

FUNERALS MARKET INVESTIGATION

Summary of the response hearing with SAIF held on Thursday 8 October 2020

Introductory comments

1. The National Society of Allied and Independent Funeral Directors (SAIF) was established in 1989 to safeguard the interests of independently owned funeral directors. It explained that its membership consists of small and medium sized businesses, a large proportion of which conducted a very small number of funerals a year. Many of SAIF's members are single branch businesses that are deeply embedded within, and highly valued by, the communities they serve.

The market

2. SAIF said that the market was highly fragmented. The three large corporate companies accounted for 2,000 branches or 33 per cent of all funeral homes, with independent funeral directors comprising the remainder of the sector.
3. SAIF said it was not possible to define a standard funeral because it was all about what the customer wants. SAIF members provided a bespoke service which had to take into account the complexities of arranging funerals for communities with different faiths or traditions. SAIF had found that since March 2020, the bereaved were increasingly requesting simple funerals.

Adverse effect on competition (AEC) finding

4. SAIF said that the CMA had visited less than one per cent of independent funeral directors, arguing that the CMA could not extrapolate an AEC across the whole sector when there were huge differences between the corporates and independents. Any remedy should target the AEC identified, which in this case were the high prices charged by the large corporates. SAIF considered that remedies challenging the behaviour of the corporates would "...bring more consumer choice and availability to the funeral sector overall".

5. SAIF agreed with the CMA's proposition that consumers were vulnerable at the point of purchasing a funeral and noted that the evidence the CMA had about upselling related to over-charging by the large corporate companies.
6. SAIF said that some of the proposed remedies would have a disproportionate effect on the small and family owned businesses, in terms of the cost burden placed upon them, and that this "...would affect incentives to enter the market and to expand and thrive". SAIF said that it would have "...expected a remedy that would nudge and tilt the market in favour of helping SAIF members, not harming them".

Regulation

7. SAIF told us that the trade associations played a significant role in voluntarily regulating funeral directors. SAIF said that it had over 965 members across the UK operating from 1,800 branches, meaning that it voluntarily regulated 50 per cent of independents (or 35 per cent of the sector as a whole). The National Association of Funeral Directors (NAFD) had 4,000 members (or 30 per cent of the sector). As such, SAIF considered that a significant portion of the sector was already regulated.
8. SAIF said that, while it supported improvements to the standards within the funeral sector, it was concerned about the costs of a registration scheme and, more specifically, the cost and the expertise of those conducting the inspections. SAIF said that it operated a quality assurance programme and confirmed that it had expelled members because of a lack of appropriate standards.
9. SAIF believed that the costs associated with the imposition of the additional regulation would lead to consolidation in the sector, with the independents seeking to sell their businesses to the corporates. SAIF noted that the best evidence pointed to the corporates being the source of consumer harm.
10. SAIF said that it had recently agreed a code of practice for funeral directors with the Scottish government (which had not yet been implemented). SAIF said that it could perform "a monitoring trustee role for the CMA". SAIF considered that this would avoid having to set up a new regulatory regime from scratch and would work well.

Price transparency measures

11. SAIF said it would be too onerous for a funeral director to have to explain three packages to the bereaved, especially in circumstances where the family knew what they wanted, or, in cases where their requirements were fixed due

to religious considerations. SAIF was supportive of the CMA's transparency measures in relation to simple funerals and unattended cremations, but not those relating to standard packages which would favour those best at marketing standard packages, namely the corporate funeral directors. The Panel Chairman explained that 'the suggestion that we were going to prohibit anything other than standard packages and require the production of standard packages was, clearly, wrong'.

12. SAIF supported the publication of a standardised price list. It said that the price list should include "core disbursements" (ie crematorium or cemetery, doctor, clergy and/or celebrant fees). However, it objected to the proposal that pricing information should be displayed in the shop windows of its members. As part of its Code of Practice its members were required to display their prices in their offices. Pricing information could also be obtained on the phone or by email.
13. SAIF said that all its members would be required to display prices relating to a simple funeral and an unattended cremation or burial on their website or digital platform from 31 March 2021 as a minimum standard. SAIF added that if its members had a bespoke package and wished to put that online, they would be free to do so.
14. SAIF said that the CMA's proposed transparency remedies were based on the assumption that price was the major factor when selecting a funeral service, but this was not SAIF's experience. The CMA's own research, carried out during the market study phase, showed that customers were primarily driven by quality of service and personal recommendation, not price.

The requirement for financial reporting

15. SAIF thought that the proposed requirement for ongoing statutory financial reporting would be too onerous and costly for many of its smaller members because they did not have the capacity to generate the types of financial reports required. The CMA's proposed monitoring, in combination with the upcoming Financial Conduct Authority (FCA) investigation, had caused anxiety among independent funeral directors such that some might consider exiting the industry. SAIF said that it expected "some further exit" when legislation comes into effect in Scotland. SAIF considered that the proposed monitoring requirements should be targeted at funeral directors conducting "anything over 500 funerals a year". *[SAIF subsequently advised that their position was that the monitoring requirements should be targeted at firms with 50 employees or more].*

Potential future market investigation reference and price controls

16. SAIF said that it did not believe and did not wish for there to be another market investigation. SAIF said “Price regulation would be difficult to implement in practice; it will prefer standardised offerings, and that will favour the corporates and skew the market”. SAIF commented that while a price cap might reduce the prices of corporates, some independents would be below the cap and that this might result in a cost increase for consumers.

Concluding remarks

17. SAIF considered that the proposed remedies would have disproportionate effects on small and family owned funeral directors. In addition, they were not as pro-competitive and pro-consumer as they should be, and the disproportionate elements that were likely to create harm to the independent funeral directors, such as the standard package, should be removed from the CMA’s proposed remedies package. The CMA should instead consider a ‘nudge remedy’ to target the source of the AEC (in its view, a result of upselling and over-charging by the corporates).
18. SAIF said that 2020 had been an incredibly difficult year for independent funeral directors and COVID-19 had impacted on them enormously, changing consumer trends and tastes, and the way funerals were conducted. The pandemic had also subjected funeral directors to additional staff, financial and operational pressures on their businesses. SAIF said that “the PDR has increased the pressure on independent funeral directors and added to their anxieties about their future considerably”.