



The SAIF Response to CMA Interim Report

Consultation questions on terms of reference for funeral market investigation

SAIF agree with the following in the Interim Report:

- The need for the review of funeral service pricing.
- The focus on protecting the consumer from unscrupulous funeral services.
- The call for online funeral pricing.
- Standardisation of a template for the breakdown of funeral service pricing.
- The acknowledgement of very high satisfaction levels of clients of independent funeral service providers.

What we do not agree with is:

- One size fits all remedy.
- The purely economic evaluation of a funeral service. We think the report needs consumer input why full service funerals remain the vast majority of modern funerals for a reason - preference of the consumer.
- The threat of draconian measures based on limited information.

Our position is further explained in the following responses to the Interim Report.

- 1. Do you consider that the CMA's analysis is correct with respect to the suspected features of the concern in the supply of;**
 - **Services by the funeral directors at the point of need and;**
 - **Cremation services.**

SAIF Response

SAIF consider much of the CMA's analysis with respect to services by the funeral director is correct. However, we submit that there are serious gaps in the gathering of your data particularly in respect of SAIF independent funeral directors which, if considered could significantly alter many of the major conclusions regarding the independent sector.

We refer specifically to the gathering of data by telephone of only eighteen independent companies representing less than 1% of the estimated total funeral directors in the UK. You argued at our meeting on the 19th December 2018 these interviews were only one source of information and that the Royal London and Sun Life annual studies informed *much* of your position. We wish to point out that both these companies sell life insurance products some of which are aimed specifically at providing finance to pay funeral costs. It is therefore in their



interests to report the highest cost and present the facts in a way that shows their products as being necessary to help defray funeral costs in the future.

On page 17 of the CMA Interim Report, this is illustrated as the Sun Life Cost of Dying Annual Report 2018 where Sun Life state the average cost of the core elements in 2018 is £4,300. In contrast, you estimate at section 8.40 the value of funeral director's services at the point of need in the UK is £1.3 billion for a total of 475,000 funerals in 2017. This gives an average price per funeral for all funeral directors of £2,736. If the figures for the top three corporate funeral directors are taken out this leaves independents at £2,531.

Both Sun Life and Royal London produce studies for the whole sector and do not analyse independent funeral directors exclusively. From the information in your Interim Report, the top three corporate funeral directors average funeral price far exceeds that of independents, in one case by as much as £1,100 per funeral.

Therefore, it is our position that your research cannot justify the conclusions shown in section 8.45; *'there is wide variation in the prices charged by independent funeral directors, with a material proportion charging prices as high as Dignity and Co-op'*.

We understand your explanation that many independent funeral directors contacted refused to or were unable to co-operate with your request for data and you had to proceed with the information to hand. Whilst we are disappointed that some of our members have not co-operated, we feel that to make such a provocative statement on such narrow and clearly questionable information, is flawed.

We note from our meeting with you on Wednesday 19th December 2018 that whilst there will be one MIR to investigate one economic market, we believe the operations and price drivers are substantially different between our member companies and that of the Co-operative and Dignity and that evidence *will* show justification for two separate remedies to correct this market. We believe this will provide for a far better outcome of any MIR in relation to consumer protection.

SAIF are therefore prepared to assist the CMA in gathering the necessary information from our members.

Other areas which distort your analysis and bring into question your conclusions are:

- Your decision to exclude burial plots and cemeteries.
- Your decision to exclude the pre-paid funeral market.
- Disregarding the effect of Funeral Expenses Payments capping by the Department of Work & Pensions (DWP) and the devolved Scottish Government Funeral Assistance Programme of 'other costs' at £700; changes in legislation and working practices; changes in consumer behaviour and demands; which all in turn puts pressure on capital investment, operating costs and working capital.

1.1 The exclusion of burial plots and cemeteries:

Your reason for this exclusion is shown in section 1.10 which states, 'the root causes of high burial costs is well understood' referring to the University of Bath Death, Dying and Devolution report, (section starting at page 97), on the shortage of burial spaces. SAIF's position that it is not well understood – it is mis-understood. The reference to increased costs contained on page 100 of the report is the subject of hypothetical questions: should a local authority be faced with establishing a new burial ground. Additionally, on page 101 it is a prediction of the author, not an absolute that re-use of existing graves will halt the spiralling costs of burial ground.

