to HD Decisions. Of those who said that there was an alternative, most named only Runpath. One third party said that Runpath provided a worse alternative than HD Decisions because it works with fewer lenders and CCPs. Several third parties said that Runpath is no longer considered as viable an alternative to HD Decisions, since its acquisition by Experian.

70. Nearly all financial product suppliers identified pre-qualification as being very important. Several commented that customers value prequalification services, as they enjoy being able to know in advance whether they will be accepted for a credit card or loan. Many lenders said that prequalification services, because they filter out applicants who would not be accepted, improve the rate of converting applicants into customers. This reduces lenders' average search costs per financial product, as they can conduct fewer credit checks for customers who will be ineligible for their product.

71. Lenders gave mixed views on the ease of connecting directly to CCPs via APIs. Some respondents already do this, while others are actively pursuing such developments, although some lenders cautioned that their plans would only allow for the partial replacement of HD. Several felt it would be a relatively straightforward exercise, and some estimated that it would cost less than £10,000 to connect to each CCP. However, others indicated that setting up their own APIs with each CCP would require substantial resource and investment. Some estimated that it would cost over £200,000 to connect to each lender, in addition to a substantial investment in developing the prequalification service itself, ultimately constituting a multimillion pound investment.

72. Although some lender respondents expressed concerns about the strength of the position held by HD Decisions in relation to pre-qualification services, there was little positioning of these concerns as being merger-related. One respondent noted that HDD is a revenue generating entity for Experian, and that they would be concerned that the combined entity could seek to prevent providers directly connecting via API into its tools (thereby forcing them to use HDD). However, the respondent noted that it had not seen or heard anything to indicate that this would occur. Another respondent stated they had no

concerns on this aspect as long as ClearScore continue to support direct API integration and do not mandate an Experian/HD Decisions integration.

Potential affiliate partners and Fintechs

73. Experian encouraged the CMA to seek information from a variety of third parties with which it is negotiating potential deals for the wholesale supply of credit information, for use either as part of a bundled or packaged product, or as part of Open Banking initiatives.

Potential affiliates

74. One financial services provider has had initial discussions with Experian with a view to [✄]. It considered that Open Banking could allow it to offer a more comprehensive view of consumers' bank and card accounts.

75. Another financial services provider had held discussions with Experian in relation to [✄]. This provider expects Open Banking to enable it to offer an enhanced set of credit information services. For example, being able to see a customer's transaction history will help improve the credit information services offered and decisions made

Fintechs

76. [✄] explained that it plans to offer credit checking and credit comparison services in the next 12 months, but that both are still in design stage.

77. [✄] is working on ideas for a marketplace that may include credit comparison services monetised by lead generation.

78. [✄] commented that it did not expect the merger to have a significant negative impact on competition.