

FUNERALS MARKET INVESTIGATION

Summary of hearing with National Society of Allied and Independent Funeral Directors (SAIF) held on Thursday 18 July 2019

Introduction

1. SAIF explained that its membership ranged from little one-man businesses to relatively large companies with a number of branches. Consequently, there was a great variance in terms of its membership's capabilities, while highlighting a shared ethos of being available 24 hours a day, 365 days a year holding the service they provide and care and support they offer at the fore. SAIF said funeral directors in the main are 'fairly unique in providing very much a personal service, which differentiates us from other industries'.

Market background

2. SAIF believe that the industry has changed due to the change in priorities of the consumer. To illustrate these changes by example, SAIF research, based on a sample of 50 funerals carried out by one funeral director firm (based in England), found that in 2008 the average time between the date of death and the date the family had called in to discuss the funeral arrangements was 4.38 days. In 2018 the average time was 8.54 days. SAIF explained further that in 2008 there was an average of 15.72 days between the date of death and the actual date of the funeral. In 2018, that figure had increased to 29.82 days. This meant that the profession was having to look after the deceased for a longer period which resulted in more costs for premises, refrigerated facilities and increase in staff time.
3. SAIF also said that there had been a move to more secular funerals; of the 50 funerals that it sampled in 2008, 47 of them were religious and had a minister of faith leading them, one was secular and, two, the family did their own thing. In 2018, only 20 were faith based.
4. SAIF said that families were more determined in what they wanted. For example, people were willing to put back the date of the funeral until they are able to secure their preferred time slot at the crematorium, typically between

11am and 2pm. SAIF also noted that families would now wait for everyone to be present at the funeral, with work priorities and family holidays, being prioritised ahead of a funeral. The impact on the profession had been that its members now have to had bigger levels of refrigerated capacity to look after people a lot longer.

5. CMA asked what happened to the body between the date of death and the family making the arrangements? SAIF said that if the death was unexpected, the deceased would remain with the coroner. Once the coroner had established the cause of death, the body was then released to the family and their appointed funeral director. If the death was expected, the funeral director might take custody of the deceased shortly after the point of death.
6. SAIF confirmed that if the death occurred in hospital, the deceased would be cared for in the hospital mortuary until the body was moved to the funeral director of the family's choice. For a non-hospital death, in the case of an expected death where the decline was gradual, some thought would have been given by the family to who to appoint to care for the deceased, decided upon and be evidenced somewhere in the customer's care plan records. In the case where a sudden death had occurred, particularly a death of a young person, because of the level of shock it may be several days before the family is in a position to make any decisions. In such circumstances, they might seek advice from friends, family or local GP for guidance.
7. Where the death had occurred in a hospice or nursing home and they did not have mortuary facilities, there might be an arrangement with a local funeral director to remove the deceased, whether that funeral director was the chosen funeral director or not. Subsequently, that funeral director might find that they ended up carrying out the funeral.
8. SAIF said that pre-planning, the individual taking ownership of the arrangements and paying for their own funeral arrangements, was a part of the market that had grown substantially over the last 30 years. SAIF noted that decisions were actually made by the individuals themselves often many, many years before their funeral was required.
9. The CMA asked about the level of investment required to accommodate the lengthening time that funeral directors were required to accommodate the deceased? SAIF said that for one of its member businesses, looking to treble its refrigerated capacity to 75 bodies, the cost of building construction, getting the mortuary to the right standard, improving and upgrading embalming facilities, and other associated costs would cost in the region of £250,000 to £300,000. SAIF noted that its smaller members would find it difficult to afford this scale of investment and, if demand on their facilities increased, would

probably have to leave the deceased in the hospital mortuary for longer. SAIF noted that some hospitals did not have their own mortuary facilities. Where there was pressure on hospital mortuary facilities, coroners would put out a tender for funeral director businesses to provide them with overflow mortuary facilities.