The use of hypothetical questions and predictions to justify dismissing a UK average of 23% of funerals resulting in burial (Cremation Society of Great Britain 2017 statistics) shows a lack of knowledge and understanding of the regional uptake between cremation and burial.

There is ample evidence that UK Local Authorities have over the last five years imposed considerable increases above inflation in areas where there remains available cemetery space. It possible these Local Authorities see cemetery charges as a way of reducing budget deficits, also indicated in the above report, page 100.

Some religious groups require burial. Both the Muslim and Eastern Orthodox cultures are exclusively burial. Although the Catholic Church has relaxed its position on cremation, many believers still choose burial through tradition or because previous relatives, perhaps a spouse or parent have been buried and they wish to join them. To dismiss a considerable section of the market and exclude sections of the community due to their faith beliefs on an incorrect assumption of a report is wrong, discriminatory and distorts your analysis.

The average burial in 2017 was circa 23%. However, in many rural areas of England, Wales, Northern Ireland and particularly Scotland this average is far higher. For example, the most northerly crematorium on the West of Scotland is at Cardross 25 miles west of Glasgow and 275 miles from the North West coast. On the East of the country it is in Inverness, 110 miles from Thurso on the North coast and if you are on Orkney it involves a ferry and an overnight stay. Burials in Northern Ireland are circa 85%.

In conclusion, the average preference for burials in the northern areas of Scotland, South West England, Northern Ireland and rural areas of England and Wales is the reverse of the national statistics. The CMA Interim Report completely ignores these communities and the increased costs they have due to location and religious tradition. As a result they are being excluded from your scope, discriminating against them and distorting the analysis.

Any MIR runs the risk of being dismissed in these areas and by these religious communities and any resulting measures will have no impact on the cost of providing funerals to these areas.



We therefore suggest you reconsider your scope of market study and include the costs associated with burial grounds and cemeteries.

1.2 Pre-paid funeral market

We do not understand the exclusion of pre-paid funeral plans from this investigation. Whilst HM Treasury are investigating this area, their primary focus is consumer protection within a sales process and the integrity of the product to hold a consumer's money. However, these pre-need plans are designed to deliver payment at the point of death, namely a funeral at-need.

HM Treasury's investigatory conclusions will provide remedy for future sales and management of this market. However, today many thousands of these plans exist and over the next ten to fifteen years will be used to provide funding for at-need funeral costs.

SAIF accept the following:

- Some plans may have been mis-sold.
- Some consumers may not fully understand what they have purchased.
- Some plans will have been sold on-line or via sales teams with no practical funeral experience, association with funeral directors and working on large commissions.
- A vulnerable middle-aged public concerned by constant marketing of funeral poverty and the supposed high price of dying are sensitive to such marketing and approaches.

Many independent funeral directors experience calls daily from unregulated funeral-plan companies trying to obtain funeral director services at heavily discounted prices, often well below what is economically viable. This practice seeks to maximise profits for these pre-need companies.

If a funeral director accepts such a heavily discounted plan maturity they are then under strict instructions not to disclose to the plan-holder what they are being paid, often £1,000-£1,500 below what the consumer has paid for the plan. When the funeral director meets the plan-holder, it becomes clear that what they thought was covered is not and, in many cases, extra charges must be made. This leaves the funeral director to pick up the pieces and often the cost left by the pre-need company. Independent funeral directors have a much higher proportion of these funerals as a consumer preferring to use Dignity or Co-op will usually purchase their plans.

It is our position that you reconsider your scope and include pre-need plans at the point of maturity and their effect on the consumer.



1.3 Funeral Expense Payments (DWP)

Disregarding the effect of Funeral Assistance capping of 'other costs' by the Westminster and Holyrood Government's at £700; changes in legislation and working practices; changes in consumer behaviour and demands; which all in turn puts pressure on capital investment, operating costs and working capital; all drivers for independent funeral directors in price setting.

We do not concur with your decision to dismiss the above as this does have an impact on the costs of delivering a funeral service and are not in the control of the funeral director.

Funeral Expenses Payments for "other costs" are capped at £700 adversely affecting funeral consumers of limited means relying on Government help to offset the costs of a funeral.

The Funeral Assistance programme describes essential charges as the cremation and costs of the burial grounds or cemeteries. Other costs relate to what they describe as non-essentials such as flowers, newspaper notices, Minister/Celebrant and funeral directors cost. This is no doubt based on the belief that you do not need to engage a funeral director as you can do it yourself. This totally ignores the fact that the families who need this help most are less inclined to have the knowledge or resources to actually do it themselves. Whilst the essential costs have been allowed to increase unchecked the other costs have been frozen for fourteen years.

SAIF independent funeral directors cannot be expected to freeze their prices for fourteen years and the result is an increase in debt putting pressure on prices. Whilst Co-operative and Dignity insist on deposits and full payments before agreeing to take on a consumer seeking assistance, many of our members will take small or zero deposits and agree payment terms to ensure the bereaved can meet the costs and have a dignified funeral.

1.4 Other Cost Considerations Affecting Funeral Prices

Funeral directors regularly finance disbursements from their own cash flow and overdrafts the cost of which is reflected in prices. Over the years disbursements have risen from circa 15% to circa 50%, even 60% of total funeral costs, largely inflated by unchecked increases in burial and cremation charges. Local Authorities and private operators continue to increase prices with impunity knowing they will have no debt as their charges must be paid by the funeral director. The funeral director however must wait for the consumer to pay or stand the loss of those who default. In the event of default, it is the funeral director's balance sheet that underpins the local authority/private crematoria operators P&L!

Legislative changes have increased costs. The Working Time Directive has inflated staff costs. Scottish legislative changes of death registration and changes to police procedures have protracted the time between death and the funeral requiring greater storage facilities. Scottish SAIF (S.SAIF) advises all members are now required to have on site refrigeration for



the care of deceased. S.SAIF are the first and only Association in the UK to make that a requirement for membership.

Increased need for bariatric lifting equipment and bariatric refrigeration units have seen costs rise. A recent report by the Conservative Party revealed the NHS in Scotland have installed 41 larger storage spaces to cope with obese deceased patients. These patients eventually arrive at the funeral director who are also expected to have adequate facilities.

SAIF research indicates that many of our members have resisted increasing prices for three and sometimes four years and have absorbed large portions of costs from areas described.

We note your position that the costs of financing and operating a funeral service is not your concern, however, it cannot be ignored when such costs have a major impact on pricing. To ignore this in your Interim Report distorts your analysis and conclusions. Costs of operating a funeral service must be considered in any future MIR.

We have no additional comment to make regarding cremation services other than that made above.

2. Do you agree with the CMA's proposal to exercise its discretion to make a reference in relation to the supply of services by funeral directors at the point of need and to the supply of cremation services?

SAIF Response

SAIF agree with the need for a review of funeral services and cremation services at the point of need. However, it is SAIF's position that the scope of any review must include those areas highlighted in our response to question 1. Additionally, it must also include the 'care model for clients' which measures the quality of service and allows for a truer comparison in value. To only consider the 'Consumer Economics model' is to ignore the differing levels of quality in service, products and facilities which are key drivers in a competitive market.

We are concerned that a review of funeral director services resulting in draconian remedies may lead to up to one third of smaller independent operators closing or selling to larger competitors, particularly those serving rural communities of England, Scotland and Wales. This would have a devastating effect on these communities, distort the market, remove choice from the consumer and impede competition. Great care must be exercised to mitigate any impact.