10. The CMA commented that there appeared to be quite significant price increases in the sector, up until the last few years with prices now levelling off. One representative from SAIF, speaking from their personal experience and other associated companies in the membership that he had spoken to, said that the price of a funeral had only increased by the inflation rate. SAIF commented further that the CMA could not attribute all funeral cost rises to funeral directors because between a third and a half of the costs of that bill were incurred by third party providers. For example, SAIF said cemetery fees and crematorium fees had gone up between 7 per cent and 12 per cent a year versus the 2 per cent or 3 per cent that the funeral director had put on their own charges. SAIF said that the overall effect on the funeral account that went to the client was a big increase, but this was not all down to the funeral director. SAIF also noted that substantial new entry over the period into the sector had tempered funeral director profitability.
11. However, SAIF did recognise that, in the seven to eight years leading up to the last two years, there was perhaps a greater latitude for funeral directors to put slightly bigger price increases through because there was not the scrutiny on funeral prices that there is now, noting the two government inquiries into the profession currently underway. SAIF said that some funeral directors had likely taken advantage of that more than independent businesses. SAIF also noted that, in the last two years a lot more competition has entered the market, both at the pre-need and at at-need levels. [3<].
12. The CMA asked why there appeared to be very little exit from the market. SAIF said that historically, 'there was very little competition and so generally the funeral directors in a given area were quite comfortably trading along in their usual manner' but in recent years 'no doubt that there is far greater competition', 'the conglomerates have been far more aggressive in opening branches; and taking over many independent funeral directors, who may have gone out of business, if it had not been for them being taken over by those companies.' SAIF said there was a greater competitive threat to smaller, independent companies than there had been in the past.
13. When asked if SAIF thought, ignoring any CMA inquiry, whether the number of funeral directors would decrease in the future, SAIF said that there was a greater chance that this would happen. The idea that businesses were handed down from generation to generation was waning to a degree, and

corporates were being predatory, buying out businesses, but continuing to trade under the old family name, so it might look like nothing had changed, even though there had been a change of ownership.

14. SAIF considered that there was 'a very great risk' at the smaller end of the independent market. It was concerned that changes in the sector, resulting from the imposition of new regulation in the next three to five years by the CMA and FCA, could mean that some funeral director businesses would choose to retire and leave the market. This would potentially shrink the independent segment of the market that provides better value, in terms of price versus service standards, which would enable corporate operators to raise funeral prices.
15. SAIF also noted that there was some evidence of the large corporate that had opened branches in certain areas now closing them. Further, SAIF understood that Dignity 'was not acquiring at the moment' and, in some cases, handing back leases and not taking on new three, four, or five-year coroner contracts.

Pricing information/transparency

16. SAIF said that one reason for the delay between time of death and contacting a funeral director was a degree of poor information being given to families when dealing with coroners' offices, hospital bereavement officers and so on. SAIF gave the example that the bereaved should be made aware that even though the deceased would not be released to the funeral director, that this did not prevent them from organising the funeral or contacting a funeral director.
17. SAIF said that those that had organised a funeral and that did not have a prior relationship with a funeral director, would do their own research, often on their phone. SAIF had noticed that those funeral directors who had a good website, where information was accessible and there was transparency of costs, tended to be the funeral directors that families contact.
18. SAIF said it was keen to ensure that all its members published their prices online. SAIF said that 10 per cent of its membership did not currently have any web presence, and some only had a Facebook page. The CMA asked why it was taking so long for some of its members to establish an online presence and put its prices online. SAIF said that 'the funeral profession never does anything quickly', but that it was also trying to overcome a late-adopter attitude, perhaps because of fear and view that it had not been necessary in the past. SAIF also said that there was 'a resistance to putting prices online' by some of its members, perhaps because there is a fear that

competitors would view their prices online and subsequently charge less. SAIF said that it was aiming, in the next 12 months, to make it a mandatory requirement for all of its members to publish their prices online.

19. The CMA asked whether it was feasible for the industry to have a template for a simple funeral to which prices could then be attached and published. SAIF said that its Code of Practice already contained a description of a simple funeral and that this had been in its Code for a number of years.
20. SAIF explained that it was at the draft stage of developing a customer Charter. The Charter would serve as a value statement for its members, protecting consumer rights. SAIF hoped to adopt the Charter by the end of 2019.