- 3. Do you consider the proposed scope of the reference, as set out in the draft terms of the reference in appendix F, would be sufficient to enable any adverse effect on competition (or any resulting or detrimental effect on the consumer) caused by the features referred to in the interim report to be effectively and comprehensively remediated?**

SAIF Response

We do not consider the proposed scope of reference is sufficient to enable any adverse effect on competition to be comprehensively evaluated as it does not include broad enough reference to costs set out in our answer to question 1. These areas are fundamental in reviewing the full funeral market and impact on services for a funeral as shown in number 4 of appendix F.

- 4. Do you consider the features, which the CMA has identified, that may prevent, restrict or distort competition are capable of being effectively and comprehensively remedied by undertakings in lieu of a Market Investigation?**

SAIF Response

We do believe the features identified by the CMA are capable of being effectively and comprehensively remedied by an undertaking covering all SAIF members. SAIF are prepared to work with the CMA to agree the details of such an undertaking. Compliance can be monitored through a range of measures such as:

- Published bi-annual inspections.
- Annual price reports.
- A primary authority for complaints.
- Strengthened Code of Practice.
- Improved quality assurance programme.
- Independent auditing of SAIF members.

However, we do recognise that such undertakings can only apply to members of trade associations and different remedies must be in place for non-members.

SAIF has demonstrated its' willingness to work with authorities to achieve a more regulated sector, best evidenced by S.SAIF who since 2014 have worked alongside the Scottish Government to revise and bring forward new legislation relating to all aspects of death and the funeral sector. Over the last eighteen months they have worked closely with the Scottish Government and the Inspector of funerals, Natalie McKail, in developing a Statutory Code of Practice, enforceable on all funeral directors operating in Scotland. S.SAIF has indicated support for the licensing/registration of all funeral director businesses to control standards of service to the consumer and quality of care to the deceased. S.SAIF are further supporting



the development of a 'guidance on price' aimed at funeral directors to make it easier for the consumer to understand differences in service and accurately compare prices.

We note your comments that the 'guidance' is not statutory however it is the intention of S.SAIF to encourage its members to adopt the 'guidance' which will be included in any quality assurance inspection criteria. We also note your comments on the Code of Practice only being concerned with care of the deceased. The Code has yet to be finalised and will soon be out for public consultation. Whilst care of the deceased does feature largely in the Code it also covers areas of transparency, record keeping and accurate and full consumer information on service and price amongst others. This document will be statutory as required by the Burial and Cremation (Scotland) Act 2016 and will address many of the concerns raised in your interim report.

Although this legislation will only be enforceable in Scotland it is the intention of National SAIF (N.SAIF) to fully adopt the Scottish regulations for its members throughout England, Wales and Northern Ireland once the Code of Practice is instituted ensuring much of your concerns are addressed by our members throughout the whole of the UK.

It is further our intention to work towards the standardisation of descriptions of the five core elements of the funeral namely:

- Coffin.
- Transfer from place of death.
- Care of deceased.
- Hearse on funeral.
- Taking instructions and arranging all services.

This will allow for easier price comparisons by consumers across SAIF independent funeral directors and addresses the concerns expressed in the Natural Death Centre's response to the CMA statement of scope. It is also our intention to make on-line publishing of price mandatory for those members with web sites subject to the Annual General Meeting in March 2019.

We believe the measures outlined in this section will address the concerns aimed at SAIF in the interim report sections 4.82-91.

We would hope the CMA will consider making these measures mandatory across the whole funeral sector.



5. Do you have any views on our current thinking on the types of remedies that a Market Investigation could consider? Are there other measures we could consider?

SAIF Response

SAIF considers the rules on transparency of ownership needs to be extended to include

1. All forms of advertising and;
2. Underlying ownership to be more prominent on company signage.

Many larger funeral companies continue to trade under the independent business name following acquisition. This is understandable as the goodwill which the new owner has paid for is vested in that business name.

However, it has already been identified within the CMA interim report that the corporate funeral directors are more expensive and have varying quality standards when compared to the independent sector. Although the acquiring company may comply with legislation on transparency of ownership, this is often only fulfilling minimal requirements such as disclosure on a website, small print on letterheads etc. Unless a consumer really looks hard, or visits the premises, discovering the true ownership of a company is not easy for them. The risk to the consumer here is by the time they find out the true identity, they may have already engaged the services of this company believing it still to be in the original local ownership and not realising the change to a multinational with all the increased price ramifications and whom they may not wish to deal with.