Quality regulation

21. SAIF said it was encouraged by the statutory code of practice that was published by the Scottish Government, particularly in relation to the care of the deceased. SAIF noted that being a funeral director required care of the deceased and also care of the next of kin. There was a great emphasis on care of the deceased in the code which SAIF applauds. However, SAIF said they did have some concerns, one of which was the requirement on funeral directors to produce a business continuity plan that would need to be reported to the Inspector of Funeral Directors. SAIF had originally hoped that SAIF and the NAFD might have had a place in terms of the Quality Assurance scheme, but the reason given for not using the trade associations' experience and inspectors related to the 20 per cent of the market that were not members of any trade association.
22. SAIF said that it agreed that funeral directors should keep records of the journey of the deceased, that there should be mandatory requirements for refrigeration and minimum levels of equipment requirements. SAIF said it was worried about the impact of compliance costs on its members. Similarly, SAIF said it was concerned about the potential costs associated with a licensing and/or regulatory regime, which could inflate costs and cause people to decide to leave the market.
23. SAIF also believed that the trade associations, SAIF and NAFD, were a good influence on the sector, through their quality assurance programmes, and concerned that a regulatory code of practice might not have the same positive effect as could be achieved through self-regulation and inspections. As an example, SAIF said that it took new businesses, as probationary members for a year and would work with them to ensure that they were doing things properly.

24. When asked if compliance costs would make some businesses unviable, SAIF said it was too early to say. SAIF said it might not be any particular action which caused businesses to tip over, but the cumulative effect of increasing regulation over the sector as a whole.
25. SAIF also noted that it was disappointed that the Scottish code of practice did not include any education requirements. SAIF thought it was inappropriate that anyone could open as a funeral director without any training or qualifications.
26. The CMA noted that in its response to the interim report, SAIF had said that 'it is well known within the sector that there are different standards being applied in care of the deceased and that it is possible to hide bad practice in this area as the funeral director is trusted by the consumer'. The CMA asked what evidence SAIF had to support this view.
27. SAIF said that approximately 20 per cent of firms were not under SAIF's 'or any funeral director's inspectorate' so it could not say what standard and quality they were upholding, but that it did address any issues that it identified with its own members. SAIF suggested that hospices would be a useful source to gather more information as their nurses would have exposure to how the deceased was handled.
28. SAIF said that the general way that the funeral profession worked, was that a large part of the work done was outside of the public view. This meant that it was possible to hide bad practice through that invisibility. SAIF noted that, where bad practice did become known, either through families, a GP or hospital, complaining to SAIF, that it dealt with it directly with the funeral director concerned.
29. SAIF believed that there should be some form of quality standard and inspection regime. However, it noted that any inspection that took place would only be able to provide a view of what happened behind closed doors at the time of the inspection. It did not necessarily mean that the following week, when the inspector had gone, those standards would continue to be adhered to.
30. When asked about how the customer can be given more comfort or made more aware of quality issues, SAIF said that it encouraged its membership to hold open days where they invite members of the public to come in and explore their premises and ask any relevant questions. This helped customers feel confident with the services provided. SAIF said that it had thought about introducing a rating system for its members.

31. SAIF said that it believed that all funeral directors should have refrigeration facilities, it was just not fair on the deceased if not. The CMA asked whether funeral directors shared back-of-house facilities or would do so in the future. SAIF said that there were already service level agreements in place that enabled this.

Self-regulation

32. SAIF confirmed that funeral directors expelled from a trade association could continue trading as a funeral director. SAIF commented that the benefit of a statutory inspection regime over a voluntary code would be that the inspector would have the power to shut the business down and that this would also have a deterrent effect.
33. SAIF explained that it inspected its members every two years. However, if it received a serious complaint/allegation about a member, then its National Executive Committee could call an inspection to take place immediately. In addition, any new member would be inspected when they joined SAIF. SAIF said its inspection regime was currently requiring the highest standards of any inspection regime, including the NAFD.
34. SAIF said that it was quite attracted to a more risk-based approach to inspection. While SAIF was confident that two-thirds of its members were 'running exceptionally well' there were 'persistent issues with some members'. A risk-based system would enable it to target members where there were persistent issues, carrying out more frequent inspections. Members that were performing to a good standard, would be subject to less frequent inspections on a three to five-year rotation.
35. SAIF explained how its independent arbitration scheme worked. SAIF checked to make sure the funeral director had provided the customer with the Code of Practice as part of the general information that was given. If a complaint was made, it was referred to the Professional Standards Committee for consideration. If the customer was dissatisfied with the decision, they then had the option of going to conciliation or arbitration with the Centre for Effective Dispute Resolution. SAIF said its complaint process was easy to use.
36. SAIF said it received 'about 60 complaints year' out of a SAIF membership approaching 900 members, of which 'two or three' a year went to arbitration. The CMA asked whether the low number of complaints was a true reflection of satisfaction. SAIF said that the vast majority of complaints would be dealt with directly between the client and the funeral director with no need to contact SAIF.

37. SAIF said, if it upheld a complaint against a SAIF member, it had the power to suspend, expel as well as waive charges and ensure that refunds were given if need be. This would be 'quite a big deal' for most of its members as SAIF membership was also a quality mark and independent endorsement of the standards. CMA asked whether SAIF publicised their action to make consumers aware that SAIF had taken enforcement action. SAIF said, because the profession was so highly reputationally sensitive with firms having spent many years building their reputation, that publicising SAIF enforcement action could have 'quite a devastating effect' on the business concerned.
38. SAIF said that people should be encouraged to prepare in advance for a funeral. Intermediary organisations had 'helped tremendously in recent years' SAIF noted that taboo around death were reducing, perhaps because of the internet, and that it was getting easier for people to talk about what they wanted from a funeral, noting that 'the whole conversation around death and funerals and being prepared...is absolutely vital and important'.

Issues raised by SAIF

39. SAIF believe that the funeral director was not seen as an essential element of the funeral in the eyes of government. They argued that over 95% of people turned to a funeral director to support them and help them with the arrangements.

Crematoria

40. SAIF said that many new crematoria had been built in the last few years. Previously, due to a lack of choice, crematoria prices had increased dramatically, and the standards of facilities had been poor and neglected. Because there were more options available now, there was now some competition on price and quality standards at existing crematoria.
41. SAIF said that the funeral director would make the family aware of the crematoria options that were available to them. However, the majority of the public would still be inclined to use the most local crematoria because of a historical family connection.
42. SAIF said that there were many other factors influencing the family's decision, such as location of crematoria, time slots available, capacity and price.
43. SAIF considered that private crematoria had 'a much higher standard of finish quality than public [crematoria]', noting that a lot of public crematoria were built in the 1950/60s and were still operating 'in those old buildings'. SAIF said that, because local authorities had not had budgets, they had not 'refurbished

as much as they should have been over recent years'. Because funerals were getting bigger, there was demand for greater seating capacity. The growth in secular-types of funerals meant that churches that did have space for large numbers of people were falling out of favour.

44. SAIF said it had negotiated prices with crematoria in the past. An example was given of when negotiations took place with a local crematorium about the price for direct cremation. The crematorium's normal fee was around £[redacted] for a popular time slot going down to approximately £[redacted] for a slot at the beginning or end of day. Because, for direct cremation the chapel was not used, the price was brought down to £[redacted]. SAIF negotiated the contract with the intention to put together a low-cost option for families that were struggling.
45. SAIF said that it was aware of a SAIF member trying to negotiate a reduction in price for a traditional funeral, but they had not been successful.
46. SAIF said that the nature of competition between crematoria, and whether customers had much choice, varied across the country.
47. SAIF said that most crematoria websites had their basic prices listed, but not necessarily for 'all memorials and the like'.

Remedies

48. When asked about potential remedies, SAIF said that the 'radical one' would be to allow funeral directors to have cremators on-site within the funeral home, as was the case with the US model.
49. SAIF commented on the lack of transparency of where the body of the deceased was being held, explaining that corporates may have a central hub system where the deceased were kept. SAIF said it was important that the family was aware that this was the situation.
50. SAIF said it was concerned about direct cremations and newcomers into the market being able to carry out direct services without any premises or without any experience. SAIF said funeral directors had to be of a certain standard to be able to care for the deceased. SAIF was not saying new entrants without the infrastructure that existing funeral directors had should not be able to trade, rather new entrants needed to be transparent about what they were doing. For example, if the deceased was being kept on site or at a hub location. The family should know where the deceased was. The funeral director should make sure the family was aware of this.
51. SAIF said that many people misunderstood what a direct cremation was. When people asked for a direct cremation, what they were actually asking for

was a simple funeral with attendance and a service just going directly to the crematorium from the funeral director's premises. Further, a direct cremation did not necessarily give the family an opportunity for emotional closure. For these reasons, SAIF did not envisage that direct cremations would become a substantial part of the market in the near future.

52. SAIF said transparency of ownership of businesses was also important. It was still the case in the sector that family-run funeral director businesses acquired and owned by a large chain would still be trading under the original name. SAIF said that this was 'deceptive' as these businesses were not being run by a family, but by a corporate entity.
53. SAIF said that it recognised the work that the CMA and other organisations were doing to help improve the funeral industry was important, but asked that the CMA consider the impact on smaller businesses when implementing any remedies. SAIF said that if independent funeral directors exited the market it would distort competition in the market such that prices would rise.