Measures to include full ownership disclosure on advertising and company signage will improve consumer awareness allowing for more informed consumer choice and improved competition.

5.1 Standardisation of pricing by way of a template with a breakdown of costs:

SAIF already requires its members to provide a fully itemised written estimate to all clients and this is embedded in its Code of Practice. A template for this estimate standard is available to all members via the member's area of the SAIF website.

SAIF will be working on a template across our membership and we would wish a common standard to be supported across the funeral sector, as mentioned the Scottish Government is already at pace producing guidelines for this with S.SAIF on funeral cost descriptions, and this will identify a workable template that describes the full services of funeral directors that is accessible for the consumer to comprehend, as well as a thorough breakdown of funeral costs, professional fees and disbursements.



5.2 Consumer behaviour and the taboo subject of “end of life”

It is clear that despite many years of funeral services and in a limited fashion the UK Government have sought to address this subject of one’s end of life wishes. We acknowledge that this will require more endeavour from the UK Government supporting the trade associations and consumer groups to sensitively promote end of life planning.

Whilst a growing number of consumers are facing this important planning, others wilfully do not do so. In such cases, it is incumbent on SAIF and the NAFD to have a role in protecting the consumer from unscrupulous behaviour from a minority within the funeral profession by taking advantage of a vulnerable client in a state of distress. SAIF has been working with the UK government over decades with the former Office of Fair Trading in developing its Code of Practice in the 1990’s and 2002.

We are committed to developing and enhancing the necessary protections through SAIF membership, and as mentioned when the Scottish Government produce their final Funeral Code of Practice, SAIF intends to use this as a basis across its UK membership.

SAIF’s Quality Assurance Programme requiring member firms to submit to full premises inspections every two years, is being reviewed. We seek to strengthen the regime to further enhance and regulate members’ behaviour with distressed clients.

The SAIF Executive Committees will be approving a new customer charter, a promise on which consumers can measure funeral director’s practices against a charter of actions.

We welcome the CMA’s input to SAIF’s programme of improvement and alongside this there will be a change of rules to include mandatory online pricing for those with websites.

5.3 Understanding different price increase influencers

The CMA Interim Report claims there is no evidence to suppose increase in costs of providing a funeral service justifies the increases in price by funeral directors.

To understand the drivers behind price increases it is necessary to understand the unique but fundamental factors within the industry that support its pricing strategy.

1. The at-need funeral market is finite. Additionally, the funeral director cannot create a need for the product as it is only required when a person dies. Both of these factors are out of the funeral director’s control and the market is therefore re-active as opposed to other products and services which are normally pro-active markets.
2. Due to high fixed costs the profit earned per funeral is disproportionate as volumes grow. Simply there are no profits until the fixed costs are covered and then the profit is almost at the level of gross income per funeral. This means that once the fixed costs are covered the total profit grows as a higher rate as the volumes grow. However, the

reverse is also true; as funeral volumes decrease the profit reduces at a faster and sometimes alarming rate. E.g. A Company over a year may show an average profit per funeral of £350. However if the business has a break-even point on fixed costs of 75% of its annual funeral volume, then it is only the final 25% of the funeral volume coming at the end of the trading year that is generating that profit. If the death rate falls and the funeral business fails to win the 25% of its funerals, it has a disproportionate effect on the overall viability of the business.

3. There are only four drivers for improving or maintaining financial performance.
 - a) Acquisition.
 - b) Organic growth.
 - c) Cost reduction (or economies of scale – not available to many independents).
 - d) Price increase.

Some may also consider added value products however whilst added value products and services are important the effect is insignificant when related to the four above.

Obviously the first two are costly and time consuming whereas point C if overdone can affect service levels leading to volume loss resulting in the opposite effect. This leaves price increases the easiest and most effective way to immediately impact financial improvement. However, it is not without its pitfalls as over time and if pushed too far it can lead to volume loss which can then lead to a vicious circle, i.e. price increase-volume loss-reduced financial profit-price increase.

PLCs and friendly societies have unique external pressures which require them to ensure year on year improvement in financial performance.

In contrast the majority of independent funeral directors are not motivated by the need for consistent annualised growth and improvement in their year on year financial performance. Instead they focus on maintaining their prices at a competitive level, controlling costs and are often more motivated by continued vigilance over their community support and relationships. Simply maintaining their financial performance is all that is sought.

Few independent funeral directors engage in acquisition with the majority relying on organic growth through a spread of reputation, recommendation and some SME firms will consider new locations to support growth, but they are few.

Price increases are used to reflect increases in costs i.e. rent, rates wages, fuel, energy etc. and capital investment in equipment to maintain their care standards, improve service and performance. There is ample evidence within the SAIF members to show this and as previously stated SAIF are willing to assist with obtaining this information for your consideration.



We believe in doing so it will clearly show a need for any conclusions of the MIR to have two layers of remedy to reflect the two tiers of operation between corporate and independent funeral directors.

- 6. Quality of care of the deceased: we have received anecdotal evidence that there may be varying standards of care being applied by funeral directors and would like to understand how widespread such issues may be. We would therefore like to hear from people who have witnessed standards of care which they consider to be unacceptable.**

It is well known within the sector that there are different standards being applied in the care of the deceased. It is possible to hide bad practice in this area as the funeral director is trusted by the consumer and is regarded as an experienced and knowledgeable practitioner. Sadly, nothing could be further from the truth. The consumer generally believes what they are told by the funeral director and if they are advised not to see the deceased, they will generally take that advice. This allows the less professional funeral director to provide minimum and in some cases no care. Additionally, the introduction of direct cremation and low price, restricted service companies perpetuate this bad practice.

Correct care of the deceased is a paramount consideration for SAIF and great attention is paid to this area of our members work. In Scotland, S.SAIF has introduced measures to ensure our members have full and proper facilities to perform these duties.

These standards include:

- A dedicated mortuary with two sinks, hot and cold running water.
- Easily cleaned floor and wall coverings.
- Mandatory on-site refrigeration facilities to the capacity of one space per 50 funerals per annum.

In addition, our quality standard criteria are being revised to meet the standards of care required in the Scottish Governments Statutory Code of Practice. This requires all deceased to be prepared to the specification determined by the Trade Associations and will in future require compliance from all in the sector whether you are providing a full ethical service or simply a disposal service. This is another driver for SAIF's support of licensing as it will ensure those coming into the sector will face a 'fit and proper' person test and will also ensure a minimum level of knowledge and skills.

These all go to improve service levels and provide consumer confidence and protection.



- 7. Issues specific to religious groups that are not covered in this report: we have focused our work on the transactional aspect of funerals involving funeral directors and crematoria. We believe that the issues we have identified in relation to those specific aspects would essentially be similar across all faiths. We are keen to find out whether we may have overlooked any issue of relevance and will seek to engage actively with the representatives of the major faiths.**

We have no comments to add in this section, except to say all faiths and none, should be provided for. Our comments regarding faith led traditions of burial and the need for burial to be included in the scope of the CMA investigation has been made earlier in this response.

Concluding Remarks

Finally, there is a warning that many independent funeral directors could disappear through closure or the selling of the business with over bearing draconian directives from the CMA, as much as a third of the independent sector. And we note that the vast majority of independent funeral directors who are part of a trade association have long limited their pricing to inflation indexed rises or less; and serve their communities unstintingly as a vocation without recourse to corporate shareholders, they are largely family businesses, who reinvest reasonable profits into state-of-the-art facilities. We would not wish for unintended consequences to distort the competitive landscape of UK funeral directing with the impact of an MIR outcome that saw the demise of the independent sector that continues to serve transparently and authentically over 60% of at-need funerals, where over 99% of clients are satisfied with the service they receive.

We look forward to working with the CMA to deepen the evidence to substantiate and refine the structural revisions that are necessary in the funeral sector and assure the CMA, that we are ready to assist